

2015
REGISTRATION
DOCUMENT

A JOURNEY *TO* SUCCESS

valneva

Valneva

Registration Document

(Including the Annual Financial Report 2015)

A European company (*Societas Europaea*) 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 May 11, 2016, in accordance with the provisions of article 212-13 of the AMF General Regulations. 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 the European Regulation No. 809/2004 dated April 29, 2004, this Registration Document incorporates by reference the following information:

+ For the fiscal year 2014, the Registration Document of Valneva filed with the AMF on June 16, 2015 (No. D.15-0614) includes: the historical consolidated accounts, the Auditors' reports, the Annual Management Report (in particular in Section 1.4.3 of said Registration Document) and the financial highlights.
+ For the fiscal year 2013, the Registration Document of Valneva filed with the AMF on April 29, 2014 (No. D.14-0444) includes: the historical consolidated accounts, the Auditors' reports, the Annual Management Report (in particular in Section 1.2.4 of said Registration Document) and the financial highlights.

*For the purposes of this Registration Document, unless otherwise stated, Valneva SE is individually referred to as "**the Company**". Valneva SE, together with its subsidiaries, are referred to as "**the Group**", "**the Valneva Group**", or "**Valneva**".*

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GENERAL INTRODUCTORY COMMENTS

This Registration Document contains forward-looking statements about the Group's targets and forecasts, especially in Section 1.4.4 (b). 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 & 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 (b) 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

FY 2015 Revenues & Cash balance
February 24, 2016

Final T4 & FY Results 2015
March 21, 2016

Q1 Results 2016
May 11, 2016

Annual General Meeting
June 30, 2016

Ex-Dividend Day*
July 8, 2016

Record date*
July 11, 2016

Dividend Payment Date*
July 12, 2016

H1 2016 Results
August 31, 2016

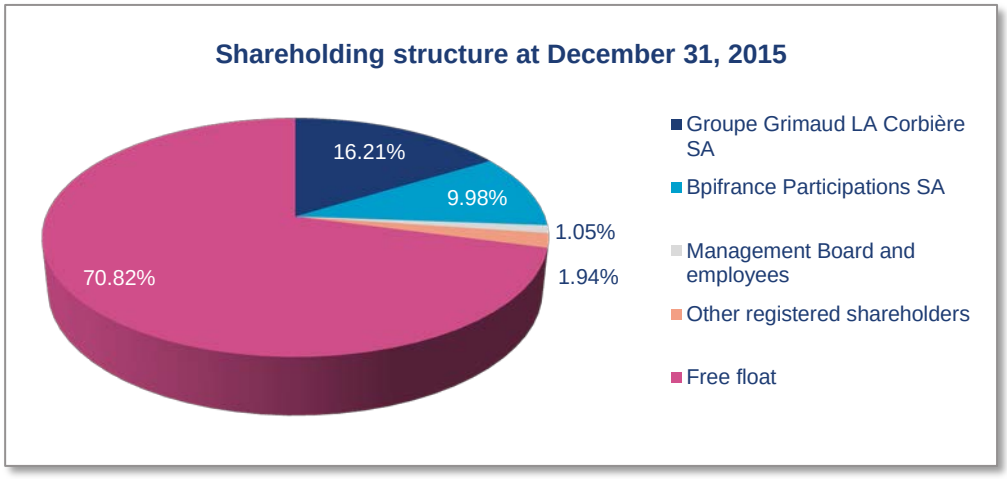
Q3 2016 Results
November 9, 2016

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

* The Ex-Dividend date, the Record date and the Dividend payout date are only given to comply with the requirements of the Austrian Financial Market Authority and do not guarantee that the Company will pay a dividend.

COMPANY STOCK MARKET AND SHAREHOLDING INFORMATION

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



The shareholding rates are calculated in reference to a total share capital of 74,698,099 Valneva ordinary shares with a nominal value of €0.15 each. Valneva preferred shares (17,836,719 shares with a nominal value of €0.01 each) and Valneva convertible preferred shares (1,074 shares with a nominal value of €0.15 each) are not taken into account in this calculation.

There have been no significant changes in the shareholder structure since December 31, 2015.

VLA.PA and VALNEVA SE ST share price trends and trading activity in 2015



At December 31, 2015, the Company had a market capitalization on Euronext Paris of approximately €284 million.

1. PRESENTATION OF THE GROUP AND ITS BUSINESS

1.1 Selected financial information

1.1.1 Financial data and key figures

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

(a) Consolidated income statement

AMOUNTS IN € THOUSAND (EXCEPT PER SHARE AMOUNTS)	YEAR ENDED DECEMBER 31,		
	2015	***2014***	***2013***
Product sales	61,545	28,124	23,239
Revenues from collaborations, licensing and services	16,814	8,799	7,206
Revenues	**78,360**	**36,922**	**30,445**
Grant income	4,975	5,506	5,546
Revenues and grants	**83,335**	**42,429**	**35,991**
Cost of goods and services	(46,961)	(17,144)	(16,508)
Research & Development expenses	(25,367)	(22,242)	(21,423)
Distribution and marketing expenses	(9,121)	(2,065)	(5,707)
General and administrative expenses	(14,394)	(12,077)	(9,013)
Other net income and expense, net	(152)	(395)	1,157
Amortization and impairment of fixed assets/intangibles	(7,273)	(12,323)	(5,353)
OPERATING LOSS	**(19,934)**	**(23,817)**	**(20,856)**
Financial income	5,073	2,273	200
Financial expense	(9,716)	(4,394)	(2,969)
Result from investments in affiliates	(8,999)	-	-
Gain on bargain purchase	13,183	-	-
LOSS BEFORE INCOME TAX	**(20,393)**	**(25,938)**	**(23,625)**
Income tax	(224)	(334)	(348)
LOSS FROM CONTINUING OPERATIONS	**(20,617)**	**(26,272)**	**(23,973)**
Loss from discontinued operations	-	-	(137)
LOSS FOR THE YEAR	**(20,617)**	**(26,272)**	**(24,110)**
Losses per share			
for loss from continuing operations attributable to the equity holders of the Company, expressed in € per share (basic and diluted)	(0.28)	(0.47)	(0.61)

(***Source***: *Audited annual consolidated financial statements of Valneva SE as of and for the years ended December 31, 2013, 2014 and 2015)*

(b) Consolidated balance sheet

AMOUNTS IN € THOUSAND	YEAR ENDED DECEMBER 31,		
	2015	*2014*	*2013*
ASSETS			
Non-current assets	158,804	166,567	191,045
Current assets	116,383	52,967	63,346
Assets held for sale	-	7,982	-
TOTAL ASSETS	**275,187**	**227,517**	**254,391**
SHAREHOLDERS' EQUITY			
Capital and reserves attributable to the Company's equity holders	**144,335**	**124,444**	**144,111**
LIABILITIES			
Non-current liabilities	84,489	75,704	82,181
Current liabilities	46,363	26,387	28,100
Liabilities held for sale	-	982	-
TOTAL LIABILITIES	**130,852**	**103,073**	**110,280**
TOTAL EQUITY AND LIABILITIES	**275,187**	**227,517**	**254,391**

(***Source***: *Audited annual consolidated financial statements of Valneva SE as of and for the years ended December 31, 2013, 2014 and 2015)*

(c) Consolidated cash-flow statement

AMOUNTS IN € THOUSAND	YEAR ENDED DECEMBER 31,		
	2015	*2014*	*2013*
Net cash used in operating activities	(24,334)	(14,944)	(20,903)
Net cash generated from/(used in) investing activities	(26,565)	1,993	21,855
Net cash generated from financing activities	64,195	5,274	34,689
Net change in cash and cash equivalents	13,296	(7,677)	35,641
Cash at end of the year	41,907	28,857	36,509
Cash, cash equivalents, and financial assets at end of the year	**42,567**	**29,468**	**40,167**

(***Source***: *Audited annual consolidated financial statements of Valneva SE as of and for the years ended December 31, 2013, 2014 and 2015)*

(d) Pro forma income statement (unaudited)

AMOUNTS IN € THOUSAND	YEAR ENDED DECEMBER 31,	
	2015	***Pro forma 2015***
Product sales	61,545	67,445
Revenues from collaborations, licensing and services	16,814	16,814
Revenues	**78,359**	**84,259**
Grant income	4,975	4,975
Revenues and grants	**83,335**	**89,235**
Cost of goods and services	(46,961)	(49,861)
Research & Development expenses	(25,367)	(25,367)
Distribution and marketing expenses	(9,121)	(10,021)
General and administrative expenses	(14,394)	(14,297)
Other net income and expense, net	(152)	(652)
Amortization and impairment of fixed assets/intangibles	(7,273)	(7,273)
OPERATING LOSS	**(19,934)**	**(18,237)**
Financial income	5,073	5,073
Financial expense	(9,716)	(9,716)
Result from investments in affiliates	(8,999)	(8,999)
Gain on bargain purchase	13,183	13,183
LOSS BEFORE INCOME TAX	**(20,393)**	**(18,696)**
Income tax	(224)	(645)
LOSS FROM CONTINUING OPERATIONS	**(20,617)**	**(19,341)**

1.1.2 2015 Annual operating highlights

Operating highlights for the Group for 2015 were as follows:

- 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;
- Confirmation of BliNK Biomedical's launch in financing;
- Grant of exclusive worldwide license to Immune Targeting Systems for the development of hepatitis B vaccines in combination with the IC31® adjuvant;
- Signature of an exclusive license agreement on EB66® cell line for human and veterinary vaccines in People's Republic of China;
- Approval of an EB66®-based prototype influenza vaccine in Japan;
- Direct control taken by Valneva over marketing and distribution of IXIARO®;
- Renewal of the term of office of the Management Board members of Valneva SE;
- Signature of marketing and distribution agreements with PaxVax;
- Signature of US marketing and distribution services agreements with VaxServe for Japanese encephalitis vaccine IXIARO®;
- Positive Phase II Results for the *Clostridium difficile* vaccine candidate of Valneva;
- Update on DUKORAL® vaccine in Canada.

(a) 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

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 and all assets, licenses and privileges related to DUKORAL®, 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 comprises the transfer of approximately 115 employees (FTEs) within the Group Valneva.

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

- complement Valneva's product portfolio that includes a Japanese encephalitis vaccine, by creating critical mass in traveler'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, on January 12, 2015, its intention to launch a capital increase with preferential subscription rights, for a gross amount of approximately €45 million (the "**Rights Issue**"), of which, €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, the Company had already received the support of two of its 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, for approximately €20 million, *i.e.* approximately 44% of the contemplated Right Issue.

Main terms and conditions of the Rights Issue:

- The share capital increase 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 €2.47 per share (comprised of the €0.15 nominal value and issue premium of €2.32 per share), representing a total gross amount of €45,031,721.02;
- The subscription period for the new shares ran from January 15, 2015 to the close of trading on January 28, 2015;
- Each holder of Valneva's ordinary shares received 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 entitled 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*") were accepted;
- The offer was opened to the public in France only.

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Additionally, in order to finance the balance of the price of the Acquisition, the Swedish subsidiary of Valneva SE has entered into a €15 million term loan facility from funds managed by Athyrium Capital Management LLC. The loan, which is guaranteed by Valneva SE and by securities on the acquired assets, extends over a 5-year period and carries a fixed yearly interest rate of 11%, payable in cash on a quarterly basis.

Successful completion of the €45 million capital increase

On February 4, 2015, Valneva announced the successful completion of its Rights Issue. The final gross proceeds of the Rights Issue amount to €45,031,721.02, corresponding to the issuance of 18,231,466 new ordinary shares, at a subscription price of €2.47 per new ordinary share. Total subscription orders for the Rights Issue amounted to approximately €81.1 million, *i.e.* a subscription rate of approximately 180%.

- 17,272,706 new ordinary shares were subscribed on the basis of exact rights by irrevocable entitlement ("*à titre irréductible*"), representing approximately 94.7% 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%.
- Final gross proceeds: €45,031,721.02
- Estimated net proceeds: €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 fulfillment of their subscription commitments, Groupe Grimaud la Corbière, Bpifrance Participations, Capital Ventures International and Athyrium held respectively 16.2%, 10%, 3% and 2.1% of the Company's share capital[1].

The settlement-delivery and the listing of the new ordinary shares took effect on February 6, 2015.

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®.

(b) Confirmation of BliNK Biomedical's launch in financing

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, to be named "BliNK Biomedical SAS".

The creation of BliNK Biomedical SAS is aiming at giving 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 has the objective of enabling the isolation of antibody-producing cells for difficult targets, for which other platforms have failed to deliver. This cutting-edge technology is 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, BliNK Biomedical SAS intends to obtain an unprecedented capability to screen and identify extremely rare antibody-secreting cells.

The closing of the transaction for the creation of BliNK Biomedical SAS was completed in January 2015, with a retroactive effect on January 1, 2015. Today, BliNK Biomedical SAS is held by Valneva SE (for approximately 48.2%), and by the historic investors of BliNK Therapeutics Ltd. (Kurma Biofund I and different funds managed by its partner, Idinvest), Cancer Research Technology and the funders of BliNK Therapeutics Ltd. (together, for approximately 51.8%).

(c) 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 the British company Immune Targeting Systems (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) announced that they have signed an exclusive worldwide 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.

Hepatitis B is a serious infection of the liver caused by the hepatitis B virus. 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

[1] Rates calculated in reference to a share capital totaling 74,583,299 Valneva's ordinary shares with a nominal value of €0.15 each.

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.

(d) Signature of an exclusive license agreement on EB66® cell line for human and veterinary vaccines in People's Republic of China

On March 17, 2015, Valneva announced the signature of an exclusive license agreement with the Chinese company Jianshun Biosciences Ltd., to commercialize Valneva's EB66® cell line for the manufacturing of human and veterinary vaccines in People's Republic of China.

The Partner, Jianshun Biosciences Ltd., headquartered in Lanzhou (People's Republic of China), provides bio process and technology services for Chinese biopharmaceutical companies. Dr. Luo Shun, founder and President of the company, is one of the "1,000 people plan" experts[2] who have been nominated by the Central Government to work in China and promote innovation and technological development primarily in the high-tech and financial industries. Dr. Luo Shun worked in the USA for Amgen and for Genentech.

(e) Approval of an EB66®-based prototype influenza vaccine in Japan

In March 2014, the Chemo-Sero-Therapeutic Research Institute (also known as « **Kaketsuken** ») received a marketing authorization in Japan for a pandemic influenza vaccine H5N1, the first human vaccine ever produced in the EB66® cell line. In September 2014, the Japanese laboratory submitted, for manufacturing and marketing approval, a prototype vaccine, *i.e.* a model vaccine developed and manufactured using a model virus for pandemic vaccine production, with immunogenicity and safety confirmed in humans.

Then, on March 26, 2015, Valneva announced the receipt, by Kaketsuken, of the manufacturing and marketing approval for its cell culture pandemic influenza vaccine (prototype) (General name: Emulsion Cell Culture Influenza HA Vaccine (Prototype)). This is a result of a co-development between Kaketsuken and GlaxoSmithKline ("**GSK**")[3].

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. As a matter of fact, Kaketsuken has recently completed the construction of a state-of-the-art manufacturing facility in Kumamoto 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.

(f) Direct control taken by Valneva over marketing and distribution of IXIARO®

On June 22, 2015, Valneva announced that it has decided to take direct control over the marketing and distribution of IXIARO®, its travel vaccine against Japanese encephalitis, by terminating the marketing and distribution agreement with GSK related to IXIARO®, signed in 2006 with Novartis Vaccines.

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[2] See more at: http://www.china-briefing.com/news/2012/11/22/chinas-long-term-plan-to-import-thousands-of-highly-qualified-foreigners.html.

[3] The EB66® cells used to develop the vaccine were established using Valneva's technology, exclusively licensed to GSK for influenza vaccine development and sub-licensed to Kaketsuken.

This important step, which has been possible because of specific contract provisions following the completion of the asset swap between Novartis and GSK, supports the Group's strategy to build a leading, independent and fully integrated vaccines biotech company, and unlock synergies with DUKORAL®, Valneva's recently acquired second travel vaccine.

Valneva expects to significantly improve sales margins and profitability from IXIARO®, its largest revenue contributor, as of 2016 and beyond. Prior to termination of its marketing and distribution agreement, Valneva recognized only 50% of in-market net sales revenues of IXIARO® to private travelers and two thirds of US military sales. Going forward, Valneva will recognize 100% of sales from markets where it distributes the product directly, and an improved margin in other markets under country-specific marketing and distribution arrangements. In addition, the Company believes that the Group will be able to continue to grow the sales of the product by entering in markets in which IXIARO® is approved but not being marketed currently.

Following a transition period, which has now ended in the USA, the Nordic countries, Canada, Poland, Germany, Austria, France and Spain, and is anticipated to end in the coming weeks regarding other territories, Valneva will market and distribute its Japanese encephalitis vaccine through a combination of its own sales and marketing teams and country-specific marketing and distribution arrangements with established local partners. In particular, Valneva will be able to fully leverage its sales and marketing teams in the Nordic countries (Sweden, Norway, Denmark and Finland), which were inherited through the acquisition of Crucell Sweden AB in early 2015, as well as its newly established teams in France, UK and Canada. Now, Valneva also distributes IXIARO® directly to its most important customer, the US military, as the Group had done from 2009 through 2013.

(g) Renewal of the term of office of the Management Board members of Valneva SE

On June 26, 2015, Valneva announced that the term of office of its Management Board members - Thomas Lingelbach, President and CEO, Franck Grimaud, Deputy CEO and Reinhard Kandera, CFO – which were due to expire in June 2016, has been renewed by the Company's Supervisory Board for a period of 3 years, *i.e.* until June 2019.

(h) Signature of marketing and distribution agreements with PaxVax

On July 23, 2015, Valneva and the company PaxVax Inc. ("**PaxVax**"), a fully integrated specialty vaccine company, announced the signature of marketing and distribution agreements for their respective travel vaccines, DUKORAL® and VIVOTIF®.

Under the terms of these agreements, Valneva distributes and promotes PaxVax's typhoid vaccine VIVOTIF® in Canada and the Nordic countries (Sweden, Norway, Denmark and Finland), while PaxVax distributes and promotes Valneva's cholera vaccine DUKORAL® in Italy, Spain and Portugal.

Valneva and PaxVax have established sales and marketing teams with broad experience in the travel vaccine industry. The Company took over the very renowned distribution activities "SBL Vaccin Distribution" in Sweden through the acquisition of DUKORAL® in February 2015, while PaxVax has established legal commercial infrastructure in Italy and Spain since its acquisition of VIVOTIF® in July 2014. Valneva also opened a fully-owned commercial infrastructure in Canada where the DUKORAL® vaccine is already widely distributed.

(i) Signature of US marketing and distribution services agreements with VaxServe for Japanese encephalitis vaccine IXIARO®

On November 9, 2015, Valneva announced the signature of marketing and distribution services agreements between its US subsidiary Intercell USA Inc. and VaxServe Inc. ("**VaxServe**"), for the marketing and distribution of Valneva's Japanese encephalitis vaccine IXIARO® in the United States, for private sector customers.

VaxServe is a national healthcare supplier serving primary care physician offices, community immunization providers, immunizing pharmacies, travel clinics and corporations in the US VaxServe is a subsidiary of Sanofi Pasteur, which is the vaccine division of Sanofi, a world leader in the vaccine industry. This collaboration between Intercell USA and VaxServe is part of Valneva's strategy to commercialize IXIARO® through a combination of its own sales and marketing infrastructures and distribution agreements signed with established local partners, at favorable terms.

Under the terms of the agreements, VaxServe performs marketing and promotional services and distribute Valneva's Japanese encephalitis vaccine exclusively in the US private market, beginning December 18, 2015. Through the agreements, Valneva and VaxServe are working together to increase the private market for IXIARO® vaccine in the U.S private market. The agreements do not include the distribution of the vaccine by VaxServe to the public market, including the US military and other federal governmental agencies, which Valneva handles directly.

(j) Positive Phase II Results for the *Clostridium difficile* vaccine candidate of Valneva

On November 30, 2015, Valneva announced positive Phase II results for its prophylactic vaccine candidate against *Clostridium difficile* ("***C. difficile***").

The key objectives of this Phase II trial have been met. The vaccine candidate generated strong immune responses against *C. difficile* toxins A and B, and the safety and tolerability profile was good.

Valneva's vaccine candidate is targeting the prevention of primary symptomatic *C.difficile* infection ("**CDI**"). The vaccine is designed to produce an immune response to neutralize the effects of *C. difficile* toxins A and B, considered to be largely responsible for CDI, which is emerging as a leading cause of life-threatening, healthcare-associated infections worldwide.

Valneva's *C. difficile* Phase II trial was a randomized, placebo-controlled, observer-blind multi-center trial designed to further study and confirm the candidate vaccine's safety, immunogenicity and proposed doses of immunizations in two different age groups (50 to 64 years of age and 65 years of age and older).

The study design was agreed with regulators in Europe and the US with the aim of potentially supporting a subsequent progression into Phase III.

The trial was conducted in Germany and the United States under an Investigational New Drug application ("**IND**") and included 500 volunteers who were randomized in several study groups: low-dose vaccine without adjuvant, high-dose vaccine with or without adjuvant (Aluminiumhydroxid), or placebo.

Valneva´s vaccine candidate was immunogenic at all doses and formulations tested, in that IgG and functional (neutralizing) antibody responses were seen.

The study met its primary endpoint in terms of identifying the dose/formulation with the highest seroconversion rate[4] against both toxins A and B on Day 56. The high-dose without adjuvant vaccine formulation generated a superior immune response.

The observed seroconversion rate, in this difficult to vaccinate older adults population, was considered at an appropriate response level and broadly in-line with published data from comparable prophylactic *C. difficile* vaccine trials.

The vaccine was generally safe and well tolerated in all treatment groups, and there were no severe local reactions noted in any group. The adverse events (AE profile) of all tested doses / formulations appear in a range comparable to other well tolerated vaccines.

[4] Four-fold increase of IgG from baseline.

Immune response and safety parameters will now be monitored until Day 210 and final study close-out is expected in the second quarter of 2016.

(k) Update on DUKORAL® vaccine in Canada

On December 23, 2015, Valneva provided an update on its acquired DUKORAL® vaccine.

The transition of the business from Crucell Holland B.V., the seller, including both the gradual takeover of transitional services and the full transfer and installation of all acquired assets, has been largely completed. Regulatory licenses together with other processes and systems are being transferred and integrated into Valneva and its newly created affiliates, including Valneva Canada, Inc. Synergies with the rest of the Valneva Group are being implemented and are expected to have a positive financial impact in 2016.

In December 2015, Valneva announced that the Canadian health authority, Health Canada, had requested changes to the DUKORAL® product monograph. The updated product monograph and subsequent labeling refer to the "Prevention of diarrhea caused by cholera and/or LT-ETEC". LT-ETEC is the heat-labile toxin producing *Enterotoxigenic Escherichia coli*. *Enterotoxigenic Escherichia coli* ("**ETEC**") is a type of Escherichia coli and the leading bacterial cause of diarrhea in the developing world, as well as the most common cause of travelers' diarrhea.

Valneva expects that this change in product indications and changes to promotional campaigns may negatively impact DUKORAL® sales in Canada going forward. Although Valneva will continue to invest in growing the product by way of promotional efforts and geographical expansion outside of Canada, Valneva expects that the potential for the product will be more limited than initially expected. Valneva anticipates however that the product will generate positive cash-flows in 2016 and beyond.

In order to reflect the business changes resulting from the adjustments to the DUKORAL® label in Canada, the seller, Crucell Holland BV, and Valneva, agreed on certain amendments to the purchase agreement including an adjustment to the purchase price. Crucell Holland BV waived a €10 million milestone payment that Valneva would otherwise have been obligated to pay and repaid €15 million from the acquisition price. Together, the €10 million milestone waiver and the €15 million cash repayment resulted in a €25 million reduction of the purchase consideration, bringing it from originally €45 million down to €20 million. Valneva used the €15 million repayment amount to fully repay a loan which had been granted by Athyrium Capital Management LLC for purposes of this acquisition. Crucell Holland BV also paid for prepayment fees owed to Athyrium (€3 million).

1.1.3 Recent events

(a) Approval of Valneva Japanese encephalitis vaccine through commercial partner Adimmune in Taiwan

On January 11, 2016, Valneva announced that vaccine manufacturer Adimmune was granted marketing approval for Valneva's Japanese encephalitis ("**JE**") vaccine by the Taiwanese Food & Drug Administration (TFDA). The product is expected to be marketed in Taiwan under the trade name JEVAL®.

This approval follows the agreement signed in 2014 between Valneva and Adimmune granting Adimmune the right to commercialize JEVAL® in Taiwan, including the right to locally fill and pack JEVAL® by using bulk product delivered by Valneva.

JE is recognized as a major public health issue in Asia, and Adimmune has worked with the Taiwanese Center for Disease Control and Prevention for decades to ensure supply of its mouse-brain derived JE vaccine. Public tenders have historically reached a level of 600,000 doses per year. However, the Taiwanese Advisory Committee on Immunization Practices recently recommended the

introduction of a cell culture-derived vaccine, and the first tender for supply in 2017 is expected to be issued in the short-term. Valneva and Adimmune will carefully review any publicly issued tender in order to determine their ability to respond based on tender specifications.

In order to supply large quantities of JEVAL® for Taiwan's national immunization program at a competitive cost base, Adimmune intends to establish a local fill-and-finish of the vaccine within the next two years.

(b) Successful establishment of new global marketing and distribution network of Valneva

On January 26, 2016, Valneva announced the successful establishment of its new global marketing and distribution network. This network provides a strong platform for significant further value growth from the Group's first two commercial vaccines – IXIARO®/JESPECT® and DUKORAL®.

Valneva also reverts to its prior guidance of approximately €30 million for IXIARO® net sales revenues in 2015, owing to a very collaborative and professional transition and substantial in-market sales growth in 2015. Management had anticipated that the transition would impact net sales by €5-10 million, but this reduction has not materialized.

Valneva acquired a sales and marketing team in the Nordic countries in 2015 and recently established two new dedicated sales and marketing organizations with offices in Montreal (Canada) and London (UK), which will focus on developing the sales of the Group's travel vaccines IXIARO® and DUKORAL®, in addition to third party products. In the US, Valneva will now distribute IXIARO® directly to the US Military, the Group's largest customer for this vaccine.

Valneva estimates that more than 60% of its expected 2016 total product sales can be generated by its own commercial teams. These commercial teams have extensive expertise in the sale, marketing and distribution of vaccines, gained through prior experience in sales and business development in large pharmaceutical companies.

Valneva is confident that it can successfully build a commercial presence in its targeted countries and become a trusted and valued partner for healthcare professionals and travelers.

In order to complement its own commercial sales infrastructure, Valneva has entered into a number of country-specific marketing and distribution agreements to ensure broad geographic availability of its products through leading local distribution partners. The commercial terms of these new agreements are improved compared to the global marketing and distribution agreement terminated in June 2015. GlaxoSmithKline, however, will continue to be responsible for the marketing and distribution of IXIARO® and DUKORAL® in Germany.

As previously announced (see Sections 1.1.2 (h) and 1.1.2 (i) of this Registration Document), VaxServe, Inc., a Sanofi Pasteur company, markets and distributes IXIARO® exclusively in the US private market while US company PaxVax, who was already commercializing DUKORAL® in Italy, Spain and Portugal, now markets and distributes IXIARO® in these countries. Australian company BioCSL will continue to distribute Valneva's Japanese encephalitis vaccine in Australia and New Zealand while India and Taiwan will be covered by the existing agreements with Biological E. and Adimmune.

Valneva has also partnered with a number of local companies in smaller markets, such as IMED for Poland and certain Eastern European markets, Pro Farma in Switzerland, and a number of other partners in the Asia Pacific region including Singapore, Malaysia, Philippines and Thailand.

(c) Evaluation of the development of a Zika vaccine as the virus is spreading rapidly through the Americas

On February 2, 2016, Valneva announced that it is evaluating the development of a Zika vaccine, as the virus is spreading rapidly through the Americas.

The day before, the World Health Organization ("**WHO**") declared Zika an international health emergency. The WHO estimated that as many as 4 million people could be affected by the virus, as it spreads in Latin America and the Caribbean to North America, in the coming months.

The WHO has stated that the virus was originally seen as a mild risk to humans, but it has since grown rapidly to a public-health threat of "alarming proportions". The most common symptoms of the Zika virus infection are mild fever, skin rash and conjunctivitis (red eye), lasting between two to seven days. Global health officials are alarmed because of its potential link to brain defects in infants, as well as the rare Guillain-Barré syndrome that can lead to paralysis. There is no specific treatment or vaccine currently available against the disease.

The Zika virus is related to the Japanese encephalitis virus, also an arthropod-borne flavivirus transmitted through mosquito bites, against which Valneva has already developed a vaccine (IXIARO®/JESPECT®), which is now commercialized in the US, Europe, Canada, and other territories.

(d) Signature of a US$ 42 million IXIARO® supply contract with the US government

On March 16, 2016, Valneva announced the signing of a US$ 42 million contract with the US government's Department of Defense, for the supply of its Japanese encephalitis vaccine IXIARO®.

Under the terms of the agreement, the Group will supply IXIARO® doses to the Defense Logistics Agency, Supply Center of the US Department of Defense, for a total value of US$ 42 million, over a two-year period (a base year and an option year). First deliveries are expected to start in the coming weeks.

JE is a very serious and growing public health threat in Asia. The US Department of Defense has been using IXIARO® to protect the near 360,000 US military and civilian personnel, and their families, working and living in endemic countries since 2010.

(e) *C. difficile* program

The close-out of Valneva´s Phase II study for the *Clostridium difficile* vaccine candidate, for which successful Phase II topline data were reported at the end of 2015, is anticipated around mid-year 2016. GSK had option rights on this program within the scope of the Strategic Alliance Agreement referred to in Section 1.4.2 (a) of this Registration Document. For strategic reasons, GSK has waived its option rights ahead of the final data analysis and the start of the option exercise period. Valneva is holding discussions with other potential partners for the Phase III financing.

1.2 Overview of the Group and its development

1.2.1 General presentation of the business run by the Group

(a) About Valneva

Valneva is a fully integrated vaccine company that specializes in the development, manufacture and commercialization of innovative vaccines with a mission to protect people from infectious diseases through preventative medicine.

The Group seeks financial returns through focused Research & Development ("**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: one for the prevention of Japanese encephalitis (IXIARO®/JESPECT®) and the second (DUKORAL®) indicated for the prevention of cholera and, in some countries, prevention of diarrhea caused by LT-ETEC. The Group has proprietary vaccines in development including candidates against *Pseudomonas aeruginosa*, *Clostridium difficile* and Lyme borreliosis.

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

Valneva is listed on Euronext-Paris and the Vienna stock exchange and has operations in France, Austria, United-Kingdom, Canada and Sweden with approximately 400 employees. More information is available at www.valneva.com.

Group's vision and mission

Our vision

Valneva's vision is to contribute to a world in which no one dies or suffers from a vaccine-preventable disease. We believe that, by combining profitable organic growth with opportunistic mergers and acquisitions, we can become the single largest pure play and independent vaccine company worldwide, while continuing to generate financial returns for our shareholders by focusing R&D investments in promising product candidates.

Our mission

As a fully integrated company that specializes in vaccines from discovery to commercialization, Valneva focuses on market segments where innovative vaccines are needed. With two commercial vaccines on the market, promising candidates in development and two validated technologies, we are advancing vaccines to protect lives.

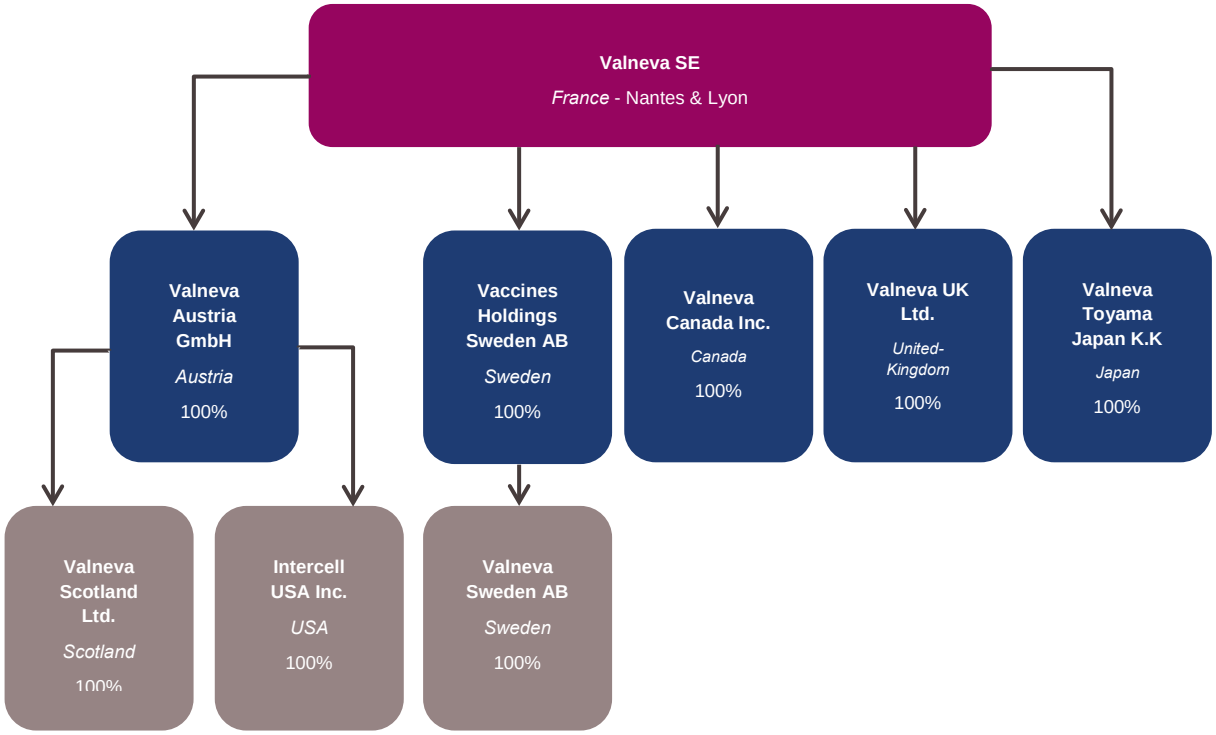
(b) Significant events in the development of the business

Certain significant events have impacted the Company's structure and commercial operations both during fiscal year 2015 and after the annual financial closing.

For a detailed description of these operating highlights, please refer to Sections 1.1.2 and 1.1.3 of this Registration Document.

1.2.2 Organization of the Group

(a) Organization at December 31, 2015 (except Shareholdings)



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

➢ **Valneva Austria GmbH**

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

At December 31, 2015, the team was composed of 146 employees.

The financial highlights of the subsidiary, at December 31, 2015, are:

- Shareholders' equity: €255,872,433.09
- Operating result: minus €6,808,677.90
- Net result: minus €9,497,494.56
- Total balance sheet: € 368,851,126.33

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not available at the date of preparation of this Annual Management Report)

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Valneva Austria GmbH currently owns two fully-owned subsidiaries:

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

  At December 31, 2015, the team was composed of 92 employees.

The financial highlights of the subsidiary, at December 31, 2015, are:

- Shareholders' equity: GBP 8,181,244.91
- Operating result: GBP 840,756.01
- Net result: GBP 316,270.56
- Total balance sheet: GBP 14,121,642.54

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not available at the date of preparation of this Annual Report)

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

  At December 31, 2015, the team was composed of 2 employees.

The financial highlights of the subsidiary, at December 31, 2015, are:

- Shareholders' equity: minus US$ 34,031,632.87
- Operating result: US$ 66,596.93
- Net result: minus US$ 393,314.11
- Total balance sheet: US$ 2,571,755.83

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not available at the date of preparation of this Annual Management Report)

It should be noted that Valneva Austria GmbH held an additional subsidiary named Elatos GmbH. Created in January 2013, this company carried out activities related to the proprietary monoclonal antibodies discovery platform eMAB®. Effective November 11, 2015, Elatos GmbH merged into its parent company, Valneva Austria GmbH. The decision for this merger was in line with the Company's general decision to shift the focus of its R&D away from monoclonal antibodies.

➢ **Vaccines Holdings Sweden AB (formerly « Goldcup 10618 AB »)**

Vaccines Holdings Sweden AB is a fully-owned research subsidiary of Valneva SE, created in December 2014 in connection with the Crucell Sweden AB acquisition (see Section 1.1.2 (a) of this Registration Document).

The financial highlights of the subsidiary, at December 31, 2015, are:

- Shareholders' equity: SEK 275,008,219.06
- Operating result: SEK 8,411,004.50
- Net result: SEK 115,817,819.06
- Total balance sheet: SEK 516,386,058.07

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not available at the date of preparation of this Annual Management Report)

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Vaccines Holdings Sweden AB owns a fully-owned subsidiary acquired in February 2015 and named "Valneva Sweden AB" (formerly "Crucell Sweden AB"). Valneva Sweden AB is located in Solna (Sweden), manufactures the DUKORAL® vaccine and distributes this vaccine, as well as third-party vaccines, in the Nordic countries. In addition, Valneva Sweden AB provides R&D services to Crucell Holland BV (a Johnson & Johnson company), in relation to a vaccine against poliomyelitis.

At December 31, 2015, the team was composed of 129 employees.

The financial highlights of the subsidiary, at December 31, 2015, are:

- Shareholders' equity: SEK 177,779,554.83
- Operating result: minus SEK 30,725,367.80
- Net result: minus SEK 29,946,468.44
- Total balance sheet: €335,806,673.23

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not available at the date of preparation of this Annual Management Report)

➢ **Valneva Canada, Inc.**

Valneva Canada, Inc. is a fully-owned subsidiary of Valneva SE, created in January 2015 following the acquisition of the DUKORAL® vaccine. Valneva Canada, Inc. is now headquartered in Montreal (Quebec), and performs marketing and sales activities in Canada in relation to the VIVOTIF®, IXIARO® and DUKORAL® vaccines.

At December 31, 2015, the team was composed of 6 employees.

The financial highlights of the subsidiary, at December 31, 2015, are:

- Shareholders' equity: CAD 46,198.27
- Operating result: CAD 74,442.57
- Net result: CAD 45,198.27
- Total balance sheet: CAD 8,666,604.57

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not available at the date of preparation of this Annual Management Report)

➢ **Valneva UK Ltd.**

Valneva UK Ltd. is a fully-owned subsidiary of Valneva SE, created in October 2015 following the company's decision, dated June 2015, to take direct control over the marketing and distribution of the IXIARO® vaccine and to terminate the marketing and distribution agreement with GSK. Valneva UK Ltd. is in charge of the sales of DUKORAL® and IXIARO® in the UK.

The financial highlights of the subsidiary, at December 31, 2015, are:

- Shareholders' equity: minus GBP 206,456.55
- Operating result: minus GBP 206,456.55
- Net result: minus GBP 206,456.55
- Total balance sheet: GBP 5,729.53

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not available at the date of preparation of this Annual Management Report)

➢ **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 JPY 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, 2015, one part-time employee remained with responsibility for business development operations.

The financial highlights of the subsidiary, at December 31, 2015, are:

- Shareholders' equity: JPY 5,107,235
- Operating result: JPY 535,701
- Net result: JPY 580,566
- Total balance sheet: JPY 24,921,601

(b) Shareholdings

Please refer to Section 1.1.2 (b) of this Registration Document.

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The subsidiaries and shareholdings of the Company only concern companies that are member of the consolidation scope of the Group. Please refer to Note 5.1 to the consolidated financial statements for the fiscal year 2015 presented in Section 4.1 of this Registration Document. The financial impacts of the companies that are members of the consolidation scope of the Group are also included in the Notes to the consolidated financial statements for the fiscal year 2015 (see Section 4.1 of this Registration Document).

Additional financial information is provided in Note 5.4 to the statutory financial statements for the fiscal year 2015 (see Section 4.3 of this Registration Document).

1.2.3 Property, plant and equipment

As at the filing date of this Registration Document, the Group owns 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 3,348 m² plant located in Livingston, Scotland, United Kingdom, breaking down as follows:
    - Manufacturing: 706 m² used to manufacture the Group's Japanese encephalitis vaccine;
    - General site usage (offices etc.): 1,048 m² ;
    - Quality Control: 532 m² for QC development, retention tanks and QC storage;
    - Engineering: 881 m² for storage, utilities, offices and switch room;
    - SCM and Boiler house: 181 m².

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

+ a 14,321 m² building located at Campus Vienna Biocenter 3, 1030 Vienna, Austria, used as laboratories and offices (of which 640 m² of lab and office space are subleased to third parties);
+ premises of 717 m² located at 70, rue Saint Jean de Dieu, 69007 Lyon, France, used as laboratories and offices for antibody research. These premises also house the Company's registered office;
+ an office of 20 m² located at World Trade Center Lyon, Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon, France, dedicated to sales and marketing activities;
+ 352 m² 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:
    - Manufacturing: 4,765 m² for production activities and also housing 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;
- 2,068 m² of office space subleased to third parties;
- 2,456 m² of administrative premises and common areas.

+ around 136 m² of offices located at 3535 Boulevard St Charles, Kirkland, Québec, Canada, dedicated to sales and marketing activities;
+ 25 m² of offices located at Centaur House, Ancells Business Park, Ancells Road, Fleet, Hampshire, GU51 2UJ, United Kingdom, also dedicated to sales and marketing activities.

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

1.3 Description of the Group's activities

1.3.1 Products and technologies of the Group

Valneva manufactures a vaccine for the prevention of Japanese encephalitis (IXIARO®). In 2015, the Group's consolidated revenues and grants amounted to €83.3 million, 36.7% of which were coming from IXIARO®/JESPECT® sales. In February 2015, Valneva acquired the Dukoral® vaccine, together with the associated production assets and a vaccine distribution business in the Nordic countries. Valneva's 2015 DUKORAL® product sales, which have been included in the Group's sales from the acquisition date on February 10, 2015, reached €21 million.

Valneva also generates revenues from the licensing of its proprietary technologies (the EB66® cell line and the IC31® adjuvant) to leading pharmaceutical companies worldwide.

(a) 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 US and the EU member states (including Norway, Liechtenstein and Iceland) Israel, Hong Kong and Singapore, the vaccine is indicated for adults and infants aged 2 months and older. In Canada and Australia it is licensed for adults aged 18 and older.

Research and Development

The US 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 European Medicines Agency ("**EMA**") and the FDA.

Following this submission, the pediatric indication was granted Orphan Drug Status by the FDA.

In December 2012, the Committee for Medicinal Products for Human Use of the EMA came to a positive opinion on the marketing authorization for IXIARO® in children. 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 seven-year orphan drug market exclusivity for the pediatric indication in October 2013.

In May 2015, the European Medical Agency approved a rapid IXIARO® vaccination schedule for adults. This accelerated alternative vaccination schedule will allow adult travelers (18-65 years) to receive full immunization within one week compared to almost four weeks under the conventional vaccination schedule (second dose 28 days after first dose).

Marketing

In 2015, Valneva took the strategic decision to build its own commercial network and to terminate the IXIARO®-related marketing and distribution agreement which had been signed with Novartis in 2006 and transferred to GSK in 2015 following an asset swap between Novartis and GSK. Valneva now has its own dedicated sales and marketing organizations with offices in the US, Canada, UK and Sweden.

To complement its own commercial sales infrastructure and insure broad geographic availability of its products, Valneva entered into a number of country-specific marketing and distribution agreements with leading local distribution partners including VaxServe, Inc., a Sanofi Pasteur company (US private market) and GSK (Germany, Austria and France).

In Australia and New Zealand, the vaccine is being marketed and distributed by Seqirus (formerly bioCSL) under the JESPECT® trademark.

In India, the vaccine is being marketed and distributed by Valneva's partner Biological E. Ltd. under the trade name JEEV®. The product, based on Valneva´s technology, is manufactured at Biological E.'s facility in Hyderabad, India and was prequalified by the World Health Organization. Valneva received the first royalties from Biological E.'s sales at the end of 2014.

In April 2014, Valneva granted vaccine manufacturer Adimmune Corporation certain exclusive rights to its JE vaccine in Taiwan. Adimmune is entitled to register and commercialize Valneva´s JE vaccine under a local trade name and to manufacture the vaccine from bulk product delivered by Valneva.

Intellectual property

Please refer to Section 1.3.3 (b), paragraph "Patent applications and patents for the main products, technologies and product candidates" of this Registration Document.

(b) 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 or against diarrhea caused by LT-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 diarrhea caused by LT-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 World Health Organization.

Today, DUKORAL® is authorized for use in more than 50 countries.

Marketing

DUKORAL® is the only approved cholera vaccine available for European, Canadian and Australian travelers. Other vaccines approved for this indication are produced locally and their use is strictly limited to the national territory concerned (for example, Shanchol™, mORCVAX™ and OraVacs).

DUKORAL® is commercialized by Valneva's own marketing and distribution network, with a commercial head office in Lyon, and by leading local distribution partners such as GlaxoSmithKline in Germany and Austria.

Intellectual property

Please refer to Section 1.3.3 (b), paragraph "Patent applications and patents for the main products, technologies and product candidates" of this Registration Document.

(c) 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. EB66® is one of the most extensively studied and characterized cell line available for use in human vaccine development. More than 20 different families of viruses have been shown to efficiently propagate in EB66® cells[5].

To date, Valneva has more than 35 research and commercial agreements with the world's largest pharmaceutical companies (GlaxoSmithKline, Sanofi-Pasteur, Zoetis, etc.) for the licensing of its EB66® platform.

The most important ongoing EB66® clinical development programs in the human vaccine field is linked to pandemic and seasonal influenza programs for which Valneva granted an exclusive EB66® license to GSK and GSK´s co-development partner, Kaketsuken. GSK is developing its EB66® cell based influenza vaccines in the US in partnership with the Texas A&M University System.

Marketing

Five EB66®-based vaccines have already been approved worldwide both in human and animal health, and one live EB66®-based anti-cancer Newcastle Disease Virus ("**NDV**") vaccine candidate is currently used to treat human patients in Europe through the advanced therapy medicinal products (ATMP) pathway[6].

After a marketing authorization was received for an EB66®-based veterinary vaccine against Egg Drop Syndrome in Japan in 2012, the European Medicines Agency granted the first ever marketing approval in Europe for an EB66®-based vaccine in 2014. The veterinary vaccine was approved for the prevention of Muscovy Duck Parvovirus (MDPV). A third EB66®-based veterinary vaccine was also

[5] A clinical phase I study of an EB66 cell-derived H5N1 pandemic vaccine adjuvanted with AS03. Takeshi Naruse et al. Vaccine 33 (2015) 6078-6084. http://dx.doi.org/10.1016/j.vaccine.2015.09.022

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

approved in 2014 in South America for the prevention of Inclusion Body Hepatitis virus (IBH). The vaccine is available for sale in Peru and several other South American countries.

The first ever EB66®-based human vaccine received marketing approval in 2014. The approval was granted by the Japanese health authorities to Kaketsuken, a co-development partner of GlaxoSmithKline (GSK), for a pandemic H5N1 influenza vaccine. Following this approval, a new EB66®-based prototype vaccine to be used against any strain of pandemic influenza was granted marketing approval in Japan in 2015, opening a commercial perspective for stockpiling and outbreaks.

In March 2015, Valneva signed an exclusive license agreement with Jianshun Biosciences Ltd. granting the Chinese company the right to commercialize Valneva's EB66® cell line for the manufacturing of human and veterinary vaccines in People's Republic of China. Under the terms of the agreement, Valneva has already received an upfront license payment of €2.5 million. This will be followed by an additional payment of €0.5 million in 2016, annual maintenance fees and 50% of the total revenues payable to Jianshun Biosciences Ltd. from its sub-licensees.

Current EB66® licenses represent potential milestone payments totalling approximately €80 million and potential royalties on sales of 3-6% for human vaccines and 1.5-5% for veterinary vaccines. To date, milestone payments already received by the Company for the licensing of its EB66® technology amount to approximately €34 million. A research license generally has a term of 12 to 24 months and generates marginal payments. If successful it can lead to a commercial license with upfront payments, clinical milestone payments and royalties.

Intellectual property

Please refer to Section 1.3.3 (b), paragraph "Patent applications and patents for the main products, technologies and product candidates" of this Registration Document.

(d) IC31® adjuvant

Technology

Valneva's IC31® adjuvant is a synthetic vaccine adjuvant targeting antigens to improve immune response. Valneva has granted multiple IC31® licenses to leading pharmaceutical companies including GSK, Statens Serum Institut, Aeras or Sanofi Pasteur.

In the field of tuberculosis, three clinical vaccine candidates formulated with Valneva's IC31® adjuvant are currently in Phase I and II clinical trials. The Statens Serum Institut's novel tuberculosis vaccine candidate H1/IC31 has shown good safety and immunogenicity in a Phase II clinical trial in HIV-infected adults[7].

At the beginning of 2015, Valneva announced the signing of an exclusive worldwide commercial license agreement with Immune Targeting Systems, subsequently acquired by Vaxin Inc. (now called "Altimmune"), granting the Company the rights to develop and commercialize Hepatitis B vaccine candidates in combination with Valneva's IC31® adjuvant.

In July 2015, Altimmune announced that it had enrolled the first patient into a Phase I clinical trial of HepTcell™, its immunotherapeutic candidate to treat chronic hepatitis B ("**HBV**") infection. The multicenter trial is being conducted at seven sites within the U.K. with the aim of recruiting 72 patients with chronic HBV infection.

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

[7] Reither et al. 2014. PLoS One 9:e114602.

Intellectual property

Please refer to Section 1.3.3 (b), paragraph "Patent applications and patents for the main products, technologies and product candidates" of this Registration Document.

1.3.2 Market and strategies

(a) Main markets

General information

The biotech and vaccine 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.

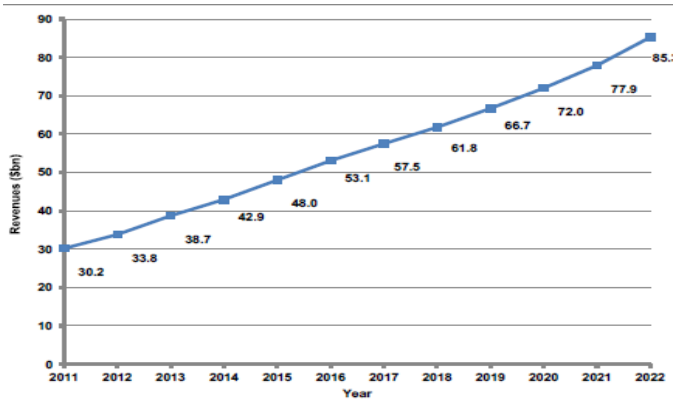
However, for certain product candidates, the Group may have to compete with other pharmaceutical companies developing similar products.

Competitive position

Human vaccine market

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.

This market is expected to grow from approximately USD 30 billion in revenues in 2012 to USD 85 billion by 2022.

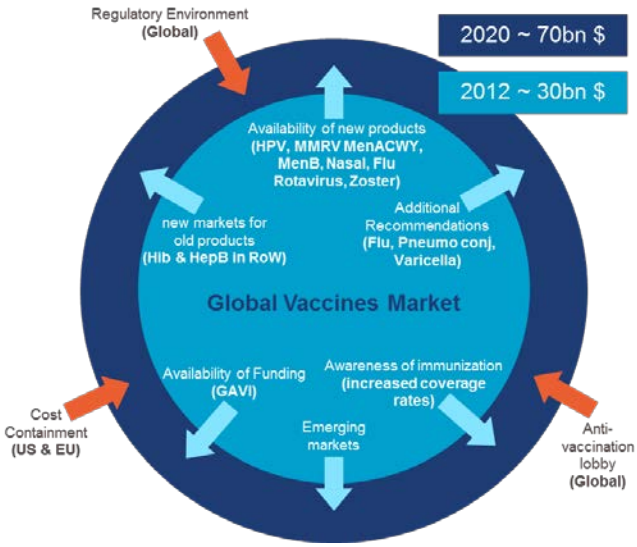


Source: *World Vaccines Market 2011-2022, Visiongain, 2011*

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.

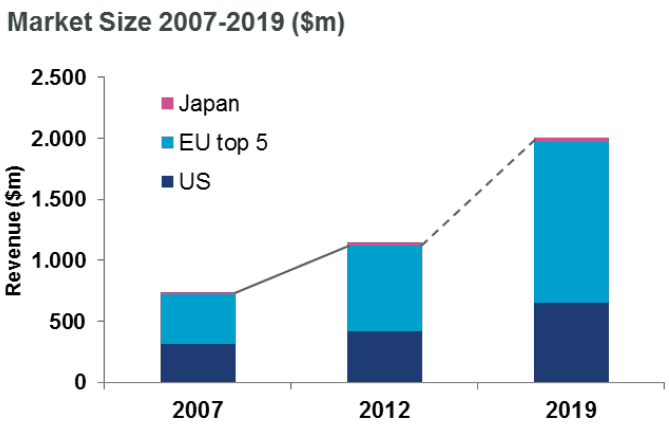
The opportunities clearly outweigh the threats within this market:



Source: *Valneva*

Travel vaccine market

USD 2 billion of revenues are expected between now and 2019 in the seven main countries active in this market.



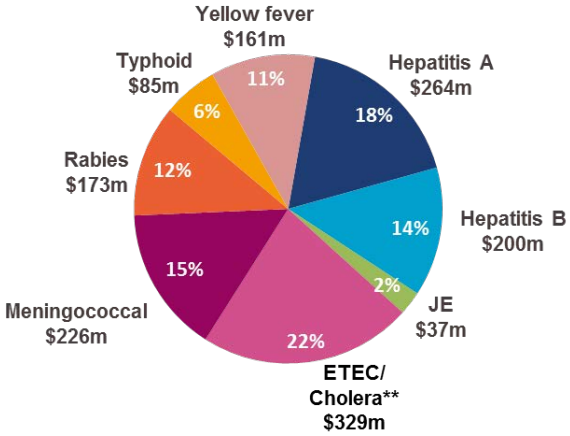
Source: *GBI Research Travel Vaccine Market to 2019 - May 2013*

* 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 infants or older persons for example;
- a change in geographical reach for the vector transmission of the illness (for example for Chikungunya, Lyme disease, etc.).

Travel vaccines market - top 7 markets*



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% to 80% of revenues. The global vaccine market is projected to rise to USD 43.5 billion by 2018, growing at a Compound Annual Growth Rate ("**CAGR**") of 12.65%[8].

Valneva has partnered technologies or programs with most of the major players. The Group´s proprietary vaccines and 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*).

The *Pseudomonas aeruginosa* vaccine candidate is under a co-development setting with GSK.

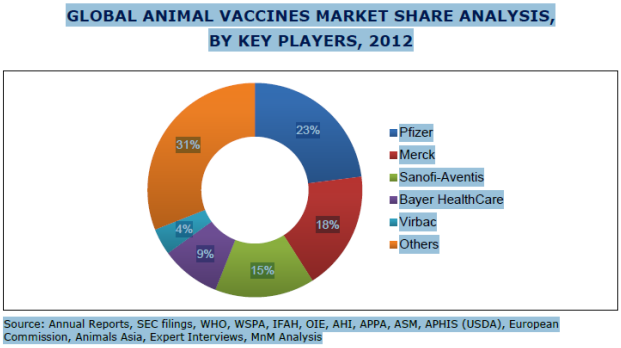
The two most important exclusive EB66® license agreements have been signed with GSK and its co-development partner Kaketsuken for the development of EB66®-based influenza vaccines, and with Jianshun Biosciences for the exclusive marketing of the EB66® cell line in China (see Section 1.3.1 (c) of this Registration Document).

[8] http://www.researchandmarkets.com/research/sdfqn9/human_vaccine.

Veterinary vaccine market

The global veterinary vaccine market was estimated at USD 5.4 billion in 2012 and may reach USD 8.6 billion in 2018, representing a CAGR of 8.1% between 2013 and 2018[9].

The main players in this market today include Zoetis, Merck Animal Health, Sanofi Aventis (ex Merial), Bayer Healthcare and Virbac[10].



Japanese encephalitis vaccines / Cholera and diarrhea vaccines / Travel vaccines

Japanese encephalitis market revenues were USD 234 million in the top 7 countries in 2012[11].

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 Center for Disease Control ("**CDC**"), the local incidence rates ranges from 1-10 cases per 100,000 persons. It can reach 100 cases per 100,000 persons 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.

Valneva's commercial vaccine against Japanese encephalitis (IXIARO®/JESPECT®) is the only approved and available vaccine for EU and US travellers going to JE-endemic areas and for the US military personnel deployed to those areas.

In the different endemic territories, a number of locally manufactured and approved first generation, mouse-brain derived JE vaccines are on the market. Several second generation JE vaccines have also been 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 Valneva thinks that none of these vaccines are 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% market share (in volume).

[9] MarketsandMarkets, Animal/veterinary vaccines market, Global Forecast to 2018.

[10] Ibid.

[11] GBI Research, Travel Vaccines Market to 2019, May 2013.

Cholera

Valneva's DUKORAL® vaccine 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 approved indication for ETEC in certain countries. Canada, Nordic countries and Australia accounts for approximately 80% of the vaccine sales.

DUKORAL® market can be segmented between the travelers market and the market for endemic illnesses:

+ the travelers market represents approximately 331 million travelers to Asia, South America and Africa in 2013[12];
+ the endemic illness market is not currently a target market for the Group, as it currently represents lower than 3% of sales.

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. An indication for LT-ETEC diarrhoea in Canada, associated with promotional efforts, has resulted in higher penetration rates in this market.

Other cholera vaccines distributed locally do exist. However, Asian manufacturers dominate the distribution in local markets, and in particular for the cholera vaccine.

US firm PaxVax has developed, with the support of public grants, an oral cholera vaccine which has successfully met primary endpoints in its Phase III clinical trials and is now expecting licensure in the United States. The trial demonstration of the vaccine's protection against ETEC was not successful in the Phase I study, which limits a potential competition of the vaccine with DUKORAL® in key markets (such as Canada, for example). In conclusion, competitive pressure in key markets is considered to be low over the medium-term.

Competitive landscape of cholera vaccines

	DUKORAL® Cholera ETEC	VAXCHORA Cholera	EUVICHOL Cholera	mORC VAX Cholera	SHANCHOL Cholera	ORAVACS Cholera ETEC
	Valneva	PaxVax	EuBiologics (Korea)	Vabiotech (Vietnam)	Shanta (India)	United Biotech (China)
Components	01 rec B subunit	-	01 0139	01 0139	01 0139	01 rec B subunit
Age indication	2 +	-	1 +	1 +	1 +	2 +
Schedule	2 doses 1 week apart	Single dose	2 doses 2 weeks apart	2 doses 2 weeks apart	2 doses 2 weeks apart	3 doses 1 and 2 weeks apart
Registered	European Union and 16 other countries	FDA application (Fast Review)	Korea	Vietnam	Indi	China Philippines
WHO prequalified	Yes	-	Yes	-	Yes	-
Price	-	-	$1.85	$1.85	-	-

[12] UNWTO Tourism Highlights 2014.

Pseudomonas aeruginosa

Pseudomonas aeruginosa bacteria cause ~20% of nosocomial infections, representing the first cause of Intensive Care Unit ("**ICU**") related pneumonia and the second cause of all nosocomial pneumonia[13]. ***Pseudomonas aeruginosa*** colonization of ventilated patients is associated with increased mortality rate[14].

High costs and mortality associated with ***Pseudomonas aeruginosa*** 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, Valneva believes there is a strong medical need for a ***Pseudomonas aeruginosa*** vaccine.

The market potential is calculated based on mechanically ventilated medical-related ICU admissions (Valneva´s current target population for its ***Pseudomonas aeruginosa*** vaccine candidate is estimated at USD 400 million - USD 1 billion, subject to sustained survival, treatment efficacy and treatment adoptions, recommendations and reimbursement structures[15].

Valneva´s vaccine is the most advanced vaccine candidate worldwide. Besides anti-biotics, approaches for a preventable product against Pseudomonas are either linked to vaccines or antibodies. Apart from Valneva'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

The incidence of ***C. difficile*** infections has been increasing over recent years, fuelling the need for effective treatment and disease prevention. The incidence of ***C. difficile*** 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.

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

Three potential markets have been identified for a ***C. difficile*** vaccine[16]:

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[13] Pseudomonas Infection, Selina SP Chen, Russell W Steele, MD – Chapter on Epidemiology, http://emedicine.medscape.com/article/970904-overview#a0199.

[14] Robert Koch Institut: Gesundheitsbericht des Bundes Heft 8: Nosokomiale Infektionen, p. 13.

[15] **Source**: Valneva

[16] ***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 USD 43 million – USD 415 million / year in 2020 (based on a three-dose vaccine launched in 2016 in the US, Canada, Australia, the major five EU countries and other EU). The highest value (USD 415 million / year) could be obtained if the vaccine was recommended for all persons aged 65 years or older. The commercial potential in other risk groups, such as residents of Long-Term Care Facilities (LTCF), 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 USD 42 million – USD 210 million / year 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 2020 between USD 72 million – USD 970 million / year for people at heightened risk for CDI at admissions (>65 years with prolonged antibiotics treatment). A rapidly acting vaccine is a critical success factor for this market segment.

Valneva´s *C. difficile* vaccine candidate, for which positive top line results were announced in November 2015, is the second most advanced vaccine candidate against *C. difficile*. Sanofi-Pasteur is currently in Phase III clinical trial while Pfizer's vaccine candidate is currently in Phase II. 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 anti-biotics targeting *C. difficile* are at different stages of development or have been licensed in the past years.

EB66® cell line

The Group believes that the potential market for its EB66® vaccine production cell-line consists in all vaccines currently produced on embryonated chicken eggs, CEF cells (Chicken Embryo Fibroblast), and even isolated cell lines such as Vero and BHK. This includes large volume traditional human vaccines such as vaccines to prevent flu, measles or mumps, yellow fever and smallpox, but also new-generation vaccines using Poxvirus vector or Newcastle Disease Virus (NDV) 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 suspension cell-lines which are either in development (such as PER.C6® (Janssen), CAP® cells (Cevec)) or already part of approved vaccines, especially in the human vaccine space (such as MDCK (CSL Bio). However, many of those are not available for licensing and their non-proprietary usage is limited.

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 Group 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[17]. An annual vaccination is appreciated as the most effective method for protection with vaccine efficacy 60% - 90%.

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

[17] **Source**: WHO

The global demand for influenza vaccine is estimated at 450m doses or USD 4.2 billion[18], with 80% 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.

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, Modified Vaccinia (Virus) Ankara (MVA)).

The latter family of viruses is important for Valneva because many companies (such as Bavarian Nordic, Geovax, Mérial, Transgène, etc.) are in the process of developing poxvirus-based vaccine candidates.

(b) Strategy of the Group

Valneva envisions growing its revenues to approximately €250 million in 2020 through existing and future products while generating positive cumulative cash-flows.

The Group will continue to build on value growth from R&D and anticipates investing at least 20% of its revenues annually in an innovative R&D pipeline with at least one clinical candidate at the different stages of product development.

Valneva expect to execute on this strategy by a combination of organic growth and product development complemented by opportunistic mergers and acquisitions strategies focused on revenue-generating assets.

1.3.3 Research & Development, patents, licenses

(a) Research & Development

The Group's Research & Development ambition is to address unmet medical needs by developing innovative vaccine candidates to protect people from infectious diseases.

The internal Research & Development activities also include supporting partners' R&D by providing them different services.

[18] VacZine Analytics, Seasonal influenza vaccination, June 2012.

Research and Development centers

Valneva has two main Research & Development centers:

- Vienna, Austria; and
- Nantes, France.

In Vienna, the R&D teams focus on 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.

In Nantes, the R&D teams focus on vaccine discovery research and cell technologies including further development of the EB66® cell line.

Portfolio of Research & Development programs

Valneva is focusing R&D investments on its most promising product candidates. The Group's current proprietary product pipeline includes vaccine candidates against *Pseudomonas aeruginosa* (Phase II/III), *Clostridium difficile* (Phase II) and Lyme disease / Borreliosis (expected to enter Phase I in the second quarter of 2016).

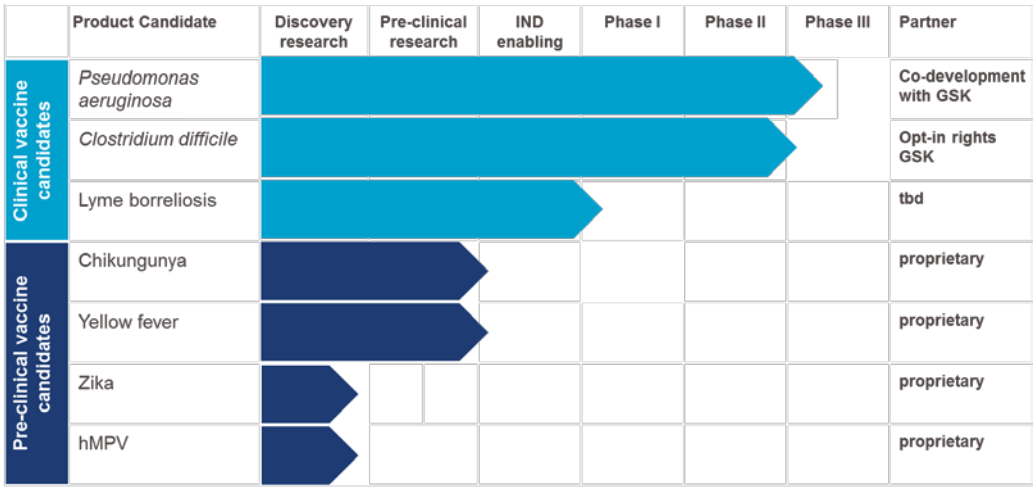
Valneva announced positive Phase II results for its *Clostridium difficile* vaccine candidate in November 2015 and expects to close the study in the third quarter of 2016. The Company also expects to announce the Phase II/III results of its *Pseudomonas aeruginosa* vaccine candidate in the second quarter of 2016.

Beyond its clinical stage product candidates, Valneva is also working on a range of pre-clinical vaccine candidates as well as early stage vaccine research programs.

Valneva has prioritized pre-clinical candidates which are technologically and scientifically complementary to the company´s strong viral vaccine development competence gathered through the bench-to market development of its Japanese encephalitis vaccine and its commercial travel vaccines portfolio.

Valneva expects that its research programs will lead to the development of novel vaccine candidates and form part of its clinical portfolio in the coming years.

Valneva's pipeline of vaccine candidates:



***Source**: Valneva, Company presentation, April 2016*

Research & 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 patients 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.

Valneva's clinical vaccine candidates

Pseudomonas aeruginosa vaccine candidate – VLA 43

Pseudomonas aeruginosa is a highly-resistant bacterium responsible for approximately 51,000[19] healthcare-associated infections annually, which carries an economic burden exceeding USD 614 million. Currently, there are no approved prophylactic vaccines and Valneva's *Pseudomonas* vaccines candidate VLA43 is the only one in clinical development. The Group estimates that the total market potential for the product could be significant.

Valneva has completed enrolment of its Phase II/III efficacy trial with 800 ventilated intensive care unit patients recruited across approximately 50 study sites. Valneva expects to release data, including day 180 follow-up time-points, in the second quarter of 2016.

The data will determine potential next clinical development steps and respective routes to first licensure. Based on the program´s Phase II data and the interim analysis for the current Phase II/III confirmatory efficacy trial, there are various outcomes that would be considered successful. If the Phase II/III primary endpoint (reduction of all-cause mortality on Day 28) is met, the trial can be used as a pivotal efficacy trial in support of licensure. If the primary endpoint is not met (e.g. not enough conditional power) but a trend towards a clinically meaningful vaccine effect (observed in all prior analysis) is confirmed, the trial will provide a solid basis for a Phase III pivotal efficacy trial, the details of which will be determined upon data discussion and consultation with the authorities.

The development of Valneva's vaccine candidate against *Pseudomonas aeruginosa* is part of the strategic alliance agreement signed between Valneva and Novartis in 2007, which transitioned to GSK in 2015. The current trial is co-financed by GSK.

[19] Antibiotics resistance threat in the United States, 2013; http://www.cdc.gov/drugresistance/pdf/ar-threats-2013-508.pdf

Clostridium difficile vaccine candidate – VLA 84

Clostridium difficile is the most common infectious cause for nosocomial diarrhea in Europe and the US. There are an estimated 450,000 cases of *C. difficile* in the US annually[20]. Currently, no vaccine against *C. difficile* exists and antibiotic treatment of the established disease has significant limitations with recurrence in ~20% of cases. Valneva estimates that the total market potential for prophylactic *C. difficile* products may exceed USD 1 billion annually.

At the end of 2015, Valneva reported positive topline data from its Phase II trial evaluating VLA84 as a prophylactic vaccine for the primary prevention of *Clostridium Difficile* infections. The key objectives of this Phase II trial have been met, the vaccine candidate generated strong immune responses against *C. difficile* toxins A and B, and the safety and tolerability profile was good. The study met its primary endpoint in terms of identifying the dose/formulation with the highest seroconversion rates against both Toxin A and B on Day 56, the 200 µg without Alum dose, in both age groups.

Immune response and safety parameters in this trial will be monitored until Day 210 and final study close-out is expected mid-2016. The study design was agreed with regulators in Europe and the US with the aim of potentially supporting a subsequent progression into Phase III. Therefore, Valneva considers this program to be Phase III ready.

GSK had option rights on this program within the scope of the Strategic Alliance Agreement referred to in Section 1.4.2 (a) of this Registration Document. For strategic reasons, GSK has waived its option rights. Valneva is holding discussions with other potential partners for the Phase III financing.

Lyme borreliosis vaccine candidate – VLA 15

Currently, there is no licensed vaccine available to protect humans against Lyme disease, a multi systemic tick-transmitted infection that is increasingly common in the US and Europe.

Valneva has developed a multivalent vaccine candidate which addresses OspA, one of the most dominant proteins expressed by the bacteria when present in a tick. Pre-clinical data showed that this vaccine candidate can provide protection against the majority of Borrelia species pathogenic for humans[21].

Valneva expects to commence a Phase I trial in 2016. The single-blind, partially randomized, dose escalation Phase I study trial will be conducted in the US and Europe. Besides its primary objective of evaluating safety and tolerability, immunogenicity, measured by observing IgG antibodies specific against six OspA serotypes, will also be monitored for different dose groups and formulations at different time-points.

Valneva's pre-clinical vaccine candidates

Chickungunya

Valneva's most advanced pre-clinical project focuses on Chikungunya. The virus ("**CHIKV**") re-emerged from East Africa in 2014 to cause devastating epidemics of debilitating and often chronic arthralgia that have affected millions of people in the Indian Ocean Basin and Asia. There is currently no antiviral treatment for CHIKV infection and no licensed vaccine to prevent the disease. Valneva is working on a live attenuated vaccine candidate and expects to enter Phase I clinical development in 2017.

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

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

Yellow fever

Valneva's research teams are also working on the development of a second-generation vaccine candidate against yellow fever. Although a live attenuated vaccine has been used to prevent yellow fever for more than 70 years, frequent supply problems and potential adverse reactions underline the necessity of a new, modern and well tolerated yellow fever vaccine.

Zika

Valneva recently announced that it is evaluating the development of a Zika vaccine and has already launched a pre-clinical proof of concept program. The Zika virus is related to the Japanese encephalitis virus, also an arthropod-borne flavivirus transmitted through mosquito bites, against which Valneva has already successfully developed a vaccine (IXIARO®/JESPECT®), using a technology platform that could accelerate the quest for a Zika vaccine. The World Health Organization has declared Zika an international health emergency and estimates that as many as 4 million people could be affected by the virus as it spreads from Latin America and the Caribbean to North America in the coming months. There is no specific treatment or vaccine currently available against the disease. Valneva has already initiated discussions with the WHO, the Biomedical Advanced Research and Development Authority (BARDA) and the Walter Reed Army Institute of Research ("**WRAIR**") to potentially join forces in the acceleration of the development of a Zika vaccine.

*Human metapneumovirus ("**hMPV**")*

Besides much-needed new travel vaccine candidates, Valneva is also targeting one of the most significant and common human viral infections, Human metapneumovirus. Although the virus was primarily known as causative agent of respiratory tract infections in children, hMPV has become an important cause of respiratory infections in adults as well. To date, no vaccine is available and treatment is supportive.

Capitalized Research and Development expenditures

Please refer to Note 5.13 to the consolidated financial statements of the Group for the fiscal year 2015 (see Section 4.1 of this Registration Document).

(b) Intellectual property

The Group's intellectual property strategy consists in:

i) 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

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

iii) 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.

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 April 30, 2016, the Group held under its control 247 granted patents, 52 of which were issued in the big 5 EU countries, Germany, France, UK, Spain and Italy, and 31 in the United States. At the same time, the Group had 87 patent applications pending including 17 pending European and 3 pending international patent applications.

In 2015, 36 patents were issued to the Group.

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 16 patent applications in Europe and the 2 international patent applications (PCT) are likely to lead to a significantly larger number than 18 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, China, 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.

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.

*Japanese encephalitis vaccine ("**JEV**")*

The Group's JEV marketed vaccine was initially developed by Cheil Jedang Corporation, VaccGen International LLC and the 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 its 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 first quarter 2015 (see Section 1.1.2 (a) 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* ("**INRA**"), the *Centre National de la Recherche Scientifique* ("**CNRS**") and the *Ecole Normale Superieure de Lyon* ("**ENS 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.

The Company has currently granted throughout the world nearly 35 active commercial or research agreements related to EB66®, for application in the human or the veterinary field, to major pharmaceutical companies such as GSK, Sanofi Pasteur, Merial, Boehringer or MSD AH.

Pseudomonas vaccine

The Group's vaccine targeting *Pseudomonas* was developed by Chiron Corporation, now Novartis. Under an exclusive license agreement, Novartis has granted Valneva the right to develop, and commercialize this 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 the 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, looking for a partner for Phase III
Borrelia	Product, Formulation, Use, Manufacturing Process	2033 to 2039	In-house, GSK option

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 the scientific and technical personnel. To protect rights to the Group's trade secrets, proprietary know-how and technology, the Group 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.

Trademarks and domain names

Trademark rights of the Group 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.

The Group holds the product names used and related names to the product names.

The trademarks of the Group are 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 IXIARO®, JESPECT®, DUKORAL®, EB66® and IC31®, and the number of trademarks held by the Group at April 30, 2016 are shown in the table below.

Brands and trademarks Number of registrations

Trademarks	Number of registrations or applications
IXIARO®	188
JESPECT®	46
DUKORAL®	86
EB66®	58
IC31®	31

Trademarks	Number of registrations or applications
Valneva®	144
SBL trademarks	24

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.

The Group currently hold 22 domain names (reserved or in the process of being reserved).

(c) 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 (j), 1.5.1 (n) and 1.5.2 (b), paragraphs “Risks related to patents and similar rights”, “Dependence on third parties and access to certain technologies”, “Specific risks related to third-party patents and intellectual property rights” and “Risks related to potential conflicts with licensees, partners and distributors”, of this Registration Document.

1.3.4 Investments

(a) 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 Acquisition closed on February 9, 2015.

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 €36.4 million in the year ended December 31, 2014.

The agreed initial aggregate Acquisition Price amounts to €45 million and is split into three payments:

- €3 million of cash consideration as on the signing date;
- €32 million to be paid upon the completion of the transaction;
- €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.

In order to reflect the business changes resulting from the adjustment to the DUKORAL® label in Canada in December 2015, Crucell Holland BV and Valneva agreed on an adjustment to the purchase price. Crucell Holland BV waived the €10 million milestone payment and repaid €15 million from the acquisition price.

The Sale and Purchase Agreement also provided for a working capital adjustment mechanism to the acquisition price which was 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 resulted in a payment received by the Company. In addition the seller assumed payment obligations for cash outflows under certain outstanding liabilities.

The Acquisition, the components of the Acquisition consideration and its subsequent adjustment 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 €45 million, corresponding to the issuance of 18,231,466 new ordinary shares, at a subscription price of €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 €15 million. Following changes to the DUKORAL® label in Canada in December 2015, the parties agreed on an early repayment of the loan. This voluntary prepayment triggered a 20% prepayment fee in the amount of €3 million. Alongside with 1% participation fee and the interest for the remaining period the repayment amounted to €18.3 million and was redeemed to the lender on January 26, 2016.

(b) Research & Development expenses

Research & Development expenses include the costs associated with R&D conducted by us or for us by outside contractors, research partners and clinical study partners and expenses associated with R&D 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 R&D expenses primarily depend on the number of scientific staff employed.

The following table sets forth the Research & Development expenses for the JEV vaccine and the major product candidates for the years ended December 31, 2013, 2014 and 2015:

In € thousand	Year ended December 31,		
	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)
JEV vaccine	1,508	3,749	1,942
EB66®	4,545	2,723	1,737
Pseudomonas	3,560	4,902	6,459
C. difficile	1,189	3,717	6,761
VIVA|Screen®	5,467	-	-
Other research projects	5,154	7,151	8,468
Total	**21,423**	**22,242**	**25,367**

*(**Source**: Valneva internal information)*

(c) Additions to intangible assets

Additions to intangible assets in the year ended December 31, 2015 amounted to €0.6 million (2014: €2.2 million), of which €0.3 million (2014: €1.6 million) were attributable to development costs.

(d) Main current and planned investments

At the current Group structure, the 2016 budget concerns only tangible fixed assets for an amount of €5 million intended for acquiring research equipment and renewing manufacturing equipment, as well

as approximately €1.3 million to acquire software, mainly to update the Valneva ERP (Microsoft AX). These investments will be mainly financed by own funds.

1.4 Analysis and comments on the activities conducted in 2015

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

(a) Valneva Group (IFRS)

Key Financial Information

(In € thousand)	12 months ended December 31*,		
	2015	**2014**	**2015 pro forma[22]**
Revenues & Grants	83,335	42,429	89,235
Operating result	(19,934)	(23,817)	-
Net profit/(loss)	(20,617)	(26,272)	(19,341)
EBITDA**	(8,492)	(7,364)	-
Net operating cash flow	(24,334)	(14,944)	-
Cash, short-term deposits and marketable securities, end of period	42,567	29,468	42,567

*Audited figures

**See Note 5.12 to the consolidated financial statements for the fiscal year 2015 (cf. Section 4.1 of this Registration Document)

Note: As a result of the acquisition of Crucell Sweden AB and all DUKORAL® related assets[23], Crucell Sweden AB's business has been included in the Group's consolidated financial statements from the merger closing date, i.e. February 9, 2015. Therefore, the 2015 and 2014 IFRS results are not fully comparable as the Crucell Sweden AB operations were only included for the period 2015 starting from February 10, 2015. Pro forma figures including the Crucell Sweden AB business for the 2015 period and excluding one-time effects due to the acquisition were prepared for illustrative purposes only. For detailed explanation of pro-forma assumptions and reconciliation to IFRS results, see the Note 5.33 to the consolidated financial statements 2015 (see Section 4.1 of this Registration Document).

Revenues and grants

Valneva's aggregate revenues and grants increased to €83.3 million in the full year 2015, from €42.4 million in the year 2014. This increase was mainly a result of the acquisition of the Crucell Sweden AB's business whose overall revenue contribution amounted to €36.4 million in 2015, of which €31 million were product sales and €5.5 million related to revenues from collaborations and licensing. IXIARO®/JESPECT® product sales contributed €30.6 million to revenues in 2015, representing an 8.8% increase compared to 2014 product sales of €28.1 million. This increase was recorded despite the transition towards a newly established global marketing and distribution network,

[22] Including acquired business from January 1, 2015 onward.

[23] See Section 1.1.2 (a) of this Registration Document.

following Valneva's termination of the marketing and distribution partnership with GSK in June 2015[24]. DUKORAL® product sales contributed €21 million and third party product distribution contributed €9.9 million to the full year 2015 product sales.

Revenues from collaborations and licensing increased to €16.8 million in 2015, from €8.8 million in 2014. Acquisition effects from the Crucell Sweden AB business amounted to €5.5 million and primarily related to R&D services provided to Crucell Holland BV (a Johnson & Johnson company). Excluding acquisition revenues, revenues from collaborations and licenses grew to €11.3 million in 2015, from €8.8 million in 2014. They mainly benefited from additional licensing agreements, milestone payments received for the EB66® platform, as well as co-development revenues for the *Pseudomonas* project from partner GSK.

Grant income amounted to €5 million in 2015, representing a reduction of €0.5 million compared to 2014.

Operating result and EBITDA

Cost of goods and services sold ("**COGS**") amounted to €47 million in 2015, of which €16.4 million related to IXIARO® sales, yielding a product gross margin of 46.6%. €18.2 million of COGS related to DUKORAL® sales, yielding a gross margin for the acquired DUKORAL® business of 13.3%, which was negatively impacted by idle capacity costs during a manufacturing transition period in 2015 and by acquisition accounting effects (cost of sales of acquired product inventory recorded at fair market value as opposed to the lower historical manufacturing cost). Of the remaining 2015 COGS, €7.3 million related to the third party product distribution business and €5 million related to cost of services. In the comparable period of 2014, COGS were €17.1 million, of which €15.6 million related to IXIARO® and €1.6 million to cost of services.

R&D expenses in 2015 reached €25.4 million, compared to €22.2 million in the previous year. This increase was mainly due to clinical study costs, especially for the Phase II study of Valneva's *Clostridium difficile* vaccine candidate and for the Phase II/III study of Valneva's *Pseudomonas* vaccine candidate. It was only partly offset by a reduction in R&D expenses for the antibody technology VIVA│Screen®, spun off into BliNK Biomedical SAS at the beginning of 2015[25].

Marketing and distribution expenses in 2015 amounted to €9.1 million, compared to €2.1 million in 2014. The newly acquired Crucell Sweden AB business contributed an additional €6.3 million of marketing and distribution expenses in 2015. Furthermore, marketing and distribution costs increased as a result of the transition towards Valneva's own sales and marketing organization after termination of the global distribution partnership with GSK in June 2015.

General and administrative ("**G&A**") expenses in 2015 amounted to €14.4 million, compared to €14.1 million in 2014. This increase was due to €2.9 million additional G&A costs from the newly acquired Crucell Sweden AB business, which were partly offset by lower G&A expenses of the original business.

The line item "Other income/expense" amounted to €0.2 million expenses in 2015 compared to €0.4 million expenses in 2014.

Amortization and impairment expenses for intangible assets decreased to €7.3 million in 2015 from €12.3 million in 2014, which included €4.1 million impairment for the VIVA│Screen® technology.

Valneva's operating loss decreased by €3.9 million, or by 16.3%, to €19.9 million in 2015 compared to €23.8 million in 2014.

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[24] See Section 1.1.2 (f) of this Registration Document.

[25] See Section 1.1.2 (b) of this Registration Document.

Valneva's EBITDA amounted to minus €8.5 million in 2015 and to minus €7.4 million in 2014. EBITDA for 2015 was calculated by excluding depreciation, amortization and impairment amounting to €11.4 million from the operating loss amounting to €19.9 million as recorded in the condensed consolidated income statement under IFRS.

Segment overview

Valneva business is divided in three business segments: "Commercialized Vaccines", "Technologies and Services" and "Vaccine Candidates".

The Commercialized Vaccines segment, which includes marketed vaccines - currently the Group's vaccines IXIARO®/JESPECT® and DUKORAL® - and the Nordics third party vaccine distribution business, showed an operating profit of €1.7 million in 2015, compared to an operating profit of €1.1 million in 2014. Excluding amortization expenses for acquired intangible assets, the profit of that segment was €8.4 million in 2015 and €7.8 million in 2014.

The Technologies and Services segment, which includes EB66®, VIVA|Screen® (in 2014 only), IC31® and other revenue-generating services and licensing activities, showed an operating profit of €4.1 million in 2015, compared to €7.3 million operating loss in 2014. Excluding amortization and impairment, the profit of the Technologies and Services segment amounted to €4.6 million in 2015 and recorded a loss of €1.6 million in 2014.

The Vaccine Candidates segment, which includes proprietary R&D programs aiming to generate new products with significant market potential, such as the vaccine candidates against *Pseudomonas aeruginosa* and *C. difficile*, currently represents the Group's main area of investment and showed an operating loss of €11.2 million in 2015, compared to €5.2 million in 2014. No amortization and impairment charges on intangible assets incurred in this segment in the years 2015 and 2014.

Net result

Valneva's net loss in 2015 was €20.6 million, compared to €26.3 million last year, representing an improvement by €5.7 million, or 21.7%. Net finance expenses were €4.6 million in 2015 and €2.1 million in 2014. The increase in net finance expenses mainly resulted from an increase in interest expenses due to a higher level of debt. The 2015 net result also includes a loss from investments in shareholdings for €9 million, related to Valneva's 48.2% shareholding in BliNK Biomedical SAS. The investment in this spin-off company, which mainly consisted in the contribution of Valneva's antibody technology VIVA|Screen®, was fully impaired at the end of 2015.

The 2015 net result was positively affected by a €13.2 million gain on bargain purchase ("negative goodwill") related to the acquisition of the Crucell Sweden AB business including DUKORAL® and the vaccine distribution business in the Nordics. The gain resulted from an adjustment to the initial purchase accounting in December 2015 after Health Canada had requested changes to the DUKORAL® product monograph. In order to reflect the business changes resulting from the DUKORAL® label change in Canada, Valneva and the seller, Crucell Holland BV, agreed on amendments to the purchase agreement which led to a €25 million reduction of the purchase consideration, bringing it from originally €45 million down to €20 million[26]. Following a re-assessment of the valuation of the acquired assets, their fair value exceeded the total net purchase consideration by the amount of €13.2 million ("negative goodwill") which was retrospectively recognized in the first quarter of 2015 as gain on bargain purchase.

An unaudited quarterly breakdown of the audited full year 2015 financial results (as will be used for prior year comparators in 2016 interim financial reports) is available on the Group's website

[26] See Section 1.1.2 (k) of this Registration Document.

(www.valneva.com). These quarterly results differ from previously released results due to the retrospective adjustments to the purchase accounting for the Crucell Sweden AB acquisition in the first quarter of 2015.

Cash flow and liquidity

Net cash used in operating activities in 2015 amounted to €24.3 million (compared to €14.9 million in 2014) and resulted primarily from the operating loss in connection with the Group's R&D activities, from an increase in working capital and from an increase in interest payments.

Cash out-flows from investing activities amounted to €26.6 million in 2015 and resulted primarily from the acquisition of Crucell Sweden AB and all assets, licenses and privileges related to DUKORAL® as well as a vaccine distribution business in the Nordics, net of cash, and from investments in associated companies. In 2014, cash out-flows from investing activities amounted to €2 million and mainly related to net proceeds from financial assets (securities and deposits).

Cash in-flows from financing activities in 2015 amounted to €64.2 million and primarily included net proceeds from a capital increase of €42 million (after deduction of transaction costs of €3.3 million) in February 2015[27] and net proceeds of new borrowings amounting to €26.5 million. Cash in-flows from financing activities in 2014 amounted to €5.3 million, resulting primarily from a capital increase through an equity line.

Liquid funds stood at €42.6 million on December 31, 2015, compared to €29.5 million on December 31, 2014, and consisted of €38.2 million in cash and cash equivalents, €3.7 million in short-term bank deposits and €0.7 million in restricted cash.

(b) Valneva SE (French GAAP)

The financial statements of the Company for the fiscal year 2015 have been prepared in accordance with French generally accepted accounting principles as defined by the French accounting standards Committee (*Comité de la réglementation comptable*).

Operating income

Operating income amounted to €4.4 million at December 31, 2015, compared to €3.2 million for the fiscal year 2014.

Revenue amounted to €0.83 million in 2015, compared to €1.4 million in 2014.

Other operating income (mainly grants and licensing income) amounted to €3.5 million in 2015, compared to €1.8 million in 2014.

Operating expenses

Operating expenses amounted to €14.6 million at December 31, 2015, compared to €16.6 million for the prior fiscal year.

Purchases of raw materials and external expenses represented €8.9 million in 2015, compared to €9.1 million in 2014. Purchases of raw materials decreased by €0.8 million and external expenses remained stable.

Staff costs amounted to €3.9 million in 2015, compared to €4.7 million in 2014.

Allowances for depreciation and amortization represented €1.3 million in 2015, compared to €2 million in 2014.

[27] See Section 1.1.2 (a) of this Registration Document.

The decrease of expenses across all line items reflects largely the transfer of the antibody activities from Valneva SE to BliNK Biomedical SAS, on January 1, 2015[28].

Operating loss from ordinary activities

Operating loss from ordinary activities for the fiscal year ended December 31, 2015 was €10.3 million, compared to €13.3 million for the fiscal year 2014.

Net financial expense

Net financial expense came to €9 million for the fiscal year 2015, compared to a net financial income of €0.5 million in the fiscal year 2014.

This reflects mainly a provision for impairment of €8.9 million recorded for BliNK Biomedical SAS shares.

Net exceptional items

Net exceptional items resulted in a €0.1 million expense in 2015, compared to €4 million in 2014.

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

Corporate income tax

The negative income tax corresponds to a Research Tax Credit (*Crédit d'Impôt Recherche*) charge of €1.8 million in 2015, compared to €2 million in 2014.

Net loss

Net loss for the fiscal year 2015 was €17.7 million, compared to €14.9 million in the prior fiscal year.

Fixed assets

Fixed assets rose from €155 million in 2014, to €163 million in 2015 (net value).

This net increase results mainly from the sale for €7.8 million of tangible and intangible assets relating to the VIVA│Screen® technology to the company BliNK Biomedical SAS and from the acquisition for €17 million of the new subsidiaries' shares[29].

The impact of the acquisition of BliNK Biomedical SAS shares, for €9 million, is neutralized by the provision for impairment for these same shares during the year of their acquisition.

Current assets

Current assets came to €58.5 million in 2015, compared to €44 million in 2014.

This increase is mainly due to the increase in the advance granted by the Company to its Austrian subsidiary, for €5 million, but also to the new advance granted to the Company's Sweden subsidiary of €8 million, the new €1 million advance to the Company's Canadian subsidiary, the €1 million decrease in "Grants receivable", and the €2.9 million increase in cash.

[28] See Section 1.1.2 (b) of this Registration Document.

[29] See Section 1.2.2 (b) of this Registration Document.

Shareholders' equity

Shareholders equity rose from €178.9 million at December 31, 2014, to €202.8 million at December 31, 2015. A detailed description is provided in the Notes to the statutory financial statements for the fiscal year 2015 (Note 4.3.10).

On February 4, 2015, Valneva SE launched a share capital increase with preferential subscription rights. Gross proceeds from this share capital increase amounted to €45 million, entailing the issuance of 18,231,466 new ordinary shares of the Company at a subscription price of €2.47 each[30].

The associated issuance costs of €3.3 million were charged to the share premium.

Liabilities

Total debt remained stable compared to the fiscal year 2014 and amounted to €16 million at December 31, 2015.

Total borrowings declined from €9.6 million in 2014, to €8.3 million in 2015. This change mainly reflects the €1.2 million in debt instalment payments, and the monetization of the 2014 Research Tax Credit that was offset by repayment of the 2011 Research Tax Credit.

Operating payables decreased from €2.9 million for the fiscal year 2014 to €2.1 million at December 31, 2015. This decrease mainly results from the "Suppliers; accrued expenses" line item.

Payables to suppliers of fixed assets decreased from €1.6 million at the end of 2014, to €0.1 million at the end of 2015, reflecting the contribution of the SC World debt linked to the VIVA|Screen® technology for €1 million.

Cash

Total cash amounted to €12.2 million at December 31, 2015, compared to €9.3 million on the previous fiscal year.

Net cash provided by operating activities represented an outflow of €16.6 million at December 31, 2015, compared to an inflow of €1.8 million at December 31, 2014, reflecting:

- cash flow for the fiscal year 2015, representing an outflow of €6.8 million;
- a €14 million outflow for advances granted by the Company to its subsidiaries;
- a €3.8 million inflow from an increase in the Austrian subsidiary's current account balance.

Net cash used in investing activities represented an outflow of €20.5 million in 2015, compared to €13.5 million in 2014. This mainly results from:

- an outflow of €2 million to purchase BliNK Biomedical SAS shares (with consideration for the value of the shares of €9 million from the contribution of the VIVA|Screen® technology (€7.5 million with respect to fixed assets, €0.5 million with respect to the stock, and minus €1 million for the transfer of the SC World debt));
- €17 million disbursed for the acquisition of the shares of the new Company's subsidiaries.

The net cash generated from financing activities amounted to €40 million in 2015, compared to €7 million in 2014, including inflows of €42 million from the share capital increase of February 2015 and a €1.2 million outflow for loan repayments.

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[30] See Section 1.1.2 (a) of this Registration Document.

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 (ARTICLE R. 225-102 OF THE FRENCH COMMERCIAL CODE)

Nature of items	Year ended December 31,				
	2011	**2012**	**2013**	**2014**	**2015**
I- Capital at the end of the year					
Share capital (in euros)	3,167,616.45	3,219,379.35	8,384,717.19	8,631,142.14	11,383,243.14
Number of ordinary shares	21,117,443	21,462,529	54,709,000 (a)	56,351,833 (a)	74,698,099 (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	2,334,447	2,764,334	19,714,054	2,375,385	1,512,809.28
Income before tax employee profit-sharing and depreciation allowance and provisions	(7,496,532)	(11,712,495)	(8,836,658)	(8,318,013)	(16,009,711.17)
Tax on profit (income if negative)	(2,042,621)	(2,758,828)	(2,038,859)	(1,965,473)	(1,850,965)
Employee profit-sharing due for the year	0	0	0	0	0
Income after tax employee profit-sharing and depreciation allowance and provisions	(8,387,554)	(11,957,883)	(9,952,449)	(14,883,482.38)	(17,619,145.14)
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	(0.26)	(0.42)	(0.12)	(0.11)	(0.19)
Income after tax employee profit-sharing and depreciation allowance and provisions	(0.40)	(0.56)	(0.18)	(0.26)	(0.24)
Dividend per share (indicate if gross or net)	0	0	0	0	0
IV- Personnel					
Average headcount for the period	105	104	84	59	45
Annual payroll (in euros)	4,633,895	4,686,250	4,267,644	3,261,008	2,660,294.33
Total of amounts paid for social benefits for the year (social security, social welfare programs, etc.) (in euros)	2,151,831	2,090,362	1,933,195	1,427,891	1,283,423.61

(a) This does not include Valneva's preferred shares (i.e., i) 17,836,719 preferred shares, representing around 1,189,115 Valneva's ordinary shares, once the preferred shares are written down to the nominal value of Valneva's ordinary shares; and ii) 1,074 preferred shares convertible into Valneva's ordinary shares, with respect, specifically, to the fiscal year 2015)

1.4.2 Major agreements and partnerships

In 2015 and, in some countries, in the first months of 2016, Valneva primarily marketed its Japanese encephalitis vaccine through GSK (formally Novartis Vaccines & Diagnostics) under the terms of a multinational marketing and distribution agreement for this product. Valneva terminated this Agreement in June 2015.

The Group 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 Section 1.1.2 (b) of this Registration Document);
- the acquisition of Crucell Sweden AB, the Dukoral® vaccine and the Nordics vaccine distribution business (see Section 1.1.2 (a) of this Registration Document).

(a) 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, or to receive potential milestones of € 120 million after Phase II for the remaining development period and royalties tied to sales performance.

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

The *C. difficile* vaccine candidate is covered by this strategic agreement. However, GSK has waived its option rights, as set out in Section 1.3.3 (a) of this Registration Document.

(b) Agreements for Japanese encephalitis vaccine

In June 2006, Intercell (now Valneva Austria GmbH) announced it had agreed on a Marketing and Distribution Agreement with Novartis for its Japanese encephalitis vaccine IXIARO®. The deal was terminated in June 2015 and covered the travel 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 (now Seqirus) 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 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.

(c) 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 €2.5 million and an additional payment of €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.

(d) 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 Section 1.1.2 (b) of this Registration Document).

(e) 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 1.1.2 (c) of this Registration Document).

(f) 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 €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 €15 million loan (described below in Section 1.4.2 (g) of this Registration Document) and a €45 million capital increase, through a public offering, with €30 million used to finance the acquisition, successfully carried out in February 2015. In December 2015, Valneva announced a decrease in the acquisition price, thus reduced to €20 million, following a change in the DUKORAL® indications in Canada.

(g) 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. In November 2015, an additional USD 11 million was drawn in order to improve Valneva's cash position during the IXIARO® transition period; thus the total amount of the loan has been increased to USD 41 million, This loan was entered into for a period of five years from December 2013, is subject to annual interest of 9.5%, temporarily increased to 10.5% between Q3 2015 and Q3 2016 inclusive, and, as from 2016, to a fee of 3.1% (2.5% for Canada, the United Kingdom, Sweden, Denmark and the US military market) on IXIARO®/JESPECT® vaccine sales revenues and is to be gradually paid back in cash from the end of 2016.

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 €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. It had been concluded for a five-year period and was subject to annual interest of 11% payable quarterly in cash. However, following the above-mentioned reduction in acquisition price, Valneva repaid this loan in full in January 2016.

(h) Distribution agreements

In connection with the distribution business for third parties in the Nordic countries, the Group was distributing different vaccines of Novartis Vaccines and Diagnostics (now GSK) in these countries, through two distribution agreements which expired on 31 December 2015 and were not renewed.

On the filing date of this Registration Document, the Group has executed approximately 15 distribution agreement for DUKORAL® and IXIARO®. These include in particular marketing and distribution agreements with (a) VaxServe (a Sanofi Pasteur company) for IXIARO® on the market of non-governmental customers in US, (b) GSK for IXIARO® and DUKORAL® in Germany and Austria and (c) Seqirus (a CSL company) for JESPECT® and DUKORAL® in 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 2015 for the period ended December 31, 2015. The 2015 consolidated financial information presented herein include information relating to three fiscal years of 2013, 2014 and 2015.

Please refer to read the present analysis of the financial position and results of Valneva for fiscal years 2013, 2014 and 2015 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, the 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.

In addition, as a result of the acquisition of Crucell Sweden AB and all DUKORAL® related assets[31], Crucell Sweden AB's business has been included in the Group's consolidated financial statements from the merger closing date, i.e. February 9, 2015. Therefore, the 2015 and 2014 IFRS results are not fully comparable as the Crucell Sweden AB operations were only included for the period 2015 starting from February 10, 2015.

(a) Comparison of consolidated revenues and grants for the full year of 2015 and 2014

Revenues and grants

The following table sets forth the major components of Valneva's revenues and grants for the years ended December 31, 2015, 2014 and 2013:

In € thousand	Year ended December 31,			Change 2015	
	2015	**2014**	**2013**	**In value**	**In %**
Product sales	61,545	28,124	23,239	33,421	118.8
Revenues from collaborations and licensing	16,814	8,799	7,206	8,015	91,1
Grant income	4,975	5,506	5,546	(531)	(9.6)
Total revenues and grants	**83,335**	**42,429**	**35,991**	**40,906**	**96,4**

*(**Source**: Audited annual consolidated financial statements of Valneva SE as of and for the year ended December 31, 2015, 2014 and 2013)*

The Group's aggregate revenues and grants increased by €40.9 million, or 96.4%, from €42.4 million in the year ended December 31, 2014 to €83.3 million in the year ended December 31, 2015. This increase was mainly a result of the acquisition of the Crucell Sweden's business whose overall revenue contribution amounted to €36.4 million.

[31] See Section 1.1.2 (a) of this Registration Document.

The Group's aggregate revenues and grants increased by €6.4 million, or 17.9%, from €36 million in the year ended December 31, 2013 to €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.

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, 2015, 2014 and 2013:

In € thousand	Year ended December 31,			Change 2015	
	2015	2014	2013	In value	In %
Commercialized vaccines	62,052	28,289	23,239	33,763	119.4
Technologies and services	12,591	5,067	6,974	7,524	148.5
Vaccine candidates	8,691	9,072	5.778	(381)	(4.2)
Total revenues and grants	**83,335**	**42.429**	**35.991**	**40.906**	**96.4**

*(**Source**: Audited annual consolidated financial statements of Valneva SE as of and for the year ended December 31, 2015, 2014 and 2013)*

Product sales

IXIARO®/JESPECT® product sales contributed €30.6 million to revenues in 2015, representing an 8.8% increase over the 2014 product sales of €28.1 million. This increase was recorded despite the transition towards a newly established global marketing and distribution network following Valneva's termination of the marketing and distribution partnership with GSK in June 2015.

DUKORAL® product sales contributed €21 million and third party product distribution contributed €9.9 million to the full year 2015 product sales.

JEV-Vaccine IXIARO®/JESPECT® product sales are included in the Valneva numbers for the period following the merger closing, i.e. from June to December 2013, and regarding DUKORAL® and third party product distribution, from February 10, 2015.

As a percentage of total revenues and grants, product sales represented 73.9% in the year ended December 31, 2015, 66.3% in the year ended December 31, 2014 compared to 64.6% 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, 2015, 2014 and 2013:

In € thousand	Year ended December 31,			Change 2015	
	2015	2014	2013	In value	In %
France	746	915	612	(169)	(18.5)
Europe excluding France	23,814	7,552	5,148	16,262	215.3
North America*	33,471	18,532	17,372	14,939	80.6
Other**	3,514	1,125	107	2,389	212.4
Total product sales	**61,545**	**28,124**	**23,239**	**33,421**	**118.8**

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

Revenues from collaborations, licensing and services

The Group's revenues from collaborations, licensing and services increased by €8 million, or 91.1%, from €8.8 million in the year ended December 31, 2014 to €16.8 million in the year ended December 31, 2015. As a percentage of total revenues and grants, the revenues from collaborations and licensing were 20.2% in the year ended December 31, 2015, 20.7% in the year ended December 31, 2014; and 20% in the year ended December 31, 2013.

The increase in the year ended December 31, 2015 compared to the year ended December 31, 2014 was €8 million. Acquisition effects from the Crucell Sweden business amounted to €5.5 million, primarily related to R&D services provided to Johnson & Johnson. Excluding acquired revenues, revenues from collaborations and licenses grew to €11.3 million in 2015 from €8.8 million in 2014. They mainly benefited from additional licensing agreements and milestone payments received for the EB66® platform as well as co-development revenues for the *Pseudomonas* project from partner GSK. The increase in the year ended December 31, 2014 compared to the year ended December 31, 2013 of €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 the revenue from collaborations, licensing and services for the years ended December 31, 2015, 2014 and 2013:

In € thousand	**Year ended December 31,**			**Change 2015**	
	2015	**2014**	**2013**	**In value**	**In %**
Commercialized vaccines	473	135	-	338	250.4
Technologies and services	11,394	3,570	3,673	7,824	219.2
Vaccine candidates	4,947	5,094	3,533	(147)	(2.9)
Total revenues from collaborations, licensing and services	**16,814**	**8,799**	**7,206**	**8,015**	**91.1**

*(**Source**: Internal information of Valneva)*

The following table sets forth the geographical split of the revenue from collaborations, licensing and services for the years ended December 31, 2015, 2014 and 2013:

In € thousand	**Year ended December 31,**			**Change 2015**	
	2015	**2014**	**2013**	**In value**	**In %**
France	799	1,632	1,349	(833)	(51.0)
Europe excluding France	12,637	6,083	4,841	6,554	107.7
North America*	469	628	683	(159)	(25.3)
Other**	2,910	456	333	2,454	538.2
Total revenues from collaborations, licensing and services	**16,814**	**8,799**	**7,206**	**8,015**	**91.1**

*(**Source**: Internal information of Valneva)*

(*) "North America" refers to the United States of America and to Canada.

(**) "Other" refers to rest of world.

Grant income

The Group's grant income included grants from public agencies as well as Research and Development tax credits. Grant income amounted to €5 million representing a reduction of €0.5 million compared to 2014. Grant income remained flat at €5.5 million for the years ended December 31, 2013 and 2014. As a percentage of total revenues and grants, the grant income was 6% in the year ended December 31, 2015, 13% in the year ended December 31, 2014, and 15.4% 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, 2015, 2014 and 2013:

In € thousand	**Year ended December 31,**			**Change 2015**	
	2015	**2014**	**2013**	**In value**	**In %**
Commercialized vaccines	33	30	-	3	10.0
Technologies and services	1,197	1,497	3,301	(300)	(20.0)
Vaccine candidates	3,745	3,978	2,245	(233)	(5.9)
Total Grant Income	**4,975**	**5,506**	**5,546**	**(531)**	**(9.6)**

*(**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, 2015, 2014 and 2013:

In € thousand	**Year ended December 31,**			**Change 2015**	
	2015	**2014**	**2013**	**In value**	**In %**
France	2,223	2.297	3.377	(74)	(3.2)
Europe excluding France	2,752	3.209	2.169	(457)	(14.2)
North America*	-	-	-	-	-
Other**	-	-	-	-	-
Total Grant Income	**4,975**	**5.506**	**5.546**	**(531)**	**(9.6)**

*(**Source**: Internal information of Valneva)*

(*) North America refers to the United States of America and to Canada.

(**) "Other" refers to rest of world.

(b) Comparison of consolidated income statement for the full year of 2015, 2014 and 2013

	Year ended December 31,					
	2015		2014		2013	
	In € thousand	% or revenues and grants	In € thousand	% or revenues and grants	In € thousand	% or revenues and grants
Product sales	61,545	73.9	28,124	66.3	23,239	64.6
Revenues from collaborations, licensing and services	16,814	20.2	8,799	20.7	7,206	20.0
Revenues	**78,360**	**94.0**	**36,922**	**87.0**	**30,445**	**84.6**
Grant income	4,975	6.0	5,506	13.0	5,546	15.4
Revenues and grants	**83,335**	**100.0**	**42,429**	**100.0**	**35,991**	**100.0**
Cost of goods and services	(46,961)	(56.4)	(17,144)	(40.4)	(16,508)	(45.9)
Research & Development expenses	(25,367)	(30.4)	(22,242)	(52.4)	(21,423)	(59.5)
Distribution and marketing expenses	(9,121)	(10.9)	(2,065)	(4.9)	(5,707)	(15.9)
General and administrative expenses	(14,394)	(17.3)	(12,077)	(28.5)	(9,013)	(25.0)
Other income and expenses, net	(152)	(0.18)	(395)	(0.9)	1,157	3.2
Amortization and impairment of fixed assets/intangibles	(7,273)	(8.7)	(12,323)	(29.0)	(5,353)	(14.9)
Operating loss	**(19,934)**	**(23.9)**	**(23,817)**	**(56.1)**	**(20,856)**	**(57.9)**
Financial income	5,073	6.1	2,273	5.4	200	0.6
Financial expense	(9,716)	(11.7)	(4,394)	(10.4)	(2,969)	(8.2)
Result from investments in affiliates	(8,999)	(10.8)	-	-	-	-
Gain on bargain purchase	13,183	15.8	-	-	-	-
LOSS BEFORE INCOME TAX	**(20,393)**	**(24.5)**	**(25,938)**	**(61.1)**	**(23,625)**	**(65.6)**
Income tax	(224)	(0.3)	(334)	(0.8)	(348)	(1.0)
LOSS FROM CONTINUING OPERATIONS	**(20,617)**	**(24.7)**	**(26,272)**	**(61.9)**	**(23,973)**	**(66.6)**
Loss from discontinued operations	-	-	-	-	(137)	(0.4)
LOSS FOR THE YEAR	**(20,617)**	**(24.7)**	**(26,272)**	**(61.9)**	**(24,110)**	**(67.0)**

*(**Source**: Audited annual consolidated financial statements of Valneva SE as of and for the year ended December 31, 2015, 2014 and 2013)*

Cost of goods and services

Cost of goods and services (COGS) amounted to €47 million in 2015 of which €16.4 million related to IXIARO® sales, yielding a product gross margin of 46.4%. €18.2 million of COGS related to DUKORAL® sales, yielding a gross margin for the acquired DUKORAL® business of 13.3%, which was negatively impacted by idle capacity costs during a manufacturing transition period in 2015 and by acquisition accounting effects (cost of sales of acquired product inventory recorded at fair market value as opposed to the lower historical manufacturing cost). Of the remaining 2015 COGS, €7.3 million related to the third party product distribution business and €5 million related to cost of services. In the comparable period of 2014, COGS were €17.1 million, of which €15.6 million related to IXIARO® and €1.6 million to cost of services. Cost of goods and services increased by €0.6 million from €16.5 million in the year ended 2013 to €17.1 million in the year 2014. The gross margin on the Japanese encephalitis product improved from 29% in 2013 to 44.7% in the full year 2014.

Research & development expenses

The Group's Research & Development expenses increased by €3.1 million, or 14%, from €22.2 million in year ended December 31, 2014 to €25.4 million in the year ended December 31, 2015. This increase was mainly due to clinical study costs, especially for the phase II study of Valneva's *Clostridium difficile* vaccine candidate and for the phase II/III study of Valneva's *Pseudomonas* vaccine candidate. As a percentage of total revenues and grants, the Group's Research & Development expenses were 30.4% in the year ended December 2015, 52.4% in the year ended December 31, 2014, and 59.5% in the year ended December 31, 2013. The Group's Research & Development expenses increased by €0.8 million, or 3.8%, from €21.4 million in year ended December 31, 2013 to €22.2 million in the year ended December 31, 2014.

The following table sets forth the major components of the Research & Development expenses for the years ended December 31, 2015, 2014 and 2013. Due to the fact that Research & 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 € thousand	**Year ended December 31,**			**Change 2015**	
	2015	**2014**	**2013**	**In value**	**In %**
Employee benefit expense	(20,088)	(11,699)	(9,746)	(8,389)	71.7
Consulting and other purchased services	(14,371)	(9,764)	(7,691)	(4,607)	47.2
Raw materials and consumables used	(2,013)	(2,006)	(3,292)	(7)	0.35
Depreciation, amortization and Impairment	(1,346)	(1,384)	(2,481)	38	(2.7)
License fees	(986)	(705)	(431)	(281)	39.9
Other expenses	(7,863)	(7,035)	(5,855)	(828)	11.8
Less: amounts capitalized as development costs and inventory	21,300	10.348	7.937	10,952	105.8
Research & Development expenses	**(25,367)**	**(22,242)**	**(21,560)**	**(3,125)**	**14.0**

*(**Source**: Internal information of Valneva)*

Distribution and marketing expenses

Distribution and marketing expenses in 2015 amounted to €9.1 million, compared to €2.1 million in 2014. The newly acquired ex-Crucell business contributed an additional €6.3 million of distribution and marketing expenses in 2015. Furthermore distribution and marketing costs increased as a result of the transition towards Valneva's own sales and marketing organization after termination of the global distribution partnership with GSK in June 2015. Distribution and marketing expenses in the year 2013 included royalty payments.

The following table sets forth the major components of distribution and marketing expenses for the years ended December 31, 2015, 2014 and 2013:

In € thousand	Year ended December 31,			Change 2015	
	2015	2014	2013	In value	In %
Social charges	(2,912)	(1,024)	(1,587)	(1,888)	184.4
Consulting and other purchased services	(3,910)	(660)	(3,524)	(3,250)	492.4
Depreciation, amortization and Impairment	(20)	(3)	(30)	(17)	566.7
Other expenses	(2,279)	(378)	(566)	(1,901)	502.9
Total distribution and marketing expenses	**(9,121)**	**(2,065)**	**(5,707)**	**(7,056)**	**341.7**

(***Source**: Internal information of Valneva)*

General and administrative expenses

General and administrative expenses in 2015 amounted to €14.4 million, compared to €14.1 million in 2014. This increase was due to €2.9 million additional general and administrative costs from the newly acquired ex-Crucell business, which were partly offset by lower general and administrative expenses of the original business.

The Group's General and administrative expenses increased by €3.1 million, or 34%, from €9 million in the year ended December 31, 2013 to €12.1 million in the year ended December 31, 2014.

As a percentage of total revenues and grants the general and administrative expenses were 17.3% in the year ended December 31, 2015, 28.5% in the year ended December 31, 2014, and 25% in the year ended December 31, 2013

The following table sets forth the major components of general and administrative expenses for the years ended December 31, 2015, 2014 and 2013:

In € thousand	Year ended December 31,			Change 2015	
	2015	2014	2013	In value	In %
Social charges	(7,220)	(6,620)	(4,784)	(600)	9.1
Consulting and other purchased services	(4,780)	(3,696)	(2,997)	(1,084)	29.3
Depreciation, amortization and Impairment	(110)	(25)	(56)	(85)	340.0
Other expenses	(2,284)	(1,736)	(1,175)	(548)	31.6
Total general and administrative expenses	**(14,394)**	**(12,077)**	**(9,013)**	**(2,317)**	**19.2**

(***Source**: Internal information of Valneva)*

Other operating income and expenses, net

The Group's other income and expenses, net, changed by €0.2 million, from net other expenses of €0.4 million in the year ended December 31, 2014 to net other expenses of €0.2 million in the year ended December 31, 2015 and changed by €1.6 million, from net other income of €1.2 million in the year ended December 31, 2013 to net other expenses of €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, 2015, 2014 and 2013:

In € thousand	**Year ended December 31,**			**Change 2015**	
	2015	**2014**	**2013**	**In value**	**In %**
Taxes, duties, fees, charges, other than income tax	(116)	(258)	(282)	142	(55.0)
Gains/losses on sale of fixed assets and assets for held for sale, net	29	(63)	1,260	92	(146,0)
Other income/expenses	(66)	(74)	180	8	(10.8)
Other income and expenses, net	**(152)**	**(395)**	**1,157**	**243**	**(61.5)**

*(**Source**: Internal information of Valneva)*

Amortization, depreciation and impairment

Amortization, depreciation and impairment decreased by €5 million from €12.3 million in the year ended December 31, 2014 to €7.3 million in the year ended December 31, 2015. In 2014 an impairment charge of €4.1 million in connection with the antibody business was recognized as the Company decided to change the strategy on the antibody business.

Amortization, depreciation and impairment increased by €7 million from €5.4 million in the year ended December 31, 2013 to €12.3 million in the year ended December 31, 2014.

Finance income / (expense), net

The following table sets forth the major components of financial income / (expenses), net for the years ended December 31, 2015, 2014 and 2013:

In € thousand	Year ended December 31,			Change 2015	
	2015	**2014**	**2013**	**2015**	**2014**
Financial income					
Interest income from bank deposits and other	3,096	226	191	2,870	1,269.9
Interest income on available-for-sale financial assets	-	-	1	-	-
Realized gains from the sale of available-for-sale financial assets	-	-	9	-	-
Change in fair value of financial assets and liabilities	-	48	-	(48)	(100.0)
Net foreign exchange gain	1,977	1,999	-	(22)	(1.1)
	5,073	**2,273**	**200**	**2,800**	**123.2**
Finance expense					
Interest expense to banks and government agencies	(148)	(190)	(433)	42	(22.1)
Interest expense to other	(9,569)	(4,204)	(779)	(5,365)	127.6
Change in fair value of financial assets and liabilities	-	-	(50)	-	-
Net foreign exchange loss	-	-	(1,707)	-	-
	(9,716)	(4,394)	(2,969)	(5,322)	121.1
Total finance income / (expense), net	**(4,643)**	**(2,121)**	**(2,769)**	**(2,522)**	**118.9**

*(**Source**: Internal information of Valneva)*

Net finance expenses increased by €2.5 million from €2.1 million in the year ended December 31, 2014 to €4.6 million in the year ended December 31, 2015. This increase was primarily because of increased interest expenses for loans. Net finance expenses decreased by €0.6 million from €2.8 million in the year ended December 31, 2013 to €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.

Income tax income / (expense)

Income tax expenses remained almost flat with €0.2 million in the year ended December 31, 2015, compared to €0.3 million in the year ended December 31, 2014 and December 31, 2013.

(c) Comparison of income statement for the year ended December 31, 2015 and pro forma income statement for the year ended December 31, 2015

In € thousand	Full year ended December 31,	
	2015	Pro forma 2015
Product sales	61,545	67,445
Revenues from collaborations, licensing and services	16,814	16,814
Revenues	**78,359**	**84,259**
Grant income	4,975	4,975
Revenues and Grants	**83,335**	**89,235**
Cost of goods and services	(46,961)	(49,861)
Research & Development expenses	(25,367)	(25,367)
Distribution and marketing expenses	(9,121)	(10,021)
General and administrative expenses	(14,394)	(14,297)
Other income and expenses, net	(152)	(652)
Amortization and impairment of fixed assets/intangibles	(7,273)	(7,273)
OPERATING PROFIT/(LOSS)	**(19,934)**	**(18,237)**
Finance income	5,073	5,073
Finance expenses	(9,716)	(9,716)
Result from investments in affiliates	(8,999)	(8,999)
Gain on bargain purchase	13,183	13,183
PROFIT/(LOSS) BEFORE INCOME TAX	**(20,393)**	**(18,696)**
Income tax	(224)	(645)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	**(20,617)**	**(19,341)**

Analysis

Pro forma full-year product sales for 2015 amounted to €67.4 million and included additional product sales of the Crucell Sweden business from 1st January to 9th February, 2015 of €5.9 million.

The net loss on a pro forma basis decreased to €19.3 million in the year 2015. The decrease of €1.3 million consists of the impact of the additional sales of €0.8 million and the cancellation of the impact of acquisition costs amounting to €0.5 million.

1.4.4 Significant post-closing events – Group's business trends and outlook

(a) Significant post-closing events

For information on significant post-closing events occurring between December 31, 2015 and the filing date of this Registration Document, please refer to Section 1.1.3 of this Registration Document.

(b) Goals

As part of the management of its activities, the Group prepares operational and financial targets for the current and subsequent financial years.

When preparing its targets, the Group's Management Board uses the same accounting rules as for its IFRS-compliant financial statements.

Based on information currently available, the Group has set the following financial targets for 2016:

- Valneva expects 2016 overall IFRS revenues to reach €90 to €100 million with product sales in the expected range of €70 to €80 million, reflecting up to 30% growth compared to 2015 product sales. Valneva expects more than 60% of 2016 planned product sales to be generated by its own commercial teams;
- benefiting from the setting of its own marketing and distribution network in 2015, Valneva expects a gross margin on product sales of approximately 50% in 2016;
- Valneva will continue to strive towards financial self-sustainability and expects to reduce its EBITDA loss to less than €5 million in 2016, while continuing to invest around €25 million in R&D.

Based on information available, Valneva has also defined long-term goals for the Group:

- Valneva expects to grow revenues to around €250 million by 2020 coming from existing and future products, while at the same time delivering positive cumulative cash-generation;
- the Group will continue to build on R&D value growth and anticipates investing approximately 20% of its yearly revenues in an innovative R&D pipeline, with at least one clinical candidate at each stage of product development.

To deliver on these goals, Valneva's strategy is to complement its profitable organic growth with opportunistic mergers and acquisitions offering additional revenue streams.

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These targets and the expected achievements described in the "Trends" paragraph below 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" (see Section 1.5 of this Registration Document) or any other risk not thus far identified.

(c) Trends

The year 2015 was marked by the termination of the Marketing & Distribution Agreement with GSK for IXIARO® and by a transition period during which GSK continued distributing the product and Valneva set up its own commercial organization through marketing and sales affiliates in some countries or for some markets (UK, US Military, Canada, Nordic countries), and through distributors in other countries or for other markets. Contrary to the initial belief that the sales would temporarily decrease, the 2015 IXIARO® sales continued to grow. The Group anticipates a continued growth of IXIARO®/JESPECT® sales to approximately €50 million in 2016, from €30.6 million in 2015.

With respect to DUKORAL®, and considering the restriction to the DUKORAL® label in Canada (see Section 1.1.2 (k) of this Registration Document), Valneva expects the global sales of the vaccine to reach approximately €23 million in 2016 (vs €26.3 million on a pro-forma basis in 2015). The Company has confirmed that the first-quarter 2016 sales are on the right trend to meet this full-year expectation.

With respect to products being developed, the results of the Phase II/III clinical trial on the *Pseudomonas* vaccine candidate are expected at the end of the second quarter of 2016. The development of this product is part of the strategic alliance with GSK, and GSK has option rights for this product (see Section 1.4.2 (a) of this Registration Document).

Topline Phase II data on the *C. difficile* vaccine candidate were announced at the end of 2015, and the close-out of the Phase II study is anticipated around mid-year 2016. GSK had option rights on this program within the scope of the strategic alliance referred to above. For strategic reasons, GSK has waived its option rights. Valneva is holding discussions with other potential partners and expects to enter into a partnering agreement by the end of the year 2016.

1.4.5 Liquidity and capital resources

Liquid funds at December 31, 2015 stood at €42.6 million compared to €29.5 million at the end of December 2014 and consisted of €41.9 million in cash and €0.7 million in restricted cash. Currently, the Group does not have any significant short-term working capital lines or other unused sources of liquidity.

(a) Capital resources

The Group funds its operations primarily through equity and secured debt. In the year 2015, gross proceeds of €45 million were raised through a capital increase completed in February in connection with the acquisition of Crucell Sweden. To finance the acquisition, 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 1.1.2 (a) of this Registration Document). The gross proceeds were used to finance the acquisition and to allow Valneva to efficiently integrate the assets thus acquired and pursue the on-going development of its pre-commercial products portfolio.

At December 31, 2015, the Group's borrowings were €102.3 million, of which €5.7 million were bank borrowings, €29.2 million were finance lease liabilities and €67.3 million were other liabilities. €76.6 million of the Group's borrowings had a maturity of more than one year, including €25.5 million that had a maturity of more than five years.

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 an interest rate ranging from 9.5% to 10.5%. On November 18, 2015, the loan was increased by an additional financing of USD 11 million. From 2016 onwards, the Company will pay a royalty to Pharmakon Advisors ranging from 2.5% to 3.1% on its IXIARO®/JESPECT® sales during the term of the loan. The asset-based loan is guaranteed by Valneva SE and secured by a security interest on the incoming funds from Valneva's sales of 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.

In connection with the acquisition of Crucell Sweden and its related assets the Group entered into a €15 million term loan facility from funds managed by Athyrium Capital Management, LLC. The loan

originally extended over a 5 year period and carried a fixed yearly interest rate of 11% payable in cash on a quarterly basis. The loan was secured by collateral on the assets acquired in the course of the above mentioned acquisition. In order to reflect the business changes resulting from the adjustments to the DUKORAL® label in Canada in December 2015, the parties agreed on an early repayment of the loan which was made in January 2016.

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For additional information on the Company's capital resources and borrowings to finance its activities, please refer to Notes 5.22 and 5.25 to the consolidated financial statements for the fiscal year 2015 (see Section 4.1 of this Registration Document).

(b) Cash flow

The following table sets forth the Group's condensed cash flow information for the years ended December 31, 2015 and 2014:

IN € THOUSAND	YEAR ENDED AT DECEMBER 31,	
	2015	*2014*
Net cash used in operating activities		
Net cash used in operating activities	**(24,334)**	**(14,944)**
Cash flow from investing activities		
Net cash generated / (used) from investing activities	**(26,565)**	**1,993**
Net cash generated from financing activities		
Proceeds from the issuance of common stock, net of costs of equity transactions and purchase of treasury shares	42,010	8,632
Disposal/(Purchase) of treasury shares	63	69
Proceeds from borrowings	26,472	1,656
Repayment of borrowings	(4,350)	083)
Net cash generated from/(used in) financing activities	**64,195**	**5,274**
Cash and cash equivalents at end of the period	**41,907**	**28,857**
Cash, cash equivalents and current financial assets at end of the year	**42,567**	**29,468**

Net cash used in operating activities in 2015 amounted to €24.3 million (compared to €14.9 million in 2014) and resulted primarily from the operating loss in connection with the Group's R&D activities, from an increase in working capital and from an increase in interest payments.

Cash out-flows from investing activities amounted to €26.6 million in 2015 and resulted primarily from the acquisition of Crucell Sweden and all assets, licenses and privileges related to DUKORAL® as well as a vaccine distribution business in the Nordics, net of cash, and from investments in associated companies.

Cash inflows from financing activities in 2015 amounted to €64.2 million and primarily included net proceeds from a capital increase of €42 million (after deduction of transaction costs of €3.3 million) in February 2015 and net proceeds of new borrowings amounting to €26.5 million.

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For additional information on the Company's cash flow at December 31, 2015, please refer to the cash flow statement provided in Part 3 of the consolidated financial statements for the fiscal year 2015 and to Note 5.29 of these financial statements (see Section 4.1 of this Registration Document).

(c) Funding requirements and anticipated financing sources

For the foreseeable future, the Group's funding requirements will primarily consist of Research & 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 & 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 IXIARO®/JESPECT® and DUKORAL® vaccines 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 Proposed appropriation of earnings

After deducting all expenses, taxes, depreciation and amortization expenses, the statutory financial statements presented in Section 4.3 of this Registration Document show a loss of €17,619,145.14.

The Company proposes to appropriate this loss of €17,619,145.14 to the accumulated deficit that would be thus increased from €58,715,891.93 to €76,335,037.07.

1.4.7 Disallowed tax deductions

In compliance with article 223 quater and 223 quinquies of the French General Tax Code, the Company informs that the 2015 financial statements do not include any expenses which are not deductible from taxable income as mentioned in articles 39.4 and 39.5 (subsection 10) of the French General Tax Code, except regarding excess lease payments on passenger vehicle that are not deductible from taxable income, for an amount of € 7,430.

1.4.8 Suppliers' terms of payment

In accordance with paragraph 9 of article L. 441-6, I of the French Commercial code, the time frame agreed upon by the parties for the settlement of any invoice due shall not exceed sixty days from the date of issuance of that invoice. By way of exception, the parties may agree to a payment period of not more than forty-five days from the end of the month in which the invoice is raised, provided that this payment period is expressly set forth in an agreement and is not grossly unfair to the creditor. In case of summary invoice, in the meaning of article 289, I, 3° of the French General Tax Code, the payment period agreed upon by the parties shall not exceed forty-five days from the date of issuance of the invoice.

With respect to invoices issued by Valneva's suppliers unpaid at year-end 2015, the aged trial balance for payables breaks down as follows:

In euros	30 days	60 days	Over 60 days	Total outstanding at December 31, 2015
Amounts due to trade suppliers as at December 31, 2015	587,749.57	24,351	0	612,100.57
Amounts due to equipment suppliers as at December 31, 2015	90,492.19	12,891.18	0	103,383.37
Commercial paper (trade bills) outstanding at December 31, 2015	0		0	0
TOTAL	**678,241.76**	**37,242.18**	**0**	**715,483.94**

With respect to invoices issued by Valneva's suppliers unpaid at year-end 2014, 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, 2014
Amounts due to trade suppliers as at December 31, 2014	591,998.85	56,545.46	2,916.75	651,461.06
Amounts due to equipment suppliers as at December 31, 2014	1,021,228.62	5,052.00	365,223.87	1,391,504.49
Commercial paper (trade bills) outstanding at December 31, 2014	0	0	0	0
TOTAL	**1,613,227.47**	**61,597.46**	**368,140.62**	**2,042,965.55**

1.4.9 Statutory disclosure of prior dividend distributions

In compliance with article 243 bis of the French General Tax Code, the Company reminds that it has paid no dividend 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 this 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 because (a) virtually all of its revenues, excepting grants and third party products, arise from two commercialized vaccines only, namely DUKORAL® and IXIARO®/JESPECT® and (b) it has recently created its own distribution network, a combination of in-house sales and marketing entities and independent distributors, and needs to demonstrate that these can reach the expected level of sales. 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 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).

1.5.1 Specific risks relating to the Group's business

(a) Risks relating to the new DUKORAL® indications in Canada

At the end of 2015, following a regulatory process initiated by Health Canada, the DUKORAL® indications in Canada were narrowed (see Section 1.1.2 (k) of this Registration Document). Valneva might not be able to limit the adverse impact on sales in 2016. Because Canada is the largest market for the DUKORAL® vaccine, a decline in sales could adversely affect Valneva's revenues, operations and financial condition.

(b) Risk associated with dependence on two products

To date, the Group only has two marketed products, namely its Japanese encephalitis 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.

(c) Risk of marketing failure

Following the IXIARO® business transition process (see Sections 1.1.2 (f) and 1.1.3 (b) of this Registration Document), the Company expects the IXIARO®/JESPECT® sales to grow very significantly in 2016, from €30.6 million to approximately €50 million. To achieve the planned level of

sales, Valneva's new sales and marketing organization and distributors need to gain further market acceptance for this product and to achieve superior sales and marketing performance in full compliance with applicable laws and regulations. The degree of market acceptance among Valneva's primary customers, the customers of Valneva's distributors and the medical community will 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. If Valneva and its distributors fail to gain further market acceptance or do not perform well, Valneva's revenues, operations and financial condition could be adversely affected.

(d) Risks relating to the vaccine distribution activity in Nordic countries

Valneva's vaccine distribution business in the Nordic countries has been adversely affected by the transfer of the Novartis vaccines business to GSK. Valneva might be unable to enter into new distribution agreements with third parties, or to renew existing ones, and this situation could adversely affect Valneva's revenues.

(e) 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 or in meeting regulatory requirements. 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.

(f) 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 Group'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.

(g) 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 Kaketsuken in Japan in 2012, by Farvet SAC, in Peru, and by Merial, in Europe, in 2014. The first authorization to market a H5N1 pandemic human vaccine produced on the EB66® cell line was obtained by Kaketsuken, partner of GlaxoSmithKline for product development, in Japan, in March 2014. In March 2015, Kaketsuken also obtained marketing and manufacturing approval of an EB66®-based prototype influenza vaccine in Japan (see Section 1.1.2 (e) 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.

(h) 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.

(i) Risks relating to developing Group products

The Group’s Research & Development activities, and especially its programs in the clinical trial phase, are costly and time-consuming (see 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, the European Medicines Agency 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.

(j) 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 (see 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. Valneva has partly reduced these risks by terminating the Marketing and Distribution Agreement with GSK in June 2015 and by setting up its own commercial organization through a combination of in-house marketing and sales entities in some countries and a network of distributors in other countries (see Section 1.1.2 (f) of this Registration Document). However, the Group remains exposed to these risks. 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.

(k) 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 a Phase II/III clinical trial. Trial results are expected in Q2 2016.

(l) 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.

(m) Risks associated with internal and external growth

Any failure in the monitoring and management of the Group's development, including any wrong investment decision, 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.

(n) 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.

(o) 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.

(p) Risks related to the use of hazardous substances in R&D

As part of its Research & 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

(a) Financial risks

Historical operating losses - Risks related to expected future losses

At December 31, 2015, accumulated net losses for the Group (retained earnings) under IFRS amounted to €110 million including a loss of €20.6 million for the fiscal year ended December 31, 2015.

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.

Uncertainty of additional funding and future capital requirements

In 2015, the Group raised €45 million through a capital increase, drew an additional loan of USD 11 million and obtained a new loan of €15 million (repaid at the beginning of 2016). However, it still expects to require more capital in the future to continue its Research & 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 & 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.

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 (see Note 5.3.1 (c) to the consolidated financial statements 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 41 million loan referred to in Section 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 IXIARO®, default, or the occurrence of an event having a material adverse effect on the Group's sales, operations or financial position.

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 free shares. The Company was also authorized by the General Meeting held on June 25, 2015 to carry out capital increases by private placement up to 20% of the share 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.

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 (see Note 5.13 to the consolidated financial statements for the fiscal year 2015 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.

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 (see Note 5.10.2 to the 2015 consolidated financial statements, in Section 4.1 of this document).

(b) Legal risks

Risks related to patents and similar rights

Approximately 25% 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, or that third party patents do not cover the technologies used by Valneva. 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 the patents of competitors or other third parties. 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 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 granted patents;
- 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;
- third party patents cover the technologies used by Valneva or the products made or sold by Valneva.

Granting of a patent does not guarantee its validity or permitted use. 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 or freedom to operate 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.

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 actively monitors the intellectual property situation of its projects and businesses, in particular that of its pipeline products, and is aware that it may be necessary to obtain additional licenses on third-party patents. 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 or were recently 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. 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. This agreement and the last-to-expire patent rights licensed thereunder will be expiring on July 29, 2016. 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 by INRA/CNRS/ENS Lyon but the licensed patent rights have now expired;
+ the *Pseudomonas aeruginosa* vaccine candidate was initially developed by Chiron Corporation, now Novartis. Under an exclusive license agreement, Novartis granted the Group the right to use its patent rights to develop, make and commercialize this Pseudomonas vaccine worldwide. These Novartis patent rights have now expired.

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.

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 US 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.

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. Also, it is possible, especially in new marketing territories, that Valneva's trademarks are invalidated by reason of prior filings.

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 GSK in under the terms of the Strategic Alliance Agreement (see Section 1.4.2 (a) 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.

Risks related to the inability to protect the trade secrets, know-how and confidential information of the Group

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.

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 (see Section 1.5.3 of this Registration Document for further information on Group insurance policies).

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 of any other governmental, legal or arbitration proceedings (including pending or threatening litigation of which the Company has knowledge) that in future might have or in the last 12 months had a material impact on the financial position or profitability of the Company or the Group.

Risks relating to the sourcing of genetic resources

The Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization to the Convention on Biological Diversity (the "**Nagoya Protocol**") is an international agreement, effective since October 12, 2014, which aims at sharing the benefits arising from the utilization of genetic resources with originating countries in a fair and equitable way. The Nagoya Protocol may apply, for example, to the use of pathogens in developing a vaccine. Upon filing this Registration Document, there are lots of uncertainties regarding the interpretation and implementation of the Nagoya Protocol, and not all contracting parties have yet issued detailed national rules as a result of their obligations under this treaty. If Valneva is unable to comply or prove compliance with the rules of the Nagoya Protocol and the legislation derived therefrom, it may be prevented from seeking grants and filing applications for patents or marketing authorizations and may have to pay fines. Valneva is monitoring the implementation of the Nagoya Protocol, so it can take all appropriate action as the situation develops.

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.

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 (15.95% and 9.83%, respectively[32]) and of the voting rights (25.51% and 13.80%, respectively[33]). Such concentration may have a significant adverse effect on the Company's share price.

(c) Market risks

Currency risk

The Group, through its marketing and 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 US Dollar, the Canadian Dollar, the Swedish Krona, the Norwegian Krone, the Australian Dollar 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, see Note 5.3.1 (a) to the consolidated financial statements for the fiscal year 2015 in Section 4.1 of this Registration Document).

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, see Note 5.3.1 (a) to the consolidated financial statements for the fiscal year 2015 in Section 4.1 of this Registration Document.

For additional information on credit risks, see Note 5.3.1 (b) to the consolidated financial statements for the fiscal year 2015 in Section 4.1 of this Registration Document.

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 (c) of this Registration Document) and (ii) the liquidity contract with Natixis (see Section 5.1.3 (b) of this Registration Document).

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[32] Rates calculated in reference to a share capital totaling 75,888,288 Valneva shares, divided into (a) 74,698,099 ordinary shares with a nominal value of €0.15 each, (b) 17,836,719 preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each

[33] Rates calculated by reference to a share capital of 75,888,288 Valneva shares, representing 93,894,996 voting rights (gross or theoretical) at April 30, 2016.

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 2015 amounted to €751.036,86 for the fiscal year.

Main Valneva SE group policies:

Risks covered	Insurer	Term/expiration
BU/ All-risk insurance	HDI Versicherung AG	Renewed yearly unless terminated at three months' prior notice (earliest January 1, 2017)
Transport insurance	HDI Versicherung AG	Renewed yearly unless terminated at three months' prior notice (earliest December 31, 2016)
Product liability insurance max. coverage: **EUR 20 million (per claim, twice p.a.)**	XL Catlin	Renewed yearly unless terminated at three months' prior notice (earliest January 1, 2019)
D&O[34]	XL Insurance Company	Valid for period: May 27, 2015 – May 26, 2016
Corporate travel insurance	Europaeische Reiseversicherungs AG	Terminated at one month's prior notice (earliest January 1, 2017)

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 (b) and 1.4.4 (c) 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 Section 1.5.2 (b), paragraphs "Risks related to potential conflicts with licensees, partners and distributors" and "Disputes", of this Registration Document.

[34] 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.

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

(a) Management Board members

The Management Board is currently composed of the following members:

Name	Offices and positions held outside the Company in 2015	Offices and positions held outside the Company during the last five years (2014-2010)
Thomas Lingelbach ***Chairman of the Management Board - President & CEO of Valneva SE*** (Appointed on May 10, 2013, end of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2018) 	+ **Valneva Sweden AB** Chair of the Board - February 2015 to this day + **Valneva UK Limited** Managing Director - October 2015 to this day + **Valneva Canada Inc.** Member of the Board of Directors January 2015 to this day + **Vaccines Holdings Sweden AB** (formerly « Goldcup 10618 AB ») Chair of the Board December 2014 to this day + **Elatos GmbH** Geschäftsführer (Managing Director) December 2013 to October 2015 + **Valneva Austria GmbH** Geschäftsführer (Managing Director) August 2013 to this day + **Intercell USA Inc.** President & CEO November 2012 to this day Director - August 2008 to this day + **Valneva Scotland Ltd.** Director - December 2006 to this day	+ **Intercell AG** CEO (2011-2013) COO (2007-2011) + **Intercell Austria AG** President & CEO (2013)

Name	Offices and positions held outside the Company in 2015	Offices and positions held outside the Company during the last five years (2014-2010)
Franck Grimaud ***Management Board member & Deputy CEO of Valneva SE*** (Appointed on May 10, 2013, end of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2018) 	+ **Intercell USA Inc.** Director - December 2015 to this day ——— Deputy CEO - December 2015 to this day + **Valneva UK Limited** Director - October 2015 to this day + **Valneva Sweden AB** Board member - February 2015 to this day + **Valneva Canada Inc.** Member of the Board of Directors January 2015 to this day ——— President - January 2015 to this day + **Blink Biomedical SAS** Supervisory Board member January 2015 to this day + **Atlanpole Biothérapies** Board member January 2015 to this day ——— Treasurer - January 2015 to this day + **Vaccines Holdings Sweden AB** (formerly « Goldcup 10618 AB ») Board member - December 2014 to this day ——— Managing Director December 2014 to this day + **Valneva Austria GmbH** Geschäftsführer (Managing Director) August 2013 to this day + **Valneva Toyama Japan K.K.** Representative Director & President April 2011 to this day + **Grimaud Deyang Animal Co Ltd.** Board member - September 2000 to this day + **Chengdu Grimaud Breeding Co Ltd.** Board member - January 2000 to this day	+ **Atlanpole Biothérapies** Board member and Vice-President (From January 2012 to December 2014) + **SMOL Therapeutics SAS** *(Company transferred through transfer of its assets and liabilities on December 30, 2013)* Managing Director (2013) ——— President (2013) + **Intercell Austria AG** CBO (2013) + **Humalys** *(Company transferred through transfer of its assets and liabilities)* Président (2010-2011) + **TCL Pharma (France)** Board member (Until 2010)

Name	Offices and positions held outside the Company in 2015	Offices and positions held outside the Company during the last five years (2014-2010)
Reinhard Kandera ***Management Board member & CFO of Valneva SE*** (Appointed on May 10, 2013, end of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2018) 	+ **Valneva UK Limited** Director - October 2015 to this day + **Valneva Sweden AB** Board member February 2015 to this day + **Valneva Canada Inc.** Member of the Board of Directors January 2015 to this day Secretary - January 2015 to this day + **Vaccines Holdings Sweden AB** (formerly « Goldcup 10618 AB ») Board member - December 2014 to this day + **Elatos GmbH** Geschäftsführer (Managing Director) From December 2013 to October 2015 + **Valneva Austria GmbH** Geschäftsführer (Managing Director) August 2013 to this day + **Intercell USA Inc.** Director - April 2012 to this day Secretary - February 2012 to this day + **Valneva Scotland Ltd.** Director - February 2004 to this day	+ **Valneva Scotland Ltd.** Secretary (2009-2014) + **Intercell Austria AG** CFO (2013) Vice-Chairman of the Supervisory Board (2013) + **Intercell AG** CFO (2009-2013) + **Intercell USA Inc.** CFO (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, France.

However, the Business address of Messrs. Thomas Lingelbach and 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.

(b) Supervisory Board members

The Supervisory Board is currently composed of the following members:

Name	Offices and positions held outside the Company in 2015	Offices and positions held outside the Company during the last five years (2014-2010)
Frédéric Grimaud ***Chairman of the Supervisory Board of Valneva SE*** (Appointed by the Extraordinary General Meeting of December 12, 2012, end of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2015) 	+ **Ovogenetics Holding BV** Director - December 2014 to this day + **Choice Genetics SAS** Nomination and Compensation Committee member - November 2014 to this day Chair of the Board From October 2014 to December 2015 President From January 2008 to December 2015 + **Blue Genetics Vietnam** Chairman of the Council July 2014 to this day + **Galor SAS** President From November 2013 to December 2015 + **Blue Genetics Mexico** Chair of the Board - July 2013 to this day + **Blue Genetics Holding SAS** President – From May 2013 to December 2015 + **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** President - June 2009 to this day + **Novogen SAS** President – From July 2008 to December 2015 + **Choice Genetics USA LLC** Board member - May 2008 to this day + **Hubbard Polska Sp Zoo** 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 – From April 2005 to December 2015 + **Hubbard LLC** Chair 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 From November 2002 to December 2015	+ **France Food Alliance SAS** Permanent Representative of the company Groupe Grimaud La Corbière SA in its capacity as Supervisory Board member (From November 2007 to July 2014) + **Grimaud Vietnam Company Limited** Chairman of the Management Committee (From August 2011 to October 2014) + **Intercell Austria AG** Supervisory Board member + **Bucolica NV** Board member – Until March 13, 2010 + **Hubbard Co. Ltd** *(Company voluntary liquidated on February 12, 2010)* Board member + **Hubbard Holding Co. Ltd** *(Company voluntary liquidated on February 12, 2010)* Board member

Name	Offices and positions held outside the Company in 2015	Offices and positions held outside the Company during the last five years (2014-2010)
Frédéric Grimaud ***Chairman of the Supervisory Board of Valneva SE*** (Appointed by the Extraordinary General Meeting of December 12, 2012, end of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2015)	+ **Hypharm SAS** President From November 2002 to December 2015 + **Filavie SAS** President From November 2002 to December 2015 + **Grimaud (Putian) Breeding Farm Co Ltd.** Chair of the Board - December 2000 to this day + **Grimaud (Deyang) Animal Health Co Ltd.** Chair of the Board - November 2000 to this day + **Grimaud Italia SRL** Board member - 2000 to this day + **Chengdu Grimaud Breeding Farm Ltd.** Chair of the Board - October 1996 to this day --- + Permanent Representative of the company Groupe Grimaud La Corbière SA in its capacity as President of the company Galor SAS (December 2015 to this day) + Permanent Representative of the company Groupe Grimaud La Corbière SA in its capacity as President of the company Grimaud Frères Holding SAS (December 2014 to this day) + Permanent Representative of the company Hubbard Holding SAS in its capacity as President of the company Hubbard SAS (February 2013 to this day) + Permanent Representative of the company Grimaud Frères Holding SAS in its capacity as President of the company Grimaud Frères Sélection SAS (December 2015 to this day) + Permanent Representative of the company Groupe Grimaud La Corbière SA in its capacity as President of the company Hubbard Holding SAS (December 2015 to this day) + Permanent Representative of the company Groupe Grimaud La Corbière SA in its capacity as President of the company Hypharm SAS (December 2015 to this day) + Permanent Representative of the company Groupe Grimaud La Corbière SA in its capacity as President of the company Filavie SAS (December 2015 to this day) + Permanent Representative of the company Groupe Grimaud La Corbière SA in its capacity as President of the company Choice Genetics SAS (December 2015 to this day)	

Name	Offices and positions held outside the Company in 2015	Offices and positions held outside the Company during the last five years (2014-2010)
Frédéric Grimaud ***Chairman of the Supervisory Board of Valneva SE*** (Appointed by the Extraordinary General Meeting of December 12, 2012, end of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2015)	+ Permanent Representative of the company Groupe Grimaud La Corbière SA in its capacity as Chair of the Board of the company Choice Genetics SAS (December 2015 to this day) + Permanent Representative of the company Groupe Grimaud La Corbière SA in its capacity as President of the company Novogen SAS (December 2015 to this day) + Permanent Representative of the company Groupe Grimaud La Corbière SA in its capacity as President of the company Blue Genetics Holding SAS (December 2015 to this day) + Permanent Representative of the company Grimaud Frères Holding SAS in its capacity as President of the company Les élevages de la Fronière SAS (July 2015 to this day)	

Name	Offices and positions held outside the Company in 2015	Offices and positions held outside the Company during the last five years (2014-2010)
Alain Munoz ***Supervisory Board member of Valneva SE*** (Appointed by the Extraordinary General Meeting of December 12, 2012, end of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2015) *Independent member* 	+ **Hybrigenics SA** Chair of the Board - June 2015 to this day + **Oxthera AB** Supervisory Board member February 2015 to this day + **Genticel SA** Supervisory Board member From March 2010 to December 2015 + **Auris Medical AG** Supervisory Board member From December 2007 to April 2015 + **Zealand pharma A/S** Supervisory Board member November 2007 to this day + **SARL Science and Business** Manager – 2000 to this day	+ **Hybrigenics SA** Board member (From October 2011 to June 2015) + **Medesis Pharma SA** Supervisory Board member (From October 2009 to September 2014) + **Amistad Pharma SAS** President + **Novagali Pharma** Supervisory Board member + **Erytech SA** Supervisory Board member + **Intercell Austria AG** Supervisory Board member

Name	Offices and positions held outside the Company in 2015	Offices and positions held outside the Company during the last five years (2014-2010)
Michel Greco ***Supervisory Board member of Valneva SE*** (Appointed by the Extraordinary General Meeting of December 12, 2012, end of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2015) *Independent member* 	+ **Synthelis SAS** Board member - January 2014 to this day + **Texcell SA** Board member - October 2010 to this day + **Hôpital de Fourvière (Lyon)** Board member - 2007 to this day + **Noraker SAS** President - 2007 to March 2015 + **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	+ **Immutep France** Board member (September 2005 to October 2014) + **Intercell Austria AG** Supervisory Board member + **Glycovaxyn** (Suisse) Chair 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) + **Aeras TB Vaccines Foundation** (Washington) Board member (2003-2012)

Name	Offices and positions held outside the Company in 2015	Offices and positions held outside the Company during the last five years (2014-2010)
James Sulat ***Vice-Chairman of the Supervisory Board of Valneva SE*** (Appointed by the Extraordinary General Meeting of March 7, 2013, end of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2015) *Independent member* 	+ **Arch Therapeutics, Inc.** Member of the Board of Directors August 2015 to this day + **Tolero Pharmaceuticals, Inc.** Member of the Board of Directors May 2015 to this day + **Diadexus, Inc.** Member of the Board of Directors January 2015 to this day Chairman of the Audit Committee January 2015 to this day + **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.** Chair 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

Name	Offices and positions held outside the Company in 2015	Offices and positions held outside the Company during the last five years (2014-2010)
Hans Wigzell ***Supervisory Board member of Valneva SE*** (Appointed by the Extraordinary General Meeting of March 7, 2013, end of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2015) *Independent member* 	+ **Karolinska Development AB** Member of the Board of Directors Ongoing + **Raysearch AB** Member of the Board of Directors Ongoing + **SOBI AB** Member of the Board of Directors Ongoing + **Sarepta Therapeutics Inc.** Member of the Board of Directors Ongoing + **Stockholm School of Entrepreneurship** Chairman Ongoing	+ **Intercell AG** Supervisory Board member

Name	Offices and positions held outside the Company in 2015	Offices and positions held outside the Company during the last five years (2014-2010)
Alexander Von Gabain ***Supervisory Board member of Valneva SE*** (Appointed by the Extraordinary General Meeting of March 7, 2013, end of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2015) *Independent member* 	+ **Karolinska Institutet Holding AB** Chairman of the Supervisory Board January 2015 to this day + **Karolinska Institute, Stockholm** Deputy Vice-Chancellor August 2014 to this day + **Business incubator of the Viennese Universities, Inits** Chairman of the Supervisory Board April 2007 to this day + **Max Perutz Laboratories, Vienna University** Professor of Microbiology January 1993 to this day	+ **European Institute of Innovation and Technology, EIT,** Budapest & Bruxelles Chairman of the Governing Board (From February 2011 to July 2014) + **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 + **WHO committee Stop Tuberculosis** Member

Name	Offices and positions held outside the Company in 2015	Offices and positions held outside the Company during the last five years (2014-2010)
Anne-Marie Graffin ***Supervisory Board member of Valneva SE*** (Appointed by the Extraordinary General Meeting of March 7, 2013, end of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2015) 	+ **Themis Bioscience GmbH** Board member From July 2012 to January 2015 + **Nanobiotix SA** Supervisory Board member January 2014 to this day + **Sartorius Stedim Biotech SA** Board member - April 2015 to this day + **SARL SMAG Consulting** Manager - September 2011 to this day	+ **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 Ltd. UK** Board member + **Sanofi Pasteur MSD Ltd. Irlande** Board member

For an additional description of the experience of the Supervisory Board members, reader are referred 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 (see Section 2.3 of this Registration Document).

The Business address of the Supervisory Board members 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 M. Frédéric Grimaud, who was a board member of Hubbard Holding Co. Ltd 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

(a) Rules governing the Management Board

Rules provided by the Articles of Association of the Company

Please refer to Section 5.3.2 of this Registration Document.

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 December 16, 2015, 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, the Management Board members divide the supervision of the business of the Company as follows:

+ **Thomas Lingelbach, President and CEO, Chairman of the Management Board:**
  - Chair, Management Board;
  - Corporate Compliance;
  - Quality and regulatory compliance;
  - Research;
  - Human Resources;
  - Clinical Development, Medical information management and pharmacovigilance;
  - Technical Development;
  - Manufacturing / Manufacturing sites;
  - Supply Chain Management.

+ **Franck Grimaud, Deputy CEO:**
  - Corporate Development;
  - Business Development;
  - Sales and Marketing;
  - Alliance Management;
  - Legal Affairs and IP.

+ **Reinhard Kandera, CFO:**
  - Accounting;
  - Controlling;
  - Tax;
  - Investor Relations;
  - Corporate Communication;
  - Internal Communication;
  - IT.

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.

Powers of the President and CEO and Deputy CEO

The President & CEO ("*Président du Directoire*") represents the Company in its relations with third parties.

The Supervisory Board has decided to give the same power of representation to one member of the Management Board, who has the title of Deputy CEO ("*Directeur Général")*.

The Company shall even be committed by the actions of the President & CEO ("*Président du Directoire*") or Deputy CEO ("*Directeur Général")* which do not relate to the Company's business purpose, unless it demonstrates that the third party was aware that this action exceeded this business purpose or could not have been unaware of the same in view of the circumstances.

Delegation of Powers / Signing Authorities

The President & CEO ("*President du Directoire*") / Chairman of the Management Board as well as the Deputy CEO ("*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 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 & CEO ("*President du Directoire*") and the Deputy CEO ("*Directeur Général*") unless such an Agreement represents a total value of less than €500,000 (five hundred thousand euros), in which case:

- if such an Agreement represents a total value of more than €100,000 (one hundred thousand euros), it may be signed by either one Management Board two Management Board members,
- if such an Agreement represents a total value of less than €100,000 (one hundred thousand euros), it may be signed by two persons that are either Executive Committee members or Management Board members.

Limitations on the powers of the President & CEO ("*Président du Directoire*") or the Deputy CEO ("*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 Management Board, or decisions made in the area of activity for which they are responsible within the Company, 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

According 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 affair.

The President & CEO ("*President du Directoire*") and the Deputy CEO ("*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 Management Board meetings are bound by professional secrecy with respect to discussions and deliberations of the Management Board as well as any information they may receive in the course of their duties.

All members of the Management Board or people attending Management 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 Management 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.

(b) Rules governing the Supervisory Board

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 (see Section 2.3 of this Registration Document), as well as to Section 5.3.2 of this Registration Document.

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 Supervisory 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 Supervisory 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 Supervisory Board procedures.

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

Committees – common provisions

The Supervisory 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.

(c) Conflicts of interests regarding management and supervisory bodies

The Management Board and the Supervisory Board are currently respectively 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 below (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 No. 8), namely:

- not being an employee or corporate officer of the Company or of one of the subsidiaries within the Groupe, 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.

With the exception of Mr. Frédéric Grimaud who is a second cousin of Mr. Franck Grimaud, member of the Company's Management Board, there is no family relationship in the boards and management bodies 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 5.2.4 of this Registration Document, 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.

(d) Services 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 each a party to a Management Agreement, either executed with the Company Valneva SE (concerning Mr. Franck Grimaud) or the subsidiary Valneva Austria GmbH (concerning Messrs. Thomas Lingelbach and Reinhard Kandera).

For additional information, please refer to Sections 2.2.2 (b), 2.2.2 (g) 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 Corporate officers' dealings on the Company's securities

In accordance with article L. 621-18-2 of the French Monetary and financial code, the following table presents all transactions made by Valneva SE's corporate officers on Company's securities during the fiscal year 2015. These transactions were carried out on Euronext Paris of NYSE Euronext, on the Vienna Stock Exchange or over-the-counter, as the case may be.

Date	Name	Position	Price per unit (in euros)	Number of securities
Sale of preferential subscription rights in the context of a share capital increase (subscription window for new shares : from January 15, 2015 until January 28, 2015 - market closing)[35]				
January 16, 2015	Franck Grimaud	Management Board member Deputy CEO	0.2669	52,000 preferential subscription rights
January 16, 2015	Franck Grimaud	Management Board member Deputy CEO	0.2669	225,000 preferential subscription rights
January 21, 2015	Groupe Grimaud La Corbière Frédéric Grimaud	Chairman of the Supervisory Board	0.2315	4,851,494 preferential subscription rights
January 22, 2015	Frédéric Grimaud	Chairman of the Supervisory Board	0.3580	161,389 preferential subscription rights
January 23, 2015	Thomas Lingelbach	Chairman of the Management Board	0.3893	20,011 preferential subscription rights
January 23, 2015	Thomas Lingelbach	Chairman of the Management Board	0.3040	19 preferential subscription rights
January 23, 2015	Franck Grimaud	Management Board member Deputy CEO	0.3705	27,500 preferential subscription rights
January 23, 2015	Reinhard Kandera	Chairman of the Management Board	0.3520	30,000 preferential subscription rights
January 26, 2015	Groupe Grimaud La Corbière Frédéric Grimaud	Chairman of the Supervisory Board	0	6,256,884 preferential subscription rights
January 27, 2015	Reinhard Kandera	Management Board member	0.3470	76 preferential subscription rights
January 27, 2015	Michel Greco	Supervisory Board member	0.3590	486 preferential subscription rights
Purchase of preferential subscription rights in the context of a share capital increase (subscription window for new shares : from January 15, 2015 until January 28, 2015 - market closing)[36]				
January 28, 2015	Alexander Von Gabain	Supervisory Board member	0.3700	27,932 preferential subscription rights

[35] See the prospectus duly approved by the French Financial Markets Authority on January 12, 2015, under Visa No. 15-020, and Section 1.1.2 (a) of this Annual Management Report.

[36] See the prospectus duly approved by the French Financial Markets Authority on January 12, 2015, under Visa No. 15-020, and Section 1.1.2 (a) of this Registration Document.

Date	Name	Position	Price per unit (in euros)	Number of securities
Exercise of stock options				
	Franck Grimaud	Management Board member Deputy CEO	1.80	79,800 Valneva's ordinary shares
Subscription of Valneva's ordinary shares in the context of a share capital increase[37]				
February 3, 2015	Alexander Von Gabain	Supervisory Board member	2.47	16,170 ordinary shares
February 4, 2015	Thomas Lingelbach	Chairman of the Management Board	2.47	99 ordinary shares
February 4, 2015	Thomas Lingelbach	Chairman of the Management Board	2.47	25,366 ordinary shares
February 4, 2015	James Sulat	Vice-Chairman of the Supervisory Board	2.47	4,367 ordinary shares
February 4, 2015	Reinhard Kandera	Chairman of the Management Board	2.47	6,446 ordinary shares
February 6, 2015	Franck Grimaud	Management Board member - Deputy CEO	2.47	5,995 ordinary shares
February 6, 2015	Franck Grimaud	Management Board member - Deputy CEO	2.47	16,852 ordinary shares
February 6, 2015	Frédéric GRIMAUD	Président du conseil de surveillance	2.47	22,869 ordinary shares
February 6, 2015	Groupe Grimaud La Corbière Frédéric GRIMAUD	Président du conseil de surveillance	2.47	261,503 ordinary shares
Subscription of payable preferred shares convertible into Valneva SE's ordinary shares – Securities subscribed for personal cash investment in connection with a free convertible preferred share plan[38]				
July 22, 2015	Thomas Lingelbach	Chairman of the Management Board	161	308 convertible preferred shares
July 22, 2015	Reinhard Kandera	Chairman of the Management Board	161	218 convertible preferred shares
July 22, 2015	Franck Grimaud	Management Board member Deputy CEO	161	218 convertible preferred shares
Subscription of free equity warrants (BSA)				
July 29, 2015	James Sulat	Vice-Chairman of the Supervisory Board	0	19,500 BSA
July 29, 2015	Hans Wigzell	Supervisory Board member	0	19,500 BSA
July 31, 2015	Michel Greco	Supervisory Board member	0	19,500 BSA
August 24, 2015	Frédéric Grimaud	Chairman of the Supervisory Board	0	36,000 BSA
September 15, 2015	Anne-Marie Graffin	Supervisory Board member	0	19,500 BSA
September 16, 2015	Alain Munoz	Supervisory Board member	0	19,500 BSA
October 15, 2015	Alexander Von Gabain	Supervisory Board member	0	19,500 BSA

[37] See the prospectus duly approved by the French Financial Markets Authority on January 12, 2015, under Visa No. 15-020, and Section 1.1.2 (a) of this Registration Document.

[38] See Section 2.2.2 (f) of this Registration Document.

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

The information presented in this Annual Management Report 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 below have been calculated i reference to a share capital totaling 75,888,288 Valneva shares, divided into (a) 74,698,099 ordinary shares with a nominal value of €0.15 each, (b) 17,836,719 preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each.

(a) Shareholding of the Management Board members at April 30, 2016

Nom	Shares owned	Number of stock options owned and free shares being acquired
Thomas Lingelbach Chairman of the Management Board – President & CEO	**124,751 shares** (i.e. 0,16% of the share capital of the Company) Divided as follows : + 124,205 ordinary shares + 3,575 preferred shares + 308 convertible preferred shares	**+ 200,000 stock options,** giving right to subscribe to **209,962 ordinary shares** **+ 7,700 free convertible preferred shares being acquired,** giving right, at maximum to **770,000 ordinary shares**
Franck Grimaud Management Board member - Deputy CEO	**478,005 shares** (i.e. 0,63% of the share capital of the Company) Divided as follows : + 477,787 ordinary shares + 218 convertible preferred shares	**+ 100,000 stock options,** giving right to subscribe to **109,962 ordinary shares** **+ 5,450 free convertible preferred shares being acquired,** giving right, at maximum to **545,000 ordinary shares**
Reinhard Kandera Management Board member - CFO	**57,292 shares** (i.e. 0,08% of the share capital of the Company) Divided as follows : + 56,446 ordinary shares + 9,425 preferred shares + 218 convertible preferred shares	**+ 100,000 stock options,** giving right to subscribe to **109,962 ordinary shares** **+ 5,450 free convertible preferred shares being acquired,** giving right, at maximum to **545,000 ordinary shares**

(b) Shareholding of the Supervisory Board members at April 30, 2016

Name	Shares owned	Number of equity warrants owned (BSA 25)
Frédéric Grimaud Chairman of the Supervisory Board	**257,996 ordinary shares** (i.e. 0.34% of the share capital of the Company)	**36,000,** giving right to 36,000 Valneva ordinary shares
Alain Munoz Member of the Supervisory Board	**41,800 ordinary shares** (i.e. 0.06% of the share capital of the Company)	**19,500,** giving right to 19,500 Valneva ordinary shares
Michel Greco Member of the Supervisory Board	**618 shares,** Breaking down as follows: + 586 ordinary shares; and + 486 preferred shares with a nominal value of €0.01	**19,500,** giving right to 19,500 Valneva ordinary shares
James Sulat Vice-Chairman of the Supervisory Board	**17,867 ordinary shares** (i.e. 0.02% of the share capital of the Company)	**19,500,** giving right to 19,500 Valneva ordinary shares
Hans Wigzell Member of the Supervisory Board	0	**19,500,** giving right to 19,500 Valneva ordinary shares
Alexander Von Gabain Member of the Supervisory Board	**39,687 shares** (i.e. 0.05% of the share capital of the Company), Breaking down as follows: + 32,218 ordinary shares; and + 22,048 preferred shares with a nominal value of €0.01	**19,500,** giving right to 19,500 Valneva ordinary shares
Anne-Marie Graffin Member of the Supervisory Board	0	**19,500,** giving right to 19,500 Valneva ordinary shares

2.2.2 Remuneration of the Management Board members

(a) Summary of the Management Board members remuneration

In euros	Thomas Lingelbach		Franck Grimaud		Reinhard Kandera	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Remuneration payable for the period	553,887.38	549,167.36	From 268,701.32 to 407,901.32	From 269,405.30 to 408,605.30	420,226.60	411,906.04
Measurement of multi-year variable remuneration granted in the period	0	0	0	0	0	0
Measurement of options granted in the period	106,361.68	0	0	0	0	0
Measurement of free Valneva's ordinary shares granted in the period	0	0	0	0	0	0
Measurement of FCPS granted in the period	1,197,350	0	847,475	0	847,475	0
TOTAL	**1,857,599.06**	**549,167.36**	**From 1,116,176.32 to 1,255,376.32**	**From 269,405.30 to 408,605.30**	**1,267,701.60**	**411,906.04**

(b) Presentation of individual remuneration

Thomas Lingelbach - *Chairman of the Management Board, President & CEO of Valneva SE*

	2015[39]		2014[40]	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Fixed compensation	€324,800 payable in 14 equal installments	€324,800	€320,000 payable in 14 equal installments	€320,000
Annual variable remuneration[41]	Maximum 60% of gross annual salary i.e. €194,880	€166,080 (Amount paid with respect to 2014 objectives)	Maximum 60% of gross annual salary i.e. €192,000	€158,784 (Amount paid with respect to 2013 objectives)
Multi-year variable remuneration	0	0	0	0
Exceptional remuneration	0	€50,000[42]	0	0
Attendance fees	0	0	0	0
Fringe benefits:				
+ **Car rental**	Lease fee: maximum €1,100 per month, or €13,200 for the year 2015 Insurance: €2,832.48 for a complete year of insurance Other car related expenses: €1,570.86	€15,011.64 i.e.: €10,608.30 for the car leasing €2,832.48 for the car insurance €1,570.86 for other car related expenses (except fuel)	Lease fee: maximum €1,100 per month, or €13,200 for the year 2014 Insurance: €2,755.36 for a complete year of insurance	€13,526.19 i.e.: €10,770.83 for the car leasing €2,755.36 for the car insurance
+ **Death and endowment insurance policy**	Maximum €1,000 per month, or €12,000 for the year 2015	€11,833.45	Maximum €1,000 per month, or €12,000 for the year 2014	€12,000
+ **Reimbursement of home-workplace journeys made by flights and of associated costs**[43]	€4,604.04	€4,604.04	€9,212	€9,212
TOTAL	**€553,887.38**	**€572,329.13**	**€549,167.36**	**€513,522.19**

[39] Amounts set and paid in accordance with the provisions of the Management Agreement executed between Mr. Thomas Lingelbach and the subsidiary Valneva Austria GmbH, entered into force on June 25, 2015 (see Section 5.6.4 of this Registration Document).

[40] Amounts set and paid in accordance with the provisions of the Employment and Management Agreement executed between Mr. Thomas Lingelbach and the subsidiary Valneva Austria GmbH, in its version dated December 16, 2012 (now terminated - see Section 5.6.4 of this Registration Document).

[41] 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 Nomination and Compensation Committee. A preliminary performance review is undertaken midyear by the Nomination and Compensation Committee. Achievement of objectives is then validated by the Supervisory Board on the recommendation of the Nomination and Compensation Committee. The amounts set out in the "Amounts due" column represent the maximum amounts that may be granted if all the objectives are met.

[42] Exceptional remuneration linked to the Management Board's performance, in particular with respect to the completion of the acquisition of the company 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 (see Section 1.1.2(a) of this Registration Document).

[43] The current Management Agreement executed between Mr. Thomas Lingelbach and the subsidiary Valneva Austria GmbH provides that Mr. Lingelbach be reimbursed for the costs of weekend flights between hometowns in Germany and Austria and sites of Valneva, these costs including the transfers from and to the airport.

Franck Grimaud - ***Management Board member, Deputy CEO of Valneva SE***[44]

	2015		2014	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Fixed compensation	From €153,000 to €240,000 (straight-line increase in remuneration over the next 3 years following completion of the merger with Intercell AG) Payable in 12 installments	€219,241.95	From €153,000 to €240,000 (straight-line increase in remuneration over the next 3 years following completion of the merger with Intercell AG) Payable in 12 installments	€194,932.68
Annual variable remuneration[45]	Maximum 60% of gross annual salary i.e. €91,800 to €144,000	€101,170.06 (Amount paid with respect to 2014 objectives)	Maximum 60% of gross annual salary i.e. €91,800 to €144,000	€92,803.24 (Amount paid with respect to 2013 objectives)
Multi-year variable remuneration	0	0	0	0
Exceptional remuneration	0	€37,500[46]	0	0
Attendance fees	0	0	0	0
Fringe benefits:				
+ **GSC**[47]	€7,401	€7,401	€6,446	€6,446
+ **Car rental**	Lease fee: maximum €1,100 per month, or €13,200 for the year 2015 Insurance: €1,457.32 for a complete year of insurance, from September 22, 2015 to September 22, 2016 Tax on company cars: ("**TVTS**") €1,843	€14,062.04 i.e.: €10,761.72 for the car leasing €1,457.32 for the car insurance TVTS: €1,843	Lease fee: maximum €1,100 per month, or €13,200 for the year 2014 Insurance: €1,314.30 for a complete year of insurance, from September 22, 2014 to September 22, 2015 TVTS: €3,645	€6,919.90 i.e.: €3,045.10 for the car leasing €221.80 for the car insurance TVTS : €3,645
TOTAL	**From €268,701.32 to €407,901.32**	**€379,375.05**	**From €269,405.30 to €408,605.30**	**€294,655.82**

[44] Amounts set and paid in accordance with the provisions of the Management Agreement executed between Mr. Franck Grimaud and Valneva SE, in its version dated December 16, 2012.

[45] 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 Nomination and Compensation Committee. A preliminary performance review is undertaken midyear by the Nomination and Compensation Committee. Achievement of objectives is then validated by the Supervisory Board on the recommendation of the Nomination and Compensation Committee. The amounts set out in the "Amounts due" column represent the maximum amounts that may be granted if all the objectives are met.

[46] Exceptional remuneration linked to the Management Board's performance, in particular with respect to the completion of the acquisition of the company 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 (see Section 1.1.2(a) of this Registration Document).

[47] A Social Insurance Contract for Company Directors and Managers (*Convention Garantie Sociale des Chefs et Dirigeants d'Entreprise* or "**GSC**") has been granted to Mr. 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 2015 for the GSC was €7,401, compared to €6,446 for 2014.

Reinhard Kandera - ***Management Board member, CFO of Valneva SE***

	2015[48]		2014[49]	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	€243,600 payable in 14 equal installments	€243,600	€240,000 payable in 14 equal installments	€240,000
Annual variable remuneration[50]	Maximum 60% of gross annual salary i.e. €146,160	€124,560 (Amount paid with respect to 2014 objectives)	Maximum 60% of gross annual salary i.e. €144,000	€119.088 (Amount paid with respect to 2013 objectives)
Multi-year variable remuneration	0	0	0	0
Exceptional remuneration	0	€37,500[51]	0	0
Attendance fees	0	0	0	0
Fringe benefits:				
+ **Car rental**	Lease fee: maximum €1,100 per month, or €13,200 for the year 2015 Insurance: €2,535.48 for a complete year of insurance Other car related expenses: €2,731.12	€14,690.40 i.e.: €9,423.80 for the car leasing €2,535.48 for the car insurance €2,731.12 for other car related expenses (except fuel)	Lease fee: maximum €1,100 per month, or €13,200 for the year 2014 Insurance: €2,706.04 for a complete year of insurance	€13,085.94 i.e.: €10,379.90 for the car leasing €2,706.04 for the car insurance
+ **Death and endowment insurance policy**	Maximum €1,000 per month, or €12,000 for the year 2015	€12,000	Maximum €1,000 per month, or €12,000 for the year 2014	€12,000
TOTAL	**€420,226.60**	**€432,350.40**	**€411,906.04**	**€384,173.94**

[48] Amounts set and paid in accordance with the provisions of the Management Agreement executed between Mr. Reinhard Kandera and the subsidiary Valneva Austria GmbH, entered into force on June 25, 2015 (see Section 5.6.4 of this Registration Document).

[49] Amounts set and paid in accordance with the provisions of the Employment and Management Agreement executed between Mr. Reinhard Kandera and the subsidiary Valneva Austria GmbH, in its version dated December 16, 2012 (now terminated - see Section 5.6.4 of this Registration Document).

[50] 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 Nomination and Compensation Committee. A preliminary performance review is undertaken midyear by the Nomination and Compensation Committee. Achievement of objectives is then validated by the Supervisory Board on the recommendation of the Nomination and Compensation Committee. The amounts set out in the "Amounts due" column represent the maximum amounts that may be granted if all the objectives are met.

[51] Exceptional remuneration linked to the Management Board's performance, in particular with respect to the completion of the acquisition of the company 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 (see Section 1.1.2(a) of this Registration Document).

(c) Options to subscribe for or purchase shares

Options to subscribe for or purchase shares granted in 2015 to each Management Board member by the Company

	Plan reference and date	Nature of options (purchase or subscription)	Measurement of options according to IFRS 2 (in euros)	Number of options granted in the fiscal year	Strike price (in euros)	Duration of the plan
Thomas Lingelbach	Plan No. 8 – Tranche 1 dated July 28, 2015	Options to subscribe for shares	106,361.68	100,000	3.92	Until July 28, 2025 50 % of the options can be exercised from July 28, 2017, and the remaining 50 % from July 28, 2019.
Franck Grimaud	No option to subscribe for or purchase shares was granted to Mr. Grimaud in 2015.					
Reinhard Kandera	No option to subscribe for or purchase shares was granted to Mr. Kandera in 2015.					

Options to subscribe for or purchase shares exercised in 2015 by each Management Board member

	Plan reference and date	Number of options exercised in the fiscal year	Strike price (in euros)
Thomas Lingelbach	No option to subscribe for or purchase shares was exercised by Mr. Lingelbach in 2015.		
Franck Grimaud	Plan No. 4 – Tranche 1 dated April, 5, 2005	700 stock options to subscribe for shares exercised, giving right to 79,800 Valneva's ordinary shares	1.80
Reinhard Kandera	No option to subscribe for or purchase shares was exercised by Mr. Kandera in 2015.		

(d) Free shares

Free Valneva's ordinary shares

Free Valneva's ordinary shares granted in 2015 to each Management Board member by the Company

	Plan reference and date	Number of shares granted in the fiscal year	Measurement of shares according to IFRS 2 (in euros)	Vesting date	Date of availability	Conditions of performance
Thomas Lingelbach	No Valneva's ordinary share was granted for free to Mr. Lingelbach in 2015.					
Franck Grimaud	No Valneva's ordinary share was granted for free to Mr. Grimaud in 2015.					
Reinhard Kandera	No Valneva's ordinary share was granted for free to Mr. Kandera in 2015.					

Free Valneva's ordinary shares fully vested in and delivered to each Management Board member

	Plan reference and date	Number of fully-vested ordinary shares in the fiscal year	Vesting conditions
Thomas Lingelbach	No Valneva's ordinary share granted for free was fully vested in and delivered to Mr. Lingelbach in 2015.		
Franck Grimaud	No Valneva's ordinary share granted for free was fully vested in and delivered to Mr. Grimaud in 2015.		
Reinhard Kandera	No Valneva's ordinary share granted for free was fully vested in and delivered to Mr. Kandera in 2015.		

Free preferred shares convertible into Valneva's ordinary shares (see Section 2.2.2 (f) of this Registration Document)

FCPS granted in 2015 to the Management Board members by the Company

Plan reference and date		Number of FCPS granted in the fiscal year	Measurement of FCPS according to IFRS 2 (in euros)	Vesting date	Date of availability	Conditions of performance
Free convertible preferred share plan 2015-2019, dated July 28, 2015	**Thomas Lingelbach**	7,700	1,197,350	July 28, 2019	July 28, 2019 (the FCPS will be fully vested on even date; however, such FCPS cannot be sold or transferred, unless they are first converted into Valneva's ordinary shares, such conversion being conditioned on a minimum Valneva stock price)	Conversion of FCPS into Valneva ordinary shares will be contingent upon the price of Valneva ordinary shares over the 6 months preceding conversion
	Franck Grimaud	5,450	847,475			
	Reinhard Kandera	5,450	847,475			

FCPS fully vested in and delivered to the Management Board members

	Plan reference and date	Number of fully-vested FCPS in the fiscal year	Vesting conditions
Thomas Lingelbach	No FCPS was fully vested in and delivered to Mr. Lingelbach in 2015.		
Franck Grimaud	No FCPS was fully vested in and delivered to Mr. Grimaud in 2015.		
Reinhard Kandera	No FCPS was fully vested in and delivered to Mr. Kandera in 2015.		

(e) Stock option plans history

Plans 1 to 3 (at December 31, 2015 – end of business day)

	Plan 1	Plan 2	Plan 3
Grant decision date	**General Meeting:** June 29, 2001	**General Meeting:** May 23, 2002	**General Meeting:** November 29, 2002
	Board of Directors meeting: July 12, 2001	**Board of Directors meeting:** May 23, 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
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
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 6, 2013 **Tranche 4**: January 5, 2015 **Tranche 5**: February 1, 2015
Maximum amount authorized by the General Meeting	Authorization to grant a number of stock option corresponding to the creation of 2,420 shares with a nominal value of €15 per share	Authorization to grant a number of stock option corresponding to the creation of 1,810 shares with a nominal value of €15 per share	Authorization to grant a maximum number of 3,610 stock option
Subscription price[52]	€0.30	€0.45	€1.80
Option/share conversion ratio[53]	1 : 108	1 : 108	1 : 114
Number of stock 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
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 6, 2007 **Tranche 4:** January 5, 2009 **Tranche 5:** February 1, 2009

[52] The subscription prices have been revised in accordance with resolution No. 2 of the Extraordinary General Meeting of the Company, held on March 31, 2007.

[53] The conversion ratios have been revised in accordance with resolution No. 2 of the Extraordinary General Meeting of the Company, held on March 31, 2007 and the decisions of the Management Board meetings of August 27, 2010 and July 24, 2013, when applicable.

	Plan 1	Plan 2	Plan 3
Number of stock options exercised at December 31, 2015	1,320	1,310	2,709
Number of shares subscribed for at December 31, 2015 by exercising stock option	132,664	135,000	287,326
Exercisable stock options not yet exercised at December 31, 2015	0	0	0
of which stock options exercisable by corporate officers	0	0	0
Potential number of shares available for subscription at December 31, 2015 from exercisable stock options	0	0	0
Number of stock options having lapsed at December 31, 2015	1,100	500	516
Balance of stock option remaining to be granted at December 31, 2015 under the General Meeting's authorization – authorization status	0 Authorization expired	0 Authorization expired	0 Authorization expired
Theoretical number of shares available for take up at December 31, 2015 if the Board of Directors or Management Board makes use of the remainder amount under the General Meeting's authorization	0	0	0

Plans 4 to 5 (at December 31, 2015 – end of business day)

	Plan 4	Plan 4 bis	Plan 5
Grant decision date	**General Meeting:** November 3, 2004	**General Meeting:** November 3, 2004	**General Meeting:** September 13, 2005
	Management Board meeting: **Tranche 1**: April 5, 2005 **Tranche 2**: April 5, 2005 **Tranche 3**: April 5, 2005 **Tranche 4**: October 5, 2005	**Management Board meeting**: **Tranche 1**: April 3, 2006 **Tranche 2**: April 3, 2006	**Management Board meeting**: **Tranche 1**: April 3, 2006 **Tranche 2**: April 3, 2006
Number of beneficiaries	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
Duration of plan (as from the date of the decision of the Board of Directors or Management Board)	Until: **Tranche 1**: April 5, 2015 **Tranche 2**: April 5, 2015 **Tranche 3**: April 5, 2015 **Tranche 4**: October 5, 2015	Until: **Tranche 1**: April 3, 2016 **Tranche 2**: April 3, 2016	Until: **Tranche 1**: April 3, 2016 **Tranche 2**: April 3, 2016
Maximum amount authorized by the General Meeting	Authorization to grant a maximum number of 2,400 stock option	Authorization to grant a maximum number of 1,100 stock option[54]	Authorization to grant a maximum number of 660 stock option
Subscription price[55]	€1.80	€1.80	€1.80
Option/share conversion ratio[56]	1: 114	1: 125 (about)	1: 125 (about)
Number of stock option granted to employees and/or corporate officers by the Board of Directors or Management Board	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
Starting date for the exercise of options	**Tranche 1**: according to objectives **Tranche 2**: according to objectives **Tranche 3**: April 5, 2009 **Tranche 4**: October 5, 2009	**Tranche 1:** according to objectives **Tranche 2:** according to objectives	**Tranche 1:** according to objectives **Tranche 2:** according to objectives
Number of stock option exercised at December 31, 2015	2,060	160	290

[54] It is stipulated that this number was reduced to 440 under the terms of resolution No. 19 of the General Meeting of the Company, held on November 3, 2004, and decisions of the Management Board of August 3, 2005 recording the completion of the capital increases.

[55] The subscription prices have been revised in accordance with resolution No. 2 of the Extraordinary General Meeting of the Company, held on March 31, 2007.

[56] The conversion ratios have been revised in accordance with resolution No. 2 of the Extraordinary General Meeting of the Company, held on March 31, 2007, and the decisions of the Management Board meetings of August 27, 2010, July 24, 2013 and February 25, 2015, when applicable.

	Plan 4	Plan 4 bis	Plan 5
Number of shares subscribed for at December 31, 2015 by exercising stock option	229,446	17,280	31,320
Exercisable stock option not yet exercised at December 31, 2015	0	160	90
of which stock option exercisable by corporate officers	0	160 (Mr. Franck Grimaud)	90 (Mr. Franck Grimaud)
Potential number of shares available for subscription at December 31, 2015 from exercisable stock option	0	20,058	11,283
Number of stock option having lapsed at December 31, 2015	240	0	150
Balance of stock option remaining to be granted at December 31, 2015 under the General Meeting's authorization – authorization status	0 Authorization expired	0 Authorization expired	0 Authorization expired
Theoretical number of shares available for take up at December 31, 2015 if the Board of Directors or Management Board makes use of the remainder amount under the General Meeting's authorization	0	0	0

Plans 6 to 8 (at December 31, 2015 – end of business day)

	Plan 6	Plan 7	Plan 8
Grant decision date	**General Meeting:** June 9, 2009	**General Meeting:** June 28, 2013	**General Meeting:** June 26, 2014
	Management Board meeting: October 1, 2010	**Management Board meeting**: October 2, 2013	**Management Board meeting**: July 28, 2015
Number of beneficiaries	1	293	259
Duration of plan (as from the date of the decision of the Board of Directors or Management Board)	Until October 1, 2020	Until October 2, 2023	Until July 28, 2025
Maximum amount authorized by the General Meeting	Authorization to grant a maximum number of 290.000 stock option	Authorization to grant an amount of stock option 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 9th resolution of Valneva's Combined General Meeting of March 7, 2014[57]	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 of the stock option grant
Subscription price	€5.19	€3.21	€3.92
Option/share conversion ratio[58]	1 : 1.09 (about)	1 : 1.09 (about)	1 : 1
Number of stock option granted to employees and/or corporate officers by the Board of Directors or Management Board	14,000	1,052,950	712,000
Starting date for the exercise of options[59]	According to objectives	October 2, 2015 & October 2, 2017	July 28, 2017 & July 28, 2019
Number of stock option exercised at December 31, 2015	0	0	0
Number of shares subscribed for at December 31, 2015 by exercising stock option	0	0	0
Exercisable stock option not yet exercised at December 31, 2015	7,000	882,950	697,500

[57] At the Supervisory Board's meeting of August 29, 2013, the number of stock option was set at 2,231,356.

[58] The conversion ratios regarding plans 6 and 7 have been revised in accordance with resolution No. 2 of the Extraordinary General Meeting of the Company, held on March 31, 2007, and the decision of the Management Board meeting of February 25, 2015.

[59] With respect to plans 7 and 8, 50% of options may be exercised after being held for 2 years, the remaining 50% becoming exercisable after being held for 4 years.

	Plan 6	Plan 7	Plan 8
of which stock option exercisable by corporate officers	0	300,000 (100,000 stock options for each of the three Management Board members)	100,000 (M. Thomas Lingelbach)
Potential number of shares available for subscription at December 31, 2015 from exercisable stock option	7,698	971,015	697,500
Number of stock option having lapsed at December 31, 2015	7,000	170,000	14,500
Balance of stock option remaining to be granted at December 31, 2015 under the General Meeting's authorization – authorization status	0 Authorization expired	0 Authorization declared null and void by the Combined General Meeting of June 26, 2014	2,323,531[60] Authorization valid
Theoretical number of shares available for take up at December 31, 2015 if the Board of Directors or Management Board makes use of the remainder amount under the General Meeting's authorization	0	0	2,323,531

[60] Figure calculated in reference to a share capital totaling 75,888,288 Valneva shares, divided into (a) 74,698,099 ordinary shares with a nominal value of €0.15 each, (b) 17,836,719 preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each.

(f) Free share plans history

Free ordinary share plans

Plans 1 to 3 (at December 31, 2015 – end of business day)

	Plan 1	Plan 2	Plan 3
	General Meeting: March 31, 2007	**General Meeting:** June 9, 2009	**General Meeting:** **AGM No. 1**: June 10, 2010 **AGM No. 2**: June 7, 2011 **AGM No. 3**: June 4, 2012
Free shares grant decision date	**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 6, 2011 ▪ **Tranche 7**: September 6, 2011	**Management Board meeting:** ▪ **Tranche 1**: July 24, 2013 ▪ **Tranche 2**: July 24, 2013
Maximum amount authorized by the General Meeting	Authorization to grant a maximum number of 436,000 ordinary shares	Authorization to grant a maximum number of 290,000 ordinary shares	**AGM No. 1** : Authorization to grant a maximum number of 7,500 ordinary shares **AGM No. 2** : Authorization to grant a maximum number of 7,500 ordinary shares **AGM No. 3** : Authorization to grant 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 members" 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 completed on October 9, 2013	▪ **Tranche 1:** 4 years ▪ **Tranche 2**: 2 years

	Plan 1	Plan 2	Plan 3
Lock-up period (from the vesting date)[61]	▪ **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 free shares granted to employees and/or company officers	436,000 free shares breaking down as follows: ▪ **Tranche 1**: 296,000 (including 65,000 for Mr. Franck GRIMAUD) ▪ **Tranche 2**: 60,500 ▪ **Tranche 3**: 18,500 ▪ **Tranche 4**: 10,000 ▪ **Tranche 5**: 33,334 ▪ **Tranche 6**: 17,666	137,500 free 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 free shares breaking down as follows: ▪ **Tranche 1**: 7,500 ▪ **Tranche 2**: 44,500
Number of free shares fully vested at December 31, 2015	377,000	106,000	30,500
Number of free shares in process of vesting at December 31, 2015	0	0	1,000
Of which number of free shares in process of vesting by the corporate officers at December 31, 2015	0	0	0
Number of free shares lapsed at December 31, 2015	59,000	31,500	20 500
Balance of free shares remaining to be granted at December 31, 2015 under the General Meeting's authorization – authorization status	0 Authorization expired	0 Authorization expired	**AG No. 1** : 0 Authorization expired **AG No. 2** : 0 Authorization expired **AG No. 3** : 0 Authorization expired

[61] The Company's Supervisory Board has set out the terms of lock-up for free shares granted to corporate officers.

Under these terms, two options are available:

- the free shares may not be transferred before the termination of their duties;
- corporate officers are required to retain a selected number of free shares resulting from the plan in registered form until the termination of their duties.

The second option is generally the option chosen by the Company (20 to 25% of the free shares having vested must be kept).

Free convertible preferred share plan 2015-2019

On June 25, 2015, the General Meeting of Valneva SE decided to create convertible preferred shares in accordance with the terms and conditions set out in its resolution No. 17, and to grant to the Management Board of the Company all powers necessary to decide the granting and issuance of free convertible preferred shares ("**FCPS**") for the benefit of the Management Board members, but also for the benefit of key employees, members of the Executive Committee.

Consequently, on July 28, 2015, the Management Board implemented the free convertible preferred share plan 2015-2019 (the "**Program**"), a long-term incentive program for the Company's executive management.

Personal investment

As a prerequisite to the possibility of participating in the Program, each potential beneficiary was required to make a cash investment in the Company, by subscribing for payable convertible preferred shares ("**SPS**"), at a price of €161 per SPS. Minimum and maximum investment amounts were defined for each participant.

The maximum number of SPS to be granted by the Management Board was set at 2,000 SPS by the General Meeting of the Company held on June 25, 2015 (resolution No. 18)[62].

The Management Board, during its meeting held on July 17, 2015, granted 1,280 SPS, as follows:

Beneficiaries	Position	Number of payable convertible preferred shares granted by the Management Board to the participants	Maximum investment (in euros)
Thomas Lingelbach	Chairman of the Management Board - President & CEO	308	49,588
Franck Grimaud	Member of the Management Board - Deputy CEO	218	35,098
Reinhard Kandera	Member of the Management Board - CFO	218	35,098
Other Executive Committee members (in total)		536	86,296
TOTAL		**1,280**	**206,080**

SPS minimum and maximum subscription

+ Management Board members:
  - CEO: the CEO was granted the possibility to subscribe for 154 SPS to 308 SPS;
  - Management Board members other than the CEO were granted the possibility to subscribe for 109 SPS to 218 SPS.
+ Executive Committee members (excluding Management Board members) were granted the possibility to subscribe for 33 SPS to 67 SPS.

On July 28, 2015, the Management Board of the Company recorded the subscription of 1,074 SPS, and waivers for the remainder, i.e. 206 SPS:

[62] It being understood that in any case, the total number of issued convertible preferred shares (SPS and FCPS) cannot at any time represent together more than 6% of the share capital of the Company.

Beneficiaries	Position	Number of payable convertible preferred shares granted by the Management Board to the participants, on July 17, 2015	Number of payable convertible preferred shares subscribed for by the beneficiaries	Subscription amount (in euros)
Thomas Lingelbach	Chairman of the Management Board - President & CEO	308	308	49,588
Franck Grimaud	Member of the Management Board - Deputy CEO	218	218	35,098
Reinhard Kandera	Member of the Management Board - CFO	218	218	35,098
Other Executive Committee members (in total)		536	330	53,130
TOTAL		**1,280**	**1,074**	**172,914**

FCPS granting

The maximum number of FCPS that could be allotted by the Management Board was capped, by the General Meeting of the Company held on June 25, 2015 (resolution No. 20), at 5.5% of the share capital of the Company as at the date of the Management Board's allotment decision[63].

Following the subscription of SPS, the Management Board, in its meeting held on July 28, 2015, conditionally granted the Program beneficiaries a number of FCPS corresponding to a ratio of 25 FCPS to 1 SPS, as follows:

Beneficiaries	Position	Number of free convertible preferred shares allotted to the beneficiaries
Thomas Lingelbach	Chairman of the Management Board – President & CEO	7,700
Franck Grimaud	Member of the Management Board - Deputy CEO	5,450
Reinhard Kandera	Member of the Management Board - CFO	5,450
Other Executive Committee members (in total)		8,250
TOTAL		**26,850**

The FCPS granted to the beneficiaries will be vested in and delivered to that beneficiary ("*seront définitivement attribuées*") upon expiration of a period of 4 years from July 28, 2015.

Conversion of convertible preferred shares (FCPS and SPS) into ordinary shares of the Company

SPS and FCPS will be convertible into Valneva's ordinary shares 4 years after their issuance (with respect to the SPS) or their initial granting (with respect to the FCPS), if the conversion conditions set out below are met. Subject to such conditions, if the beneficiary does not request conversion of his/her convertible preferred shares within a period of 3 months after expiration of that 4-year period, SPS and FCPS will automatically convert into Valneva's ordinary shares at the end of that 3-month period.

[63] It being reminded that in any case, the total number of issued convertible preferred shares (SPS and FCPS) cannot at any time represent together more than 6% of the share capital of the Company.

Upon expiration of the above-mentioned 4-year period (the "**Conversion Date**"), the Management Board will determine the conversion ratio, on the basis of (a) the Final Share Price (as hereinafter defined) and (b) the conversion table below.

The "**Final Share Price**" will be the volume-weighted average stock market price of the Company's ordinary shares over a period of 6 months immediately preceding the Conversion Date, as rounded to the second decimal place (e.g. 6.2450 to be rounded to 6.25).

No conversion will occur if the Final Share Price is lower than €4.05. If the Final Share Price is higher than €10, the conversion ratio will be such that the beneficiaries' gross gain will not exceed the gross gain they would have realized if the Final Share Price was €10.

Where the total number of ordinary shares to be received by a holder of convertible preferred shares by applying the conversion ratio to the number of convertible preferred shares held is not a whole number, that holder will receive the next lower whole number of ordinary shares. The fraction of ordinary shares forming a fractional lot shall be paid in cash.

Conversion Table

Final Share price	Share price increase	Conversion ratio (number of ordinary shares for 1 convertible preferred share)
4.05	1%	**0.83**
4.10	2%	**1.67**
4.25	6%	**4.17**
4.50	13%	**8.33**
4.75	19%	**12.5**
5.00	25%	**16.67**
5.25	31%	**20.83**
5.50	38%	**25**
5.75	44%	**29.17**
6.00	50%	**33.33**
6.25	56%	**37.50**
6.50	63%	**41.67**
6.75	69%	**45.83**
7.00	75%	**50**
7.25	81%	**54.17**
7.50	88%	**58.33**
7.75	94%	**62.5**
8.00	100%	**66.67**
8.25	106%	**70.83**
8.50	113%	**75**
8.75	119%	**79.17**
9.00	125%	**83.33**
9.25	131%	**87.50**
9.50	138%	**91.67**
9.75	144%	**95.83**
10.00	150%	**100**
10.25	156%	**97.56**
10.50	163%	**95.24**
10.75	169%	**93.02**

Final Share price	Share price increase	Conversion ratio (number of ordinary shares for 1 convertible preferred share)
11.00	175%	**90.91**
12.00	200%	**83.33**
12.25	206%	**81.63**
12.50	213%	**80**
12.75	219%	**78.43**
13.00	225%	**76.92**
13.25	231%	**75.47**
13.50	238%	**74.07**
13.75	244%	**72.73**
14.00	250%	**71.43**

Note: if the Final Share Price is between two of the numbers set forth above, the number of ordinary shares to be received for one convertible preferred share will be calculated on a linear basis and rounded down to the nearest number with 2 decimal digits.

In any case, all SPS cannot give rights to more than 200,000 ordinary shares of the Company and all FCPS cannot give rights to more than 4,000,000 ordinary shares of the Company.

If any of the transactions listed in of article 13.3, subparagraph 3, (iii) of the Articles of Association of the Company, including but not limited to any share capital increase by public offering with preferential subscription rights, takes place, the Management Board will adjust the conversion ratio and the conversion table provided above in the manner set forth in the Articles of Association so as to protect the rights of the Program beneficiaries.

(g) Indemnities or benefits granted to the corporate officers in case of appointment, termination or change of duties

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 executed between with the Company or its subsidiary Valneva Austria GmbH, depending on the case.

Management Board members	**Employment agreement**		**Supplemental retirement plan**		**Indemnities or benefits payable on termination or change of duties**		**Indemnities relating to a non-compete clause**	
	Yes	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Thomas Lingelbach (Appointed on May 10, 2013, end of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2018)	x[a]		x[b]		x[d]		x[e]	
Franck Grimaud (Appointed on May 10, 2013, end of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2018)		x		x	x[c&d]		x[e]	
Reinhard Kandera (Appointed on May 10, 2013, end of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2018)	x[a]		x[b]		x[d]		x[e]	

[a] With the subsidiary Valneva Austria GmbH.

[b] Messrs. Thomas Lingelbach and 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.

[c] A Social Insurance contract for Company Directors and Managers (*Convention Garantie Sociale des Chefs et Dirigeants d'Entreprise* or "**GSC**") was granted to Mr. 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 Agreements and subsequent indemnification".

[e] See hereinafter, "Additional provisions specifically relating to the non-compete commitments".

Management Agreements entered into force on June 25, 2015 between Valneva Austria GmbH and Mr. Thomas Lingelbach or Mr. Reinhard Kandera [64]

Termination of duties cases provided in the Management Agreements and subsequent indemnities

Description of the event	Indemnities or benefits
(1) Inability to work due to illness / accident	+ Salary defined by Section 6.1 of the Management Agreement (annual gross salary of €327,723.30 for Mr. Thomas Lingelbach, and €245,792.40 for Mr. Reinhard Kandera, as from January 1, 2016) payable by Valneva Austria GmbH in full for 3 months maximum and in the amount of 49% for another 3 months at most. + Overall cap within 2 years of services: full payment of the salary for not more than 6 months and payment of 49% of the remuneration for not more than another 6 months. + In any case: payment hereunder ends at the termination of the Management Agreement.
(2) Declaration by Valneva Austria GmbH of execution of non-compete provisions (Section 10.2 of the Management Agreement) upon ordinary notice of termination by Valneva Austria GmbH	Payment by Valneva Austria GmbH of the entire remuneration for the duration of the non-compete period, i.e. 1 year following termination of the Management Agreement.
(3) Termination of the Management Agreement by Valneva Austria GmbH on cause pursuant to Section 27 of the Austrian White Collar Workers Act, with immediate effect	+ No further claims for the remuneration, once Valneva Austria GmbH will have ensured that the corporate officer is revoked as Managing Director of Valneva Austria GmbH and Management Board member of Valneva SE. + Application of the provisions relating to the non-compete commitments (Section 10.2 of the Management Agreement)
(4) Termination of the Management Agreement by the corporate officer on cause pursuant to Section 26 of the Austrian White Collar Workers Act	Subject to the corporate officer resigning as Managing Director of Valneva Austria GmbH and Management Board member of Valneva SE without undue delay: + payment of the salary defined by Section 6.1 of the Management Agreement; and + payment of the bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis (it being understood that the maximum bonus shall not exceed 60% of the annual gross remuneration as defined by Section 6.1 of the Management Agreement for M. Thomas Lingelbach, and with respect to Mr. Reinhard Kandera, it shall not exceed 50% as from January 1, 2016). In all cases, such payments are to be made: ▪ until the end of the "**Term**" of the Management Agreement (i.e. the earlier of (i) the date of the General Meeting of Valneva SE which will consider Valneva SE's annual financial statements for fiscal year 2018, intended to take place in June 2019, or (ii) June 30, 2019); and ▪ after deducting what the corporate officer saved due to not rendering the work or what he earned by other work or intentionally failed to earn (Section 29 of the Austrian White Collar Workers Act). + Note: application of the provisions relating to the non-compete commitments (Section 10.2 of the Management Agreement) in case of early unjustified termination of the Management Agreement.
(5) Removal by Valneva Austria GmbH of the corporate officer as Managing Director of Valneva Austria GmbH and termination of the Management Agreement, upon notice period in accordance with Section 20 of the Austrian White Collar Workers Act, ending on the last day of each calendar month	+ Payment of the salary defined by Section 6.1 of the Management Agreement until the end of the Term of the Management Agreement; and + Until expiry of the notice period: ▪ payment of the bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis; and ▪ payment of insurance premiums as defined by Section 6.5 of the Management Agreement; and ▪ reimbursement of expenses as defined by Section 7 of the Management Agreement; and ▪ provision of the benefits in kind as defined by Section 8 of the Management Agreement.

[64] See Section 5.6.4 of this Registration Document.

Description of the event	Indemnities or benefits
(6) Termination by the corporate officer of its Management Agreement subject to a notice period corresponding to the notice period Valneva Austria GmbH would have to adhere in accordance with Section 20 of the Austrian White Collar Workers Act, ending on the last day of each calendar month	+ Payment of the salary defined by Section 6.1 of the Management Agreement; and + Payment of the bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis. In all cases, such payments are to be made for the duration of the competition prohibition pursuant to Section 10.2 of the Management Agreement, i.e. 1 year following termination of the Management Agreement. + The foregoing shall not apply if Valneva Austria GmbH notifies waiver of the non-compete provisions within the notice period. In such case, the corporate officer shall not be entitled to any further remuneration after expiry of the notice period.
(7) The corporate officer's appointment to his "Valneva SE Management Position" (i.e. President and CEO of Valneva SE with respect to Mr. Thomas Lingelbach, and member of the Management Board and CFO with respect to Mr. Reinhard Kandera) terminates by resignation by such corporate officer or by termination by the relevant company of the Group prior the end of the Term of the Management Agreement, due to circumstances involving a legal, functional or actual diminution of the corporate officer's responsibilities in this Valneva SE Management Position	Possibility for the corporate officer to resign as Managing Director of Valneva Austria GmbH and: + payment of the salary defined by Section 6.1 of the Management Agreement; and + payment of the bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis. In all cases, such payments are to be made until the end of the Term of the Management Agreement.
+ Indemnities set for events (3) to (7) shall be exclusive of any other indemnity, compensation or benefit, to the fullest extended permitted by law. + Any severance payments made to the corporate officer by the fund upon termination as well as prospective entitlements to the corporate officer to severance pay (in case that the fund does not yet have to pay upon termination) shall be deducted from the indemnities set for events (3) to (7), to the fullest extended permitted by law.	
+ The contractual relationship between Valneva Austria GmbH and Messrs. Thomas Lingelbach and Reinhard Kandera is regulated by the provisions of their Management Agreement, the Austrian Act on Limited Liability Companies *(GmbH-Gesetz)*, the Austrian White Collar Workers Act *(Angestelltengesetz)*, the Articles of Associations of Valneva Austria GmbH and the binding resolutions of the General Assembly of Valneva Austria.	

Additional provisions specifically relating to the non-compete commitments

+ Legal restraints on competition pursuant to Section 24 of the Austrian Act on Limited Liability Companies apply to the corporate officers.

+ Article 10.2 of the Management Agreements of Messrs. Lingelbach and Kandera (non-applicable if waiver by Valneva Austria GmbH): for a period of one year following the termination of their respective Management Agreement, the corporate officers shall not be gainfully employed with a competitor, especially in the fields of serums.

"Being gainfully employed" means: (i) entering into a contractual relationship with a competitor of Valneva Austria, be it as white-collar employee, consultant or in a similar position; or (ii) becoming 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; or (iii) becoming member of a legal (representative) body of a competitor of Valneva Austria GmbH, especially in the Management Board, the Supervisory Board or as a counsel or consultant, even if it the services are not remunerated.

+ Article 10.3 of the Management Agreements of Messrs. Lingelbach and Kandera: the corporate officers shall not, for a period of 12 months following the termination of the employment, induce personnel, freelancer, consultants or members of the Scientific Board in whichever form to terminate their employment contracts with Valneva Austria GmbH.

Estimate gross amounts to be paid by Valneva Austria GmbH, including charges, in case of event occurring at December 31, 2016

Description of the event	Amounts
(1) Inability to work due to illness / accident	Inability to work during a period of 3 months + 3 months without any previous absence period for illness/accident
	Thomas Lingelbach **Maximum amount of indemnities to be paid by the subsidiary**: €122,076.89 **Costs**: €17,998.86 **Total**: €140,075.75
	Reinhard Kandera **Maximum amount of indemnities to be paid by the subsidiary**: €91,557.67 **Costs**: €16,988.67 **Total**: €108,546.34
(2) Declaration by Valneva Austria GmbH of execution of non-compete provisions (Section 10.2 of the Management Agreement) upon ordinary notice of termination by Valneva Austria GmbH	Basis of calculation: gross annual salary, to which a bonus of 60% and 50% of such salary is respectively added for Mr. Thomas Lingelbach and Reinhard Kandera (see event (4) for the applicable cap regarding the bonus), for all cases over a period of 12 months from the termination of the Management Agreement.
	Thomas Lingelbach **Maximum amount of indemnities to be paid by the subsidiary**: €524,357.12 **Costs**: €56,094.52 **Total**: €580,451.64
	Reinhard Kandera **Maximum amount of indemnities to be paid by the subsidiary**: €368,688.60 **Costs**: €49,437.65 **Total**: €418,126.25
(4) Termination of the Management Agreement by the corporate officer on cause pursuant to Section 26 of the Austrian White Collar Workers Act	Basis of calculation: gross annual salary, to which a bonus of 60% and 50% of such salary is respectively added for Mr. Thomas Lingelbach and Reinhard Kandera, for both cases until June 30, 2019
	Thomas Lingelbach **Maximum amount of indemnities to be paid by the subsidiary**: €1,310,892.80 **Costs**: €140,236.31 **Total**: €1,451,129.11
	Reinhard Kandera **Maximum amount of indemnities to be paid by the subsidiary**: €921,721.50 **Charges**: €123,594.12 **Total**: € 1,045,315.62
(5) Removal by Valneva Austria GmbH of the corporate officer as Managing Director of Valneva Austria GmbH and termination of the Management Agreement, upon notice period in accordance with Section 20 of the Austrian White Collar Workers Act, ending on the last day of each calendar month	Basis of calculation: gross annual salary until June 30, 2019, to which a bonus of 60% and 50% of such salary is respectively added for Mr. Thomas Lingelbach and Reinhard Kandera, as well as fringe benefits related to the company car leasing and to the death and endowment insurance policy (for such bonus and benefits, until termination of the notice period)
	Thomas Lingelbach **Maximum amount of indemnities to be paid by the subsidiary**: €874,346.48 **Costs** : €106,768.98 **Total** : €981,115.46

	Amounts
	Reinhard Kandera **Maximum amount of indemnities to be paid by the subsidiary**: €663,286.40 **Costs** : €100,243.52 **Total** : €763,529.92
(6) Termination by the corporate officer of its Management Agreement subject to a notice period corresponding to the notice period Valneva Austria GmbH would have to adhere in accordance with Section 20 of the Austrian White Collar Workers Act, ending on the last day of each calendar month	Basis of calculation: gross annual salary, to which a bonus of 60% and 50% of such salary is respectively added for Mr. Thomas Lingelbach and Reinhard Kandera, for all cases over a period of 12 months from the termination of the Management Agreement.
	Thomas Lingelbach **Maximum amount of indemnities to be paid by the subsidiary**: €524,357.12 **Costs**: €56,094.52 **Total**: €580,451.64
	Reinhard Kandera **Maximum amount of indemnities to be paid by the subsidiary**: €368,688.60 **Costs**: €49,437.65 **Total**: €418,126.25
(7) The corporate officer's appointment to his "Valneva SE Management Position" (i.e. President and CEO of Valneva SE with respect to Mr. Thomas Lingelbach, and member of the Management Board and CFO with respect to Mr. Reinhard Kandera) terminates by resignation by such corporate officer or by termination by the relevant company of the Group prior the end of the Term of the Management Agreement, due to circumstances involving a legal, functional or actual diminution of the corporate officer's responsibilities in this Valneva SE Management Position	Basis of calculation: gross annual salary, to which a bonus of 60% and 50% of such salary is respectively added for Mr. Thomas Lingelbach and Reinhard Kandera, for both cases until June 30, 2019
	Thomas Lingelbach **Maximum amount of indemnities to be paid by the subsidiary**: €1,310,892.80 **Costs**: €140,236.31 **Total**: €1,451,129.11
	Reinhard Kandera **Maximum amount of indemnities to be paid by the subsidiary**: €921,721.50 **Charges**: €123,594.12 **Total**: € 1,045,315.62

Management Agreement executed between Mr. Franck Grimaud and the Company, in its version dated December 16, 2012 (currently into force)

Termination of duties cases provided in the Management Agreement and subsequent indemnities

Description of the event	Indemnities or benefits
(1) Inability to work due to illness / accident	+ Valneva SE shall pay a remuneration so that, added to the national health insurance allowance, the corporate officer shall be maintained an aggregate compensation equal to the remuneration (Section 6.1 of the Management Agreement) in full for a maximum of 3 months and in the amount of 49% for another 3 months at most. + Overall cap within 2 years of services: full payment of the remuneration for not more than 6 months and payment of 49% of the remuneration for not more than another 6 months. + In any case: payment hereunder ends at the termination of the Management Agreement.
(2) - Termination of the Management Agreement other than by (i) revocation of the corporate officer on good cause (*juste motif*) by Valneva SE, or (ii) termination by the corporate officer (to the extent such termination is not due to circumstances involving a legal, functional or actual diminution of the corporate officer's responsibilities in any of its position within the Group, such diminution not being itself due to circumstances likely to justify a revocation of a position for good cause (*juste motif*) or any applicable similar ground of removal), **and** **- Application of the non-compete provisions (Section 10.1 of the Management Agreement)**	Payment by Valneva SE of the entire remuneration for the duration of the non-compete period (i.e.12 months following termination of the Management Agreement).
(3) Removal of the corporate officer from the Management Board of Valneva SE for good cause (*juste motif*) pursuant to article L. 225-61 of the French Commercial code	+ No further claims for remuneration possible.
(4) Removal of the corporate officer from the Management Board by Valneva SE and termination of the Management Agreement with a notice period of 4 weeks, ending on the last day of each calendar month	+ Payment of the remuneration pursuant to Section 6.1 of the Management Agreement until the end of the "**Initial Term**" (i.e.3 years from the date of the merger with Intercell AG), subject to the corporate officer having achieved, if applicable, the performance criteria set out by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code; and + For the period until expiry of the notice period: (i) payment of a bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis, and (ii) payment of insurance premiums as defined by Sections 6.4 and 6.5 of the Management Agreement, and (iii) reimbursement of expenses in accordance with Section 7 of the Management Agreement, and (iv) benefits in kind in accordance with Section 8 of the Management Agreement.
(5) Resignation and termination of the Management Agreement by the corporate officer, with a notice period of 4 weeks, ending on the last day of each calendar month	If Valneva SE does not waive its rights related to the non-compete provisions of Section 10.1 of the Management Agreement: + payment of the remuneration pursuant to Section 6.1 of the Management Agreement; + payment of a bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis. In all cases payments are to be made for the duration of the competition prohibition pursuant to Section 10.1 of the Management Agreement, subject to the corporate officer having achieved, if applicable, the performance criteria set out by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code. If Valneva SE waives its rights related to the non-compete provisions of Section 10.1 of the Management Agreement: the corporate officer shall not be entitled to any further remuneration after expiry of the notice period.

Description of the event	Indemnities or benefits
(6) Termination of the Management Board of Valneva SE membership of the corporate officer and of the Management Agreement by mutual consent of Valneva SE and the corporate officer (even if the proposal for termination is made by the corporate officer)	Subject to the corporate officer having achieved, if applicable, the performance criteria set out by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code: payment of the remuneration pursuant to Section 6.1 of the Management Agreement and of a bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis In any case, these payments are to be made until the end of the Initial Term of the Management Agreement. From the amount of remuneration to be paid in accordance with the foregoing, shall be deducted the amount of the allowance actually received by the corporate officer under the GSC policy during the period when such remuneration is paid.
(7) Termination by the corporate officer of by the relevant company of any corporate officer's position within the Group ("Group Management Position"), prior to the end of the Initial Term ("Early Termination"), due to circumstances involving a legal, functional or actual diminution of the corporate officer's responsibilities in any such position within the Group	Subject to case No. 3 above, possibility for the corporate officer to resign from the Management Board of Valneva SE and: + payment of the remuneration pursuant to Section 6.1 of the Management Agreement; and + payment of a bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis. In all cases such payment are to be made until the end of the Initial Term, subject to the corporate officer having achieved, if applicable, the performance criteria set out by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code.
(8) Early Termination for circumstances other than those set forth in case No. (7) above	Subject to case No. 3 above, possibility for the corporate officer to resign from the Management Board of Valneva SE and: + payment of the remuneration pursuant to Section 6.1 of the Management Agreement; and + payment of a bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis. In all cases such payment are to be made until the earlier of : (i) the date the corporate officer begins alternative full-time employment with an equivalent or similar level or remuneration, and (ii) the end of the Initial Term of the Management Agreement, subject to the corporate officer having achieved, if applicable, the performance criteria set out by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code.

Additional provisions specifically relating to the non-compete commitments

+ Article 10.1 of the Management Agreement of M. Grimaud (non-applicable if waiver by the Supervisory Board of Valneva SE): for a period of one year following the termination of their respective Management Agreement, the corporate officer shall not be gainfully employed with a competitor, especially in the fields of serums.

"Being gainfully employed" means: (i) entering into a contractual relationship with a competitor of Valneva SE or Valneva Austria GmbH, be it as white-collar employee, consultant or in a similar position; or (ii) becoming direct or indirect owner or shareholder of a home or foreign competitor of Valneva SE or Valneva Austria GmbH, except for the investment in listed stock corporations for investment reasons only; or (iii) becoming member of a legal (representative) body of a competitor of Valneva SE or Valneva Austria GmbH, especially in the Management Board, the Supervisory Board or as a counsel or consultant, even if it the services are not remunerated.

In any case, the non-compete commitments shall apply if (i) revocation of the board membership on good cause (*juste motif*) by Valneva SE, or (ii) early termination by M. Grimaud of its Management Agreement (except where termination is not due to circumstances involving a legal, functional or actual diminution of the corporate officer's responsibilities in any of its position within the Group, such diminution not being itself due to circumstances likely to justify a revocation of a position for good cause (*juste motif*) or any applicable similar ground of removal). In case of any other termination mode, the non-compete provisions shall only apply if the corporate officer has served the Company as Board Member for at least 3 years on the whole following the merger with the company Intercell AG (on May 28, 2013), provided that the entire remuneration is paid for the 12 months' non-compete period.

+ Article 10.2 of the Management Agreement of Mr. Grimaud: the corporate officer shall not, for a period of 12 months following the termination of the employment, induce personnel, freelancer, consultants or members of the Scientific Board in whichever form to terminate their employment contracts with Valneva SE.

Management Agreement to be executed between the Company and M. Franck GRIMAUD as from the General Meeting of Valneva SE which will consider Valneva SE's annual financial statements for fiscal year 2015, intended to take place in June 2016

Termination of duties cases provided in the Management Agreement and subsequent indemnities (including estimate gross amounts to be paid by the Company, including charges, in case of event occurring at December 31, 2016)

Description of the event	Indemnities or benefits	Estimate gross amounts to be paid by the Company, including charges, in case of event occurring at December 31, 2016
(1) Inability to work due to illness / accident	+ Valneva SE shall pay a remuneration so that, added to the national health insurance allowance, the corporate officer shall be maintained an aggregate compensation equal to the remuneration (Section 6.1 of the Management Agreement - annual gross remuneration set at €245,792.40 as from January 1, 2016) in full for a maximum of 3 months and in the amount of 49% for another 3 months at most. + Overall cap within 2 years of services: full payment of the remuneration for not more than 6 months and payment of 49% of the remuneration for not more than another 6 months. + In any case: payment hereunder ends at the termination of the Management Agreement.	Inability to work during a period of 3 months + 3 months without any previous absence period for illness/accident: **Maximum amount of indemnities to be paid by the Company**: €91,557.67 **Costs**: €30,573.37 **Total**: €122,131.04
(2) - Termination of the Management Agreement other than by (i) revocation of the corporate officer on good cause (*juste motif*) by Valneva SE, or (ii) termination by the corporate officer (to the extent such termination is not due to circumstances involving a legal, functional or actual diminution of the corporate officer's responsibilities in any of its position within the Group, such diminution not being itself due to circumstances likely to justify a revocation of a position for good cause (*juste motif*) or any applicable similar ground of removal), **and** **- Application of the non-compete provisions (Section 10.1 of the Management Agreement)**	Payment by Valneva SE of the entire remuneration for the duration of the non-compete period, i.e. 1 year following termination of the Management Agreement.	Basis of calculation: gross annual salary, to which a bonus of 50% of such salary is added (see event (4) for the applicable cap regarding the bonus), in both cases over a period of 12 months from the termination of the Management Agreement. **Maximum amount of indemnities to be paid by the Company**: €365,762.67 **Costs**: €99,104.12 **Total**: €464,866.79
(3) Termination of the Management Agreement by Valneva SE due to the revocation of the corporate officer from the Management Board of Valneva SE for a good cause (*juste motif*) pursuant to article L. 225-61 of the French Commercial code	No further claims for the remuneration, subject to other provisions governing specifically the termination of office and its consequences.	n.a.

Description of the event	Indemnities or benefits	Estimate gross amounts to be paid by the Company, including charges, in case of event occurring at December 31, 2016
(4) Removal of the corporate officer from the Management Board by Valneva SE and termination of the Management Agreement with a notice period of 2 months, ending on the last day of each calendar month	+ Payment of the remuneration pursuant to Section 6.1 of the Management Agreement until the end of the "**Term**" of the Management Agreement (i.e. the earlier of (i) the date of the General Meeting of Valneva SE which will consider Valneva SE's annual financial statements for fiscal year 2018, intended to take place in June 2019, or (ii) June 30, 2019), subject to the corporate officer having achieved, if applicable, the performance criteria set out by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code; and + For the period until expiry of the notice period, payment of a bonus as defined by Section 6.3 of the Management Agreement (it being understood that the maximum bonus shall not exceed 50% of the annual gross remuneration set in Section 6.1 of the Management Agreement), on a pro rata basis, and (ii) payment of insurance premiums as defined by Section 6.5 of the Management Agreement, and (iii) reimbursement of expenses in accordance with Section 7 of the Management Agreement, and (iv) benefits in kind in accordance with Section 8 of the Management Agreement.	Basis of calculation: gross annual salary until June 30, 2019, to which a bonus of 50% of such salary, the fees for the GSC and expenses related to the leased company car are added, over the 2 month notice period. **Maximum amount of indemnities to be paid by the Company**: €637,847.09 **Costs**: €169,352.69 **Total**: €807,199.78
(5) Resignation and termination of the Management Agreement by the corporate officer, with a notice period of 2 months, ending on the last day of each calendar month	If Valneva SE does not waive its rights related to the non-compete provisions of Section 10.1 of the Management Agreement: + payment of the remuneration pursuant to Section 6.1 of the Management Agreement; + payment of a bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis, In all cases, such payment are to be made for the duration of the competition prohibition pursuant to Section 10.1 of the Management Agreement, subject to the corporate officer having achieved, if applicable, the performance criteria set out by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code. If Valneva SE waives its rights related to the non-compete provisions of Section 10.1 of the Management Agreement or does not declare to continue payment for the entire remuneration for the duration of the non-compete period: the corporate officer shall not be entitled to any further remuneration after expiry of the notice period.	Basis of calculation: gross annual salary, to which a bonus of 50% of such salary is added, in both cases over a period of 12 months from the termination of the Management Agreement. **Maximum amount of indemnities to be paid by the Company**: €365,762.67 **Costs**: €99,104.12 **Total**: €464,866.79
(6) The corporate officer's appointment to his "Valneva SE Management Position" (i.e. Managing Director / Deputy CEO) terminates by resignation by such corporate officer or by termination by the relevant company of the Group prior the end of the Term of the Management Agreement, due to circumstances involving a legal, functional or actual diminution of the corporate officer's responsibilities in this Valneva SE Management position	Subject to case No. 3 above, possibility for the corporate officer to resign from the Management Board of Valneva SE and: + payment of the remuneration pursuant to Section 6.1 of the Management Agreement; and + payment of a bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis. In all cases such payment are to be made until the end of the Term of the Management Agreement, subject to the corporate officer having achieved, if applicable, the performance criteria set out by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code. From the amount of remuneration to be paid in accordance with the foregoing, shall be deducted the amount of the allowance actually received by the corporate officer under the GSC policy during the period when such remuneration is paid.	Basis of calculation: gross annual salary, to which a bonus of 50% of such salary is added, in both cases until June 30, 2019. **Maximum amount of indemnities to be paid by the Company**: €921,721.53 **Costs**: €243,597.80 **Total**: €1,165,319.33
+ Indemnities set forth pursuant to events (3) to (6) are exclusive of any other indemnity, compensation or benefit, to the fullest extent permitted by law.		
+ The relationship between Valneva SE and M. Franck Grimaud in his capacity as member of the Management Board of the Company and Managing Director is regulated by the French law and regulations, the Articles of Association of the Company, the provisions of his Management Agreement and the resolutions of the Supervisory Board of Valneva SE.		

Additional provisions specifically relating to the non-compete commitments

+ Article 10.1 of the Management Agreement of M. Grimaud (non-applicable if waiver by the Supervisory Board of Valneva SE): for a period of one year following the termination of their respective Management Agreement, the corporate officer shall not be gainfully employed with a competitor, especially in the fields of serums.

"Being gainfully employed" means: (i) entering into a contractual relationship with a competitor of Valneva SE or Valneva Austria GmbH, be it as white-collar employee, consultant or in a similar position; or (ii) becoming direct or indirect owner or shareholder of a home or foreign competitor of Valneva SE or Valneva Austria GmbH, except for the investment in listed stock corporations for investment reasons only; or (iii) becoming member of a legal (representative) body of a competitor of Valneva SE or Valneva Austria GmbH, especially in the Management Board, the Supervisory Board or as a counsel or consultant, even if it the services are not remunerated.

In any case, the non-compete commitments shall apply if (i) revocation of the board membership on good cause (*juste motif*) by Valneva SE, or (ii) early termination by M. Grimaud of its Management Agreement (except where termination is not due to circumstances involving a legal, functional or actual diminution of the corporate officer's responsibilities in any of its position within the Group, such diminution not being itself due to circumstances likely to justify a revocation of a position for good cause (*juste motif*) or any applicable similar ground of removal). In case of any other termination mode, the non-compete provisions shall only apply if Valneva SE declares to continue payment of the entire remuneration for the duration of the non-compete period.

+ Article 10.2 of the Management Agreement of Mr. Grimaud: the corporate officer shall not, for a period of 12 months following the termination of the employment, induce personnel, freelancer, consultants or members of the Scientific Board in whichever form to terminate their employment contracts with Valneva SE.

Death and endowment insurance policy subscribed to the benefit of Messrs. Thomas Lingelbach and Reinhard Kandera

Two Management Board members, namely Mr. Thomas Lingelbach and Mr. Reinhard Kandera, in their capacity as Managing Directors of Valneva Austria GmbH, benefit from a life and endowment insurance policy paid for by Valneva Austria GmbH.

The premium currently paid by Valneva Austria GmbH amounts to €1,000 per month for each of them[65].

Valneva Austria GmbH will stop paying this insurance premium upon termination or expiration of the Management Agreements between these corporate officers and Valneva Austria GmbH. Mr. Lingelbach and Mr. Kandera may then, in their sole discretion, (a) leave the accrued savings within the insurance policy until the retirement age (such savings would then approximately amount to €313,000[66]), (b) terminate the insurance policy and get the accrued savings as a cash settlement, or (c) convert the accrued savings into a life annuity paid by the insurance company.

Upon expiration of the Management Agreements at the end of June 2019, Mr. Lingelbach could get approximately €136,229 as a cash settlement, or €5,896 per year as a life annuity, and Mr. Kandera could receive approximately €109,000 as a cash settlement, or €2,772 per year as a life annuity[67].

[65] See Section 2.2.2 (b) of this Registration Document.

[66] These numbers are approximate only because they depend on the actual financial performance of the insurance policy.

[67] Idem.

2.2.3 Supervisory Board members remuneration

Attendance fees and other remuneration received by non-executive officers

	Amounts paid in 2015	Amounts paid in 2014
Frédéric Grimaud, Chairman of the Supervisory Board		
Attendance fees	€50,000	€50,000
Other remuneration	€0	€0
Alain Munoz, Supervisory Board member		
Attendance fees	€35,000	€32,500
Other remuneration	€0	€0
Michel Greco, Supervisory Board member		
Attendance fees	€30,000	€30,000
Other remuneration	€0	€0
Anne-Marie Graffin, Supervisory Board member		
Attendance fees	€30,000	€30,000
Other remuneration	€0	€0
James Sulat, Vice-Chairman of the Supervisory Board		
Attendance fees	€45,000	€42,500
Other remuneration	€0	€0
Hans Wigzell, Supervisory Board member		
Attendance fees	€30,000	€30,000
Other remuneration	€0	€0
Alexander Von Gabain, Supervisory Board member		
Attendance fees	€30,000	€30,000
Other remuneration	€0	€0
TOTAL	**€250,000**	**€245,000**

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 & Auditors' report

VALNEVA

A European company (*Societas Europaea*) with a Management and a Supervisory Board
Share capital: €11,383,243.14
Registered offices: 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 2015;
- 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 18, 2016.

This report was drawn up in the light of market recommendations and in particular the guidelines set out by the AMF for mid-caps in its recommendation N° 2015-01.

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**", and together with its subsidiaries "**the Group**", "**Valneva Group**" or "**Valneva**") is a European company focusing on vaccines, striving to become a leader in its field.

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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 17 March 2016	Number of equity warrants (*BSAs*) as of 17 March 2016
Frédéric Grimaud Chairman of the Supervisory Board	(Appointed by the Extraordinary General Meeting of December 12, 2012, term to expire at the Annual General Meeting called to rule on the accounts for the fiscal year ending December 31, 2015)	257,996 Valneva ordinary shares	36,000
Alain Munoz Member of the Supervisory Board	(Appointed by the Extraordinary General Meeting of December 12, 2012, term to expire at the Annual General Meeting called to rule on the accounts for the fiscal year ending December 31, 2015)	41,800 Valneva ordinary shares	19,500
Michel Greco Member of the Supervisory Board	(Appointed by the Extraordinary General Meeting of December 12, 2012, term to expire at the Annual General Meeting called to rule on the accounts for the fiscal year ending December 31, 2015)	**586 Valneva ordinary shares** **&** 486 Valneva preferred shares with a par value of €0.01 each	19,500
James Sulat Vice-Chairman of the Supervisory Board	(Appointed by the Extraordinary General Meeting of March 7, 2013, term to expire at the Annual General Meeting called to rule on the accounts for the fiscal year ending December 31, 2015)	17,867 ordinary shares	19,500
Hans Wigzell Member of the Supervisory Board	(Appointed by the Extraordinary General Meeting of March 7, 2013, term to expire at the Annual General Meeting called to rule on the accounts for the fiscal year ending December 31, 2015)	0	19,500
Alexander Von Gabain Member of the Supervisory Board	(Appointed by the Extraordinary General Meeting of March 7, 2013, term to expire at the Annual General Meeting called to rule on the accounts for the fiscal year ending December 31, 2015)	**38,218 Valneva ordinary shares** **&** 22,048 Valneva preferred shares with a par value of €0.01 each	19,500
Anne-Marie Graffin Member of the Supervisory Board	(Appointed by the Extraordinary General Meeting of March 7, 2013, term to expire at the Annual General Meeting called to rule on the accounts for the fiscal year ending December 31, 2015)	0	19,500

Frédéric Grimaud - Chairman of the Supervisory Board (age 51): After setting up a company providing services to businesses in the field of motivational management of human resources and quality, Mr. Grimaud joined the Groupe Grimaud Family 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 Groupe Grimaud La Corbière in the early 2000s.

Alain Munoz - Supervisory Board member (age 66): A graduate in cardiology and anaesthesia/resuscitation, Mr. 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 a Board member in several European biotechnology companies.

Michel Greco - Supervisory Board member (age 72): Mr. 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, Mr. Michel Greco has 35 years' experience in the pharmaceutical and vaccine industry. Over the last 12 years, Mr. Michel Greco served on the Board of over 20 biotechnology companies and international Non-Governmental Organizations, including being an advisor to the World Health Organization and GAVI. He is presently a Board member of Texcell and Synthelis and the Chairman of the Board of the Saint Joseph Saint Luc hospital in Lyon, France.

James Sulat – Supervisory Board member (age 65) – Mr. Sulat, an American national, holds Masters 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 also currently a member of the Board of Directors of Momenta Pharmaceuticals, Inc., AMAG Pharmaceuticals, Inc., Diadexus, Inc. and Arch Therapeutics, Inc. Mr Sulat served as Chief Executive Officer and Chief Financial Officer of the biopharmaceuticals company Maxygen, Inc., from October 2009 until June 2013, while also serving on the Board of Directors. He previously served as Chief Executive Officer, President, Chief Financial Officer and member of the Board of Directors of Memory Pharmaceuticals Corp., and as Chief Financial Officer of R.R. Donnelley & Sons Co., Chiron Corporation and Stanford Health Services, Inc.

Hans Wigzell – Supervisory Board member (age 77) - 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 66) - 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 and 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 AG Supervisory Board, and he remained a Board member after Intercell AG merged with Vivalis SA to create the biotech company "Valneva SE", 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 54) – 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*)

+ Bpifrance Participations, represented by Maïlys Ferrere, *Directrice d'investissement* ;
+ Athyrium Capital Management LP, represented by Laurent Hermouet, Managing Director, was an observer to the Supervisory Board in the period from February 6, 2015 until February 3, 2016.

(c) Cooptations

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 January 27, 2011), we hereby report to you on the application of the principle of balanced gender representation 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 No. 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 Articles of Association at three years (one year being understood as the period between two consecutive annual general meetings of shareholders), 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 2015.

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 Mr. Frédéric Grimaud who is a second cousin of Mr. Franck Grimaud, member of the Company's Management Board, there is no family relationship in the boards and management bodies 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 Company's Annual Management Report for 2015, 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. Mr. 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 in May 2013.

Also attending these meetings are Mr. Frédéric Jacotot, General Counsel and Secretary to the Supervisory Board, and Ms. Maïlys Ferrère, representing Bpifrance Participations, Observer. From the

DUKORAL® acquisition in February 2015 until resignation on February 3, 2016, Mr. Laurent Hermouet, representing Athyrium Capital Management LP, Observer, attended 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 2015

2.1 Role and work of the Supervisory Board of Valneva

2.1.1 Role of the Board

The Supervisory Board exercises permanent control of the management of the Company carried out by the Management Board.

It appoints the members of the Management Board and sets their remuneration. It designates the Chairman of the Management Board and possibly the Managing Director. It may also decide their dismissal upon the terms and conditions provided by law and the Articles of Association of the Company.

It convenes the General Meeting of shareholders, in the absence of convening by the Management Board.

It carries 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 duties.

By a majority of present or represented members, pursuant to current legal and regulatory provisions, the Supervisory Board authorizes the following agreements and transactions, prior to their conclusion:

(i) any sale of property in kind;

(ii) any total or partial sale of equity holdings;

(iii) any grant of security, as well as guarantees; and

(iv) any agreement referred to in article 22 of the 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 Commercial code, which relates to the Supervisory Board's approval of regulated agreements, with the exception of agreements related to standard transactions entered into upon ordinary terms.

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 and executive officers, decisions 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 Extraordinary Meetings of shareholders and exercise of delegations of authority or delegations of powers granted by shareholders' meetings 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 to the Articles of Association;

(ix) acquisition and disposal of business branches, equity interests or assets for an amount exceeding €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) sale of rights to, or licensing of, antibodies, vaccines or related products for an amount exceeding €1.5 million;

(xi) implementation of any capital expenditure for an amount exceeding €1 million, if 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 €1.5 million in the first year, if 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 €1 million, if not previously submitted and approved as part of the annual budget;

(xiv) allocation of options entitling their holders to subscribe for 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 €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 €500,000, provided that any settlement or compromise relating to a litigation of an amount exceeding €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 presents 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 special mandates or specific missions to one or several of its members, for one or several given purposes.

The Supervisory Board may also appoint, among its members, one or several specialized Committees, the composition and duties of which it shall set and which shall carry out their activities on the Supervisory Board's responsibility, provided that such duties cannot result in the Board delegating to the committees the powers exclusively given to it by the law or the Articles of Association, or in any decrease in, or limitation of, the powers of the Supervisory Board.

2.1.2 Holding of the Board meetings and attendance rate

The Valneva SE Supervisory Board met 16 times in the 2015 fiscal year. The average attendance rate of the Supervisory Board was 95.53%. 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 June 25, 2015; 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 SE makes a provisional schedule of the Supervisory Board meetings of the following calendar year.

Furthermore, Valneva SE 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.

In advance of Supervisory Board meetings, 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 additional information outside meetings. The Company in consequence applies Recommendation No. 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 (Recommendation No. 7 of the MiddleNext Code).

2.1.4 Purpose of meetings

For the year 2015, the Supervisory Board considered or decided on the following matters:

- Amendment to intercompany loan agreement;
- Approval of Project Voyager;
- Approval of the guarantee to be given by the Company for its Swedish subsidiary's obligations under the terms of the Sale and Purchase Agreement with Crucell Holland BV;
- Approval of a loan to the Company's Swedish subsidiary;
- Approval of the demand guarantee to be granted to the lenders in connection with this loan;
- Capital increase and underwriting agreement;
- Approval of a first-demand guarantee to be granted by the Company in favor of Athyrium;
- Approval of other security interests to be granted by the Company to Athyrium;
- Approval for arranging inter-company loans between the Company and its Swedish subsidiaries;
- Approval for the arrangement by the Company of an intercreditor agreement;
- Appointment of a second non-voting Observer (*Censeur*) to the Supervisory Board; confirmation of the appointment of the first non-voting observer;
- Management Board performance appraisal and bonus for 2014;

- Management Board goals and objectives for 2015;
- Management Board remuneration;
- Statutory financial statements for 2014;
- Consolidated financial statements and management report for 2014;
- "Vigilance points" under the MiddleNext governance code;
- Approval of a comfort letter for the benefit of ERP Fonds and Austria Wirstschaftsservice Gesellschaft mbH in connection with a *Pseudomonas*-related loan;
- Authorization to grant stock options;
- Authorization to grant equity warrants (*BSA*s);
- Supervisory Board report to shareholders;
- Special management reports;
- Supervisory Board Chairman's report on Supervisory Board functioning and the Company's internal control procedures;
- Draft resolutions to be submitted to shareholders;
- Related party transactions;
- Company policy on gender equality;
- Organization chart and officer titles;
- Approval of Voyager settlement agreement;
- Authorization to terminate the Marketing and Distribution Agreement dated December 22, 2006 between Valneva Austria GmbH and Glaxo SmithKline Biologicals SA;
- Committee meetings and composition;
- Renewal of Management Board members' appointment;
- Authorization to enter into Management Agreements;
- Authorization to grant payable preferred shares to members of the Management Board and the Executive Committee;
- Authorization to implement a free preferred share program;
- Changes in the loan transaction approved by the Supervisory Board on December 13, 2013; approval of amended terms; approval of guarantee extension
- OePR (*AFREP*) review;
- Supervisory Board renewal;
- Authorization to guarantee Valneva Canada's obligations under a car lease agreement and a related services agreement;
- Corporate development strategy and strategic projects;
- Quarterly reports from the Management Board;
- 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;
- Research strategy;
- Investor relations strategy;
- Expiration of equity warrants (*BSAs*);
- Revisions to Management Board internal rules;

- Authorization to execute an executive search agreement for new Board members;
- Supervisory Board self-evaluation;
- 2016 budget.

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, 44800 Saint-Herblain, 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

Recommendation No. 15 of the MiddleNext Code provides that the Supervisory Board should conduct a yearly evaluation of its work. This self-evaluation was planned for December 3, 2015; however on that date, the Board decided to conduct such evaluation through a written process (update of the former evaluation form, distribution to all members, handling of responses, preparation of an overview, discussion of results). The Board is to complete this process on March 18, 2016. Therefore, Recommendation No. 15 of the MiddleNext Code was not fully complied with in 2015.

2.2 Committees

In compliance with Recommendation No. 12 of the MiddleNext Code, the Company has created Committees in light of its own situation.

2.2.1 Nomination and Compensation Committee

Composition

The Nomination and Compensation Committee is composed of 3 members, as follows:

- Mr. Alain Munoz, Chairman of the Committee
- Mr. Alexander Von Gabain
- Ms. Anne-Marie Graffin

Mr. Greco was a 4th member of this Committee but resigned this membership in June 2015.

The Committee meets as often as required to serve the Company's interests, 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:

+ Mr. James Sulat, Chairman of the Committee
+ Mr. Michel Greco
+ Mr. Hans Wigzell

The Committee meets as often as required to serve the Company’s interests, 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 duties, the Committee has 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, 44800 Saint-Herblain, France, or at the following e-mail address: investors@valneva.com.

4. INTERNAL CONTROL PROCEDURES RELATING TO OPERATING AND FUNCTIONAL PROCESSES

This Section 4 applies to Valneva SE and all of its direct or indirect subsidiaries within Valneva's consolidation scope, unless otherwise stated.

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 Finance 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 Executive Committee currently includes eleven members:

- Mr. Thomas Lingelbach, CEO
- Mr. Franck Grimaud, Deputy CEO
- Mr. Reinhard Kandera, CFO
- Mr. Manfred Tiefenbacher, VP Finance
- Mr. Frédéric Jacotot, General Counsel
- Mr. Frédéric Legros, VP Business Development
- Mr. Jason Golan, VP Marketing & Sales
- Mr. Olivier Jankowitsch, VP Corporate Development
- Ms. Andreas Meinke, VP Preclinical and Translational Research
- Mr. Klaus Schwamborn, VP Discovery Research & Innovation

The Executive Committee is chaired by the CEO, Mr. Thomas Lingelbach.

The Executive Committee meets once a month to review the performance of the company, notably from a commercial and management perspective. The Executive Committee confirms whether the objectives set by the Management Board and approved by the Supervisory Board are met. It also considers all operating and organizational issues put 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 conformity with accounting and financial regulations. He also provides the Management Board with cost accounting and financial information serving as tools for Company budget management.

The Legal department

The General Counsel, also serving as Corporate Compliance Officer, is responsible for safeguarding the Company's legal interests and ensuring compliance with applicable laws and regulations, notably by implementing and updating the Company's corporate compliance program.

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

Analysis of risks

Valneva has conducted an in-depth analysis of its risks. The risks Valneva faces are described in detail in Sections 5 & 6 of the Company's Annual Management Report for 2015.

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, notably by conducting 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, Austrian and Swedish 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

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.

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.

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 sales managers, 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.

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 the allocation of costs to projects.

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.

Until recently, considering the size of the Company, Valneva was not obligated to prepare the documents required by law in connection with the prevention of financial problems. However, because the total number of employees increased as a result of the Crucell Sweden AB acquisition in 2015, these documents are being prepared for the first time in 2016.

Preparation of financial statements

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).

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 Finance 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 Finance 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 topics of the current year (for example the treatment of development expenditure and the amortization of capitalized development expenditure, the interpretation of complex material contracts as well as price-related aspects of acquisitions) 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 Deputy CEO, 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 Deputy CEO, 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.

Accounting and financial information systems

Since the beginning of 2014, all entities of the Valneva Group have maintained their accounting information on the Microsoft Dynamics AX system ("**AX**"), the ERP system of the Valneva Group. The newly acquired entity "Valneva Sweden AB" is maintaining its accounting information on the ERP system "JEEVES". The general ledgers are then imported into Microsoft Dynamics AX, to have all accounts in the ERP system of the Valneva Group.

"AX" interfaces with the payroll, the cash management software and the BI-Tool, TAGETIK, which is used for controlling. Valneva performs regular reconciliations between these different applications.

Fixed assets, depreciation and amortization are also processed by AX, except for Valneva Sweden AB, where they are processed in JEEVES.

Since the beginning of 2014, supplier invoices have been recorded through the ERP system AX, except for Valneva Sweden AB, where these are recorded in JEEVES).

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).

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.

Oversight

Valneva carries out normal oversight for example on account closings such as conducting stock counts or performing bank reconciliations.

Valneva has a matrix for authorizing purchases and invoices and has documented the key processes by identifying the key controls.

Other accounting and financial information destined for shareholders

In connection with special corporate actions (the issue of stock option, 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.

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 Corporate Communications, Finance and Legal departments and reviewed by the Company's Statutory Auditors.

5. LIMITATIONS IMPOSED ON THE POWERS OF THE MANAGING DIRECTOR BY THE BOARD

Obligations to disclose limitations imposed by the 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 No. 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 ("Management Agreement") with Valneva SE's subsidiary "Valneva Austria GmbH" in which he is also a Managing Director. This contract complies with Austrian law, which allows the combination of an employment relationship and a management position in the same entity. The contract in force at the date of this report was authorized by the Company's Supervisory Board on June 25, 2015.

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 performance 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 2015 is provided in Section 20.1 of the Company's Annual Management Report for 2015.

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 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 goals and objectives are set for each officer according to the goals and objectives of the Company. A percentage 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 2015 is provided in Section 20.1 of the Company's Annual Management Report for 2015.

6.4 Stock option and/or free share plans

Concerning stock option and free share plans, for the purpose of providing incentives and developing loyalty, the Company has always been willing to make its employees benefit from stock option or free shares, by putting in place several plans (see Section 13.2 of the Company's Annual Management Report for 2015). The Company consequently implements MiddleNext Code Recommendation No. 5 on stock option and free shares. The number of options or shares granted to each employee notably depends on his or her job category.

The granting of free shares or options to corporate officers was linked to the achievement of major goals of the Company in the past. However, certain stock option or free 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 free shares and stock option. In contrast, the Company links the vesting of shares or the exercise of stock option 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. Because the Company cannot provide the same level of salary as that commonly given in the pharmaceutical industry, the grant of stock option and/or free shares provides a means for offsetting this difference.

A percentage of free shares or shares resulting from the exercise of stock option (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.

In 2015, the Company decided that stock option plans would primarily be for the benefit of non-executive employees, while members of the Management Board and the Executive Committee were be given the opportunity to participate in a 4-year free convertible preferred share program that required a personal investment.

Further information on stock option 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 20 of the Company's Annual Management Report for 2015.

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 Mr. Franck Grimaud are included in his "Management Agreement" with the Company. The severance terms applying to Messrs. Thomas Lingelbach and Reinhard Kandera are set out in their "Management Agreement" with the Company's subsidiary "Valneva Austria GmbH".

Please refer to Section 20.1.5 of the Company's Annual Management Report for 2015 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. In accordance with common practice in Austria, two Management Board members, in their capacity as Managing Directors of the Company's Austrian subsidiary "Valneva Austria GmbH" are named insured under a long-term life and endowment insurance policy paid for by Valneva Austria GmbH. Please refer to Section 20.1.5 of the Company's Annual Management Report for 2015 for further information on this insurance.

6.7 Attendance fees

On June 26, 2014, the shareholders voted and granted the Supervisory Board €250,000 as attendance fees for the period from June 1, 2014 until May 31, 2015 and all subsequent 12-month periods unless otherwise decided. 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 Company's Annual Management Report for 2015.

March 17, 2016

Frédéric Grimaud

Chairman of the Supervisory Board

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 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, 2015

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 Anonyme

Gerland Plaza Techsud

70, rue Saint-Jean-de-Dieu

69007 LYON

Statutory Auditors' Report prepared in accordance with Article L. 225-235 of the French Commercial Code on the Report of the Chairman of the Supervisory Board

Year ended December 31, 2015

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, 2015.

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 18, 2016

The Statutory Auditors

PricewaterhouseCoopers Audit

Thierry Charron

Deloitte & Associés

Vincent Gros

3. CORPORATE SOCIAL RESPONSIBILITY

3.1 CSR Report

2015 REPORT

VALNEVA

CORPORATE SOCIAL RESPONSIBILITY







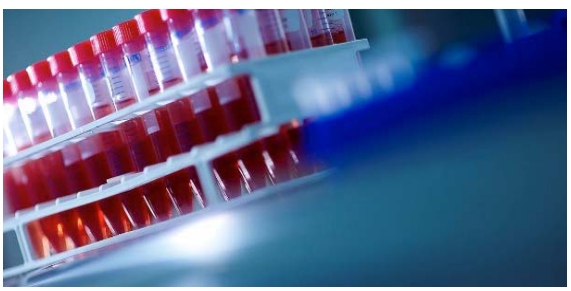




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INTRODUCTION

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, shareholders, 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 and reputational, etc.).

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

Created in 2013 from the merger between the French company Vivalis, and the Austrian company Intercell, Valneva today has more than 400 employees in France, Austria, in Scotland, Sweden, Canada and the United States.

With the acquisition in 2015 of Crucell Sweden AB and its distribution business, Valneva confirms its role as a **leading vaccine industry company**. Today Valneva is a fully integrated company with operations spanning R&D, manufacturing, marketing and sales.

In addition to the vaccine against Japanese Encephalitis, the Group is the owner of a vaccine indicated for the prevention of cholera and, in some countries, for the prevention of diarrhea caused by LT-ETEC, while continuing to actively pursue research and innovation.

Valneva's corporate culture is based on values of tolerance, respect and integrity spearheaded by a Group management that considers its employees **to be its most valuable assets**.

The Group pays particular attention to the impact of its products on patient health, ethics and commercial practices and reports each year on progress and achievements in the areas of social responsibility (working standards, environmental standards, combating corruption, supply chain and impacts of products on consumer health and safety) through extra-financial reporting procedures.

On November 17, 2015, Valneva joined the United Nations Global Compact, adopting commitments to meet the ten guiding principles to establish credibility and generating value through its actions and achievements in the areas of social responsibility.



Scope of the CSR reporting

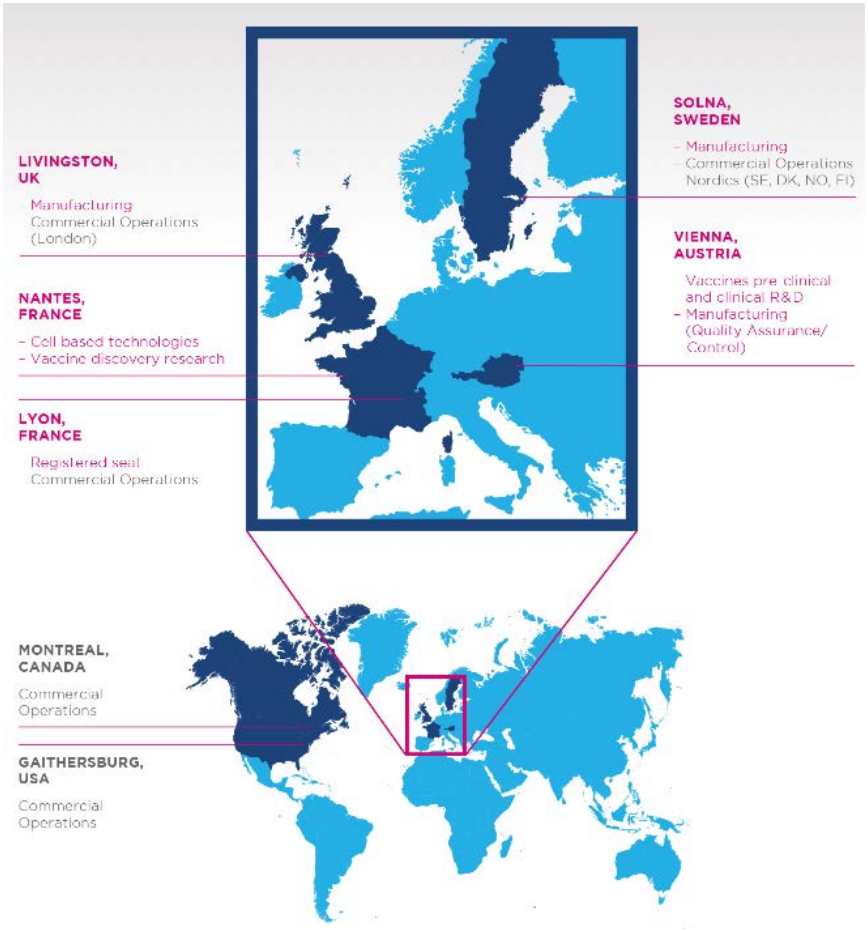
THE NEW SCOPE OF THE CSR REPORTING

The scope of reporting adopted in 2015 covers sites in Livingston (Scotland), Solna (Sweden), Vienna (Austria) and Nantes (Saint-Herblain, France).

The Canadian, US and Japanese subsidiaries were excluded from this scope for the following reasons:

- Business in Japan has been reduced. In 2015, the only remaining activities were development and license and partnership management, with one person active for 20% of standard working hours.
- At the US site, there were only two employees at December 31, 2015.
- In Canada, six people were recruited during the year. With the comparison of data based on homogeneous calendar periods, this site will not be included in the 2015 CSR report.

For France, the data only relates to the Nantes (Saint-Herblain) site, as the Lyon site had no employee in 2015.



The frameworks used to draw up this report

+ The French New Economic Regulations (*Nouvelles Régulations Economiques* or NRE) Law and its implementing decree

The article 116 of 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 ENE N°2010-788 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 N°2012-557 of April 24, 2012.

The ministerial decree of May 13, 2013 sets the procedures for the performance of appraisal missions by independent third parties.

+ The Energy Transition for Green Growth Act

The French Energy Transition for Green Growth Act of August 17, 2015 sets energy transition targets. Greenhouse gas emissions must be reduced by 40% by 2030 and divided by four by 2050. Final energy consumption must be divided by two in 2050 in relation to 2012 and the percentage of renewable energy increased to 32% in 2030. The text also focuses on additional priorities including, among others, developing clean transport, combating waste and promoting the circular economy. This includes a recycling target for nonhazardous waste of 55% in 2020 and 65% in 2025 and reducing amounts of non-recyclable manufactured products put on the market by 50% before 2020 (article 70).

+ European directives

Directive 2014/95/EU October 22, 2014 amended Directive 2013/93/EU and introduces changes for disclosures to be included in a CSR report. The transposition of this directive is currently under study and will enter into force no later than December 6, 2016.

This directive requires companies thus concerned to publish a report containing information risk prevention policies in the areas of environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters, and the outcome of these policies, including a description of the "*due diligence processes*" and covering the entire supply chain under this approach.

+ 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.

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.

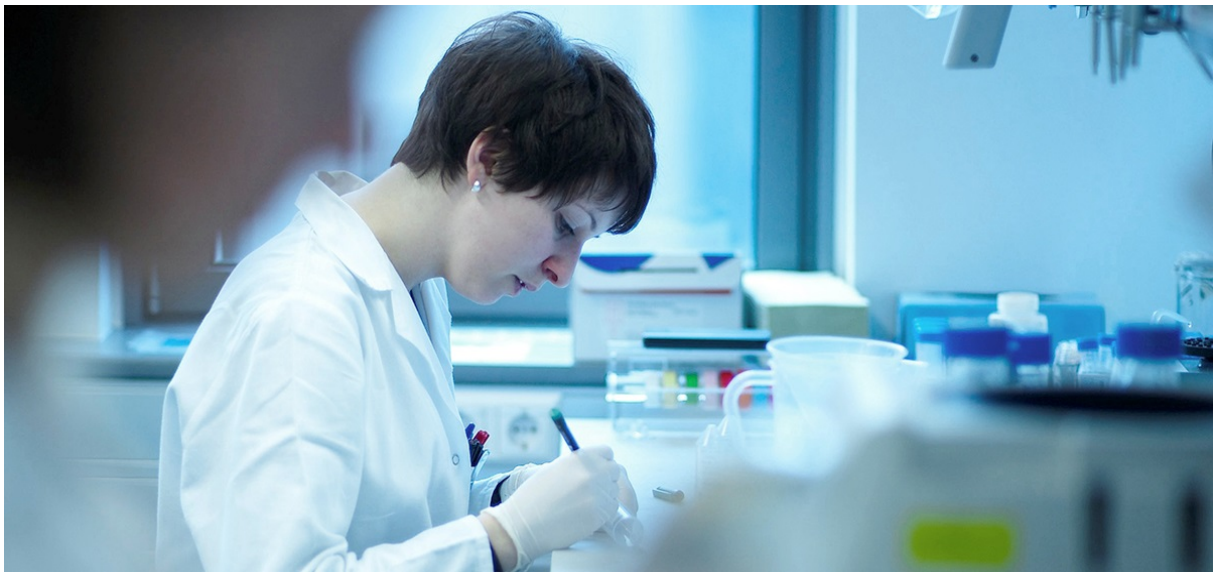
The Global Reporting Initiative was set up in 1997 by the United Nations Environment Programme (UNEP) and Ceres.

+ The UN Global Compact

The UN global compact was officially launched at the UN Headquarters in New York on July 26, 2000. The Global Compact is a voluntary international corporate citizenship network through which companies are invited to support the promotion of ten universally recognized principles organized into four areas: human rights, working standards, the environment and combating corruption.

Companies signing the Global Compact undertake to incorporate the 10 principles into their strategy, to achieve progress every year in applying these principles and to report annually on their best practices by publishing a document at the Global Compact website

SECTION 1 - COMMITMENT TO EMPLOYEES



EMPLOYMENT AND LABOR RELATIONS

OCCUPATIONAL HEALTH AND SAFETY

TRAINING POLICY

EQUALITY AND DIVERSITY

Valneva's success stems from the work and expertise of its 414 employees working across its various subsidiaries. At Valneva, employees are proud of their accomplishments and their challenges, past, present and future. Achievements derive from the Group corporate culture based on respect for others, dedication and motivation.

Valneva is a growing company expanding its global reach around the world. Doing so the Group continues to diversify its culture and enrich its human resources. In 2015, more than 100 new employees joined Valneva, due to the acquisition. Integration is a key element of Valneva Human Resources policy.

Employees are the 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 leading pure-play vaccine company.

Valneva's objective is to create a working environment able to attract and retain over the long-term the most talented employees. This setting must also help them boost their personal potential and advance their professional career. To achieve its 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 experts 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.

Most of the company social data are standardized since 2013.
Valneva uses an internal human resources management tool named HR Cube.

This 2015 CSR report includes data of our acquired business in the Nordics.
Canada and United States will be included in 2016.

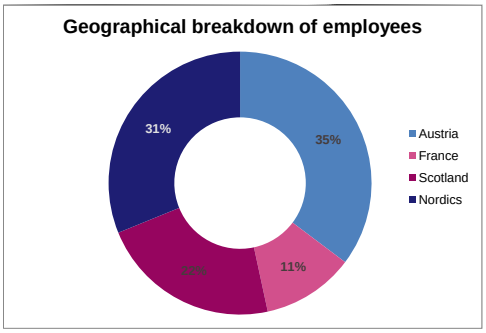
EMPLOYMENT AND LABOR RELATIONS

INFORMATION AND ACHIEVEMENTS

Valneva's objective is to create a working environment able to attract and retain over the long-term the most talented employees at Valneva. Employees are able to enjoy a stimulating work, international experience, a clear ethical commitment and respect for others and integrity.

HEADCOUNT BY GEOGRAPHIC BREAKDOWN

At December 31, 2015, Valneva employed 414 people across its sites in Austria, France, Scotland and Sweden*.

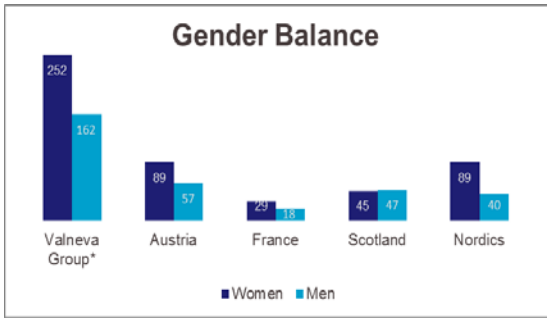


* Excluding the Japan, Canada and US sites.

GENDER BREAKDOWN

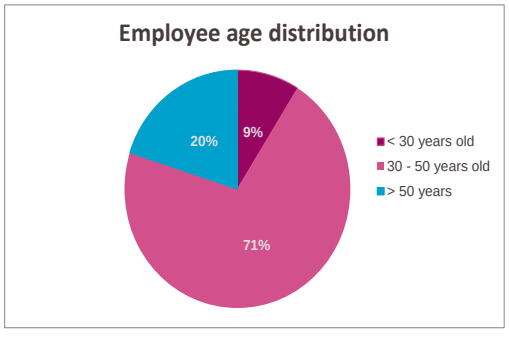
Women are more highly represented than men at Valneva (61%).

This is due to the large number of women working in the biotech sector.



AVERAGE AGE AT VALNEVA

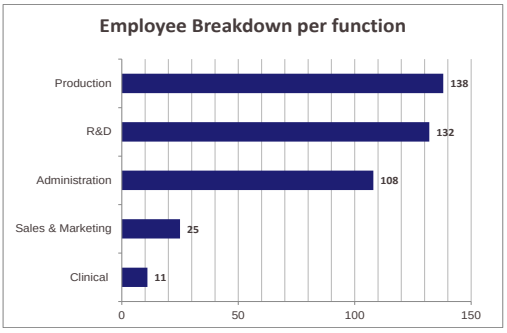
The average age of Valneva employees both overall (41) and in France (37) is relatively young.



EMPLOYEE BREAKDOWN BY FUNCTION

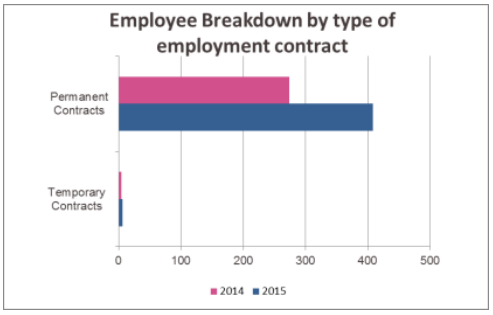
The majority of employees work in Production and in Research & Development. Production is based in Livingston and Solna. Support functions operate at the 4 sites.

In 2015 we created a dedicated Sales & Marketing function to reflect the growth of these activities.



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 and 2015.

Compensation policy

Valneva introduced its global Remuneration policy in 2013 based on international benchmarks. The global principles are consistent and aligned across our different countries including Sweden.

Valneva aims to offer competitive compensation on the biotech market.

Valneva does not disclose remuneration component into this report.

Conventions and collective agreements

Subsidiaries in each country apply local regulations and or local 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)*
- *Collective Bargaining Agreement (Sweden)*

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 has ordinary meetings twice a year, and extraordinary meetings when required.

Performance management policy

Valneva has implemented in 2015 a corporate Performance Management policy based on key performance indicators and harmonized tools across the Group.

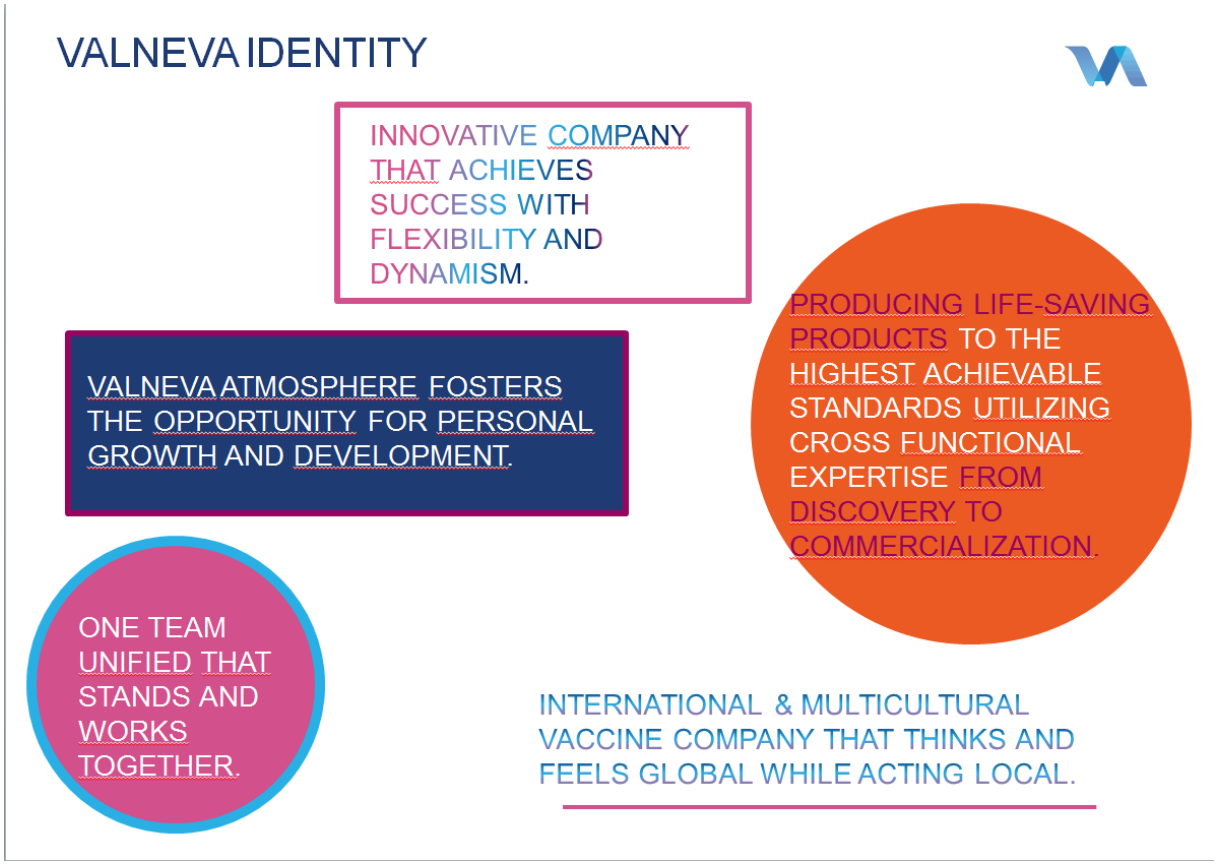
Valneva performance management system creates mutual benefits and mutual accountabilities between the Employee, the Manager and the company.



Valneva's identity

Valneva's HR teams launched a corporate wide initiative to get a better understanding of the employees' needs, to improve and foster communication between the sites and to help build up a shared identity.

The Valneva's identity has been developed by the Insight group composed of 16 employees from different countries who worked together.



OCCUPATIONAL HEALTH AND SAFETY

INFORMATIONS AND ACHIEVEMENTS

Valneva remains committed to continuing efforts focused on eliminating or reducing health and safety risks for its employees. Prevention and protection measures are implemented at each site to ensure the protection of Group employees. Exposure to chemical, biological and physical risks by employees are among the occupational risks inherent to biotechnology industry and the development of vaccines.

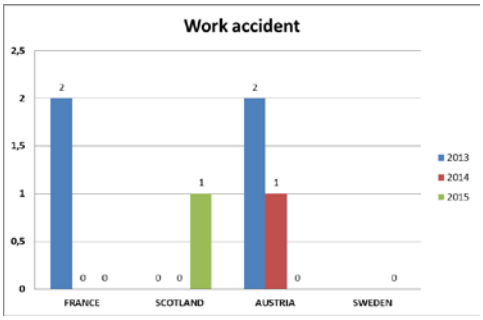
Laboratory procedures and production operations require the use of chemical and biological equipment, products and reagents.

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

OCCUPATIONAL ACCIDENTS

The number of occupational accidents for the entire Valneva Group remained stable in 2015 though with a larger reporting scope after integrating of the Solna production site into Group statistics.



Note: 2013 data has been adapted to comply with the definition of an occupational accident used by the Group and the reports for 2014 and 2015.

EVALUATING WORKSTATION ERGONOMICS IN FRANCE

The Nantes site has worked with an occupational health care department ergonomist from the Nantes region on preventing risks of musculoskeletal disorders (MSDs) for lab workers.



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.

No agreement dedicated to Health and Safety had been signed with unions in 2015.

HIGHLIGHTS

Occupational illnesses

As in 2013 and 2014, no occupational illnesses were reported within the entire Valneva Group in 2015.

Preventing Musculoskeletal Disorders (MSDs) in Nantes



In France, significant efforts were deployed in 2015 on preventing MSDs in laboratories and office work environments. This work, carried out jointly by the HSE Manager and an ergonomist from the Occupational Health Care Department, involved a study on workstations at risk in laboratories and training programs on computer workstation conditions and practices for office workers.

In 2015, a new team was also appointed to the Health, Safety and Working Conditions Committee (CHSCT), a statutory institution representing personnel within the Company.

Finally, the training initiative launched in 2014 continued in 2015 with occupational health and safety programs on autoclave safety practices, chemical risks, etc.

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.
+ 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.

In Austria, due to Austrian Legal regulations, Valneva works with an external Health Consultant, in order to ensure compliance with all regulations. 2015 was the first year with no work related accident.

Health and Safety in Sweden

In 2015, significant measures were taken to align the HSE system in place in Solna with the Valneva Group management system.



A packaging line originating from Spain was installed at Solna subject to a specific risk analysis in order to guarantee user safety when operating the equipment.

A new EHS-Safety policy was implemented.

The Safety Committee met four times in 2015. This committee includes members from both the management team and unions. More than 20 safety inspections were performed by committee members.

Health and safety in Scotland

All aspects of OHS are governed by a local policy – Health and Safety Policy and Procedures. A review of the OHS policy was carried out in association with OHS consultants Peninsula Business Services and the policy document was reissued on 30th October 2015. The following were completed in 2015:

- An audit of the OHS management system was completed successfully by Livingston OHS consultants on the 28th Oct 2015 with no non-compliance determined.
- Three recommendations for actions to be completed were made and these were all completed by 24th December 2015.
- A fire safety assessment was completed with no non-compliance determined.

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. Valneva's learning initiatives are mainly driven by the need to increase and develop job related expertise skills but also to develop leadership and communication competences. In exchange, employees must be willing to learn and take on new roles and responsibilities within the Group. The goal is to help employees boost their personal potential and advance their professional career.

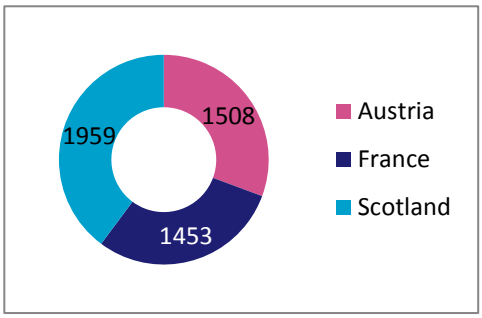
TRAINING POLICY

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 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 within the Group are encouraged to do so.

EXTERNAL TRAINING HOURS *



*Excluding Sweden, mid-term harmonization engaged

Valneva works with local external consultant and training firms. The contents of the training are customized to meet Valneva needs and Employees are encouraged to participate.

TRAINING INITIATIVES

Leading the change

Change is permanent in our industry. Valneva France offered a one day training to employees to provide them the appropriate tools to manage changes.



RPS

A RPS (Psychological Stress Risks) Committee has been created in France to prevent and monitor any RPS.

Composed of 6 trained volunteers, this committee is live since July 2015.


Saint Herblain le 9 juillet 2015

Lancement officiel du comité RPS !

Ce comité respectera les principes et valeurs suivantes :

- la **confidentialité** des informations partagées
- l'**écoute**
- le **respect**
- l'**objectivité** et la **neutralité**

Si vous vivez une situation de RPS, nous vous conseillons de contacter un ou plusieurs membres du comité.

Votre comité RPS

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.

ANNUAL COMPLIANCE & ETHICS MONTH

Valneva designates each September as Compliance & Ethics Month to bring greater awareness of compliance and ethics matters to the Group's employees. In 2015, the theme was "Compliance World Cup" which encouraged employees to re-familiarize themselves with the Valneva Code of Conduct through a tournament of compliance risk areas.



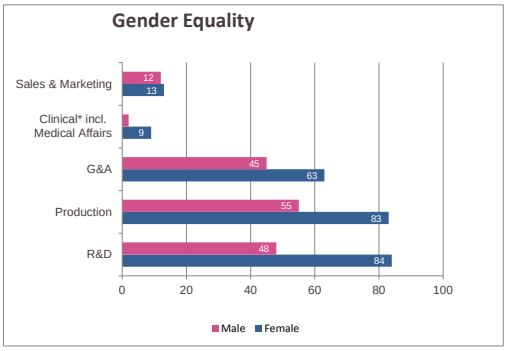
DIVERSITY CHARTER


CHARTE DE LA DIVERSITÉ
Nous nous engageons !

Les 6 engagements de la Charte de la diversité

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



ENVIRONMENTAL POLICY

POLLUTION PREVENTION AND WASTE MANAGEMENT

ENERGY AND CARBON FOOTPRINT

RESOURCES AND BIODIVERSITY

Valneva aims to use natural resources efficiently and to minimize the environmental impact of its activities and products during their lifecycles.

In connection with its Research & Development programs and its manufacturing activity, Valneva uses hazardous materials and biological materials, solvents and other potentially carcinogenic, mutagenic and/or poisonous for sexual reproduction; 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 and manufacturing activities.

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.

In France, the energy transition act enacted on August 17, 2015 introduced obligations to promote the circular economy and waste recycling. A policy for waste separation, recycling and monitoring has been adopted at all Valneva sites. In 2016, this policy will be upgraded and the recycling of nonhazardous waste will be optimized for handling through local channels wherever possible.

The Group underlines that its safety procedures comply with applicable regulations, even though the risk of an accident or accidental contamination can never be completely ruled out.

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

- a formal environmental management system based on strict procedures and compliance with regulations
- pollution prevention and waste management
- improvement of energy consumption management
- information and training programs on environmental protection, health and safety.

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 were 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 site and emergency first-aid at work training courses were set up.

YEAR 2015

Environmental Management

In 2015, the production site of Solna in Sweden was acquired. The management teams of Solna devoted efforts to integrating their management system into that of Valneva.

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 2015, the majority of waste was recycled. These different initiatives by the Group highlight the importance of waste management as a major priority for all sites.

Employee training on environmental protection, health and safety

EHS training represents the cornerstone of good environmental practices and safety in the day-to-day activities of employees working at all Valneva sites.



ENVIRONMENTAL POLICY

INFORMATION AND ACHIEVEMENTS

Valneva, as a biotechnology company specialized in the Research & Development of vaccines, must comply with strict environmental and safety standards.

The Japanese Encephalitis Vaccine production unit is located in Livingston, Scotland, and the cholera vaccine production site in Solna, Sweden. Research laboratories are set up at the Nantes and Vienna sites. Upstream vaccine testing is performed at the Vienna site.

The Group's manufacturing facilities in Livingston, Scotland, and Solna, Sweden, are important tools for driving Valneva's revenue growth and controlling production costs.

Valneva sites:



Livingston



Solna



Vienna



Nantes

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 July 2015 demonstrated that the site was in compliance with regulations.

The Nantes facility is subject to ICPE regulations for its refrigeration and compression systems. Authorization was granted in March 2009.

Solna manufacturing facility has permit for manufacturing, for BSL-2 and GMM and also have permit for flammable liquids.

STRENGTHENING INSPECTION PROCEDURES

In 2015, the Nantes site permanently ensured a continuous application of the policies for monitoring risk control and management procedures implemented in 2014.

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.

The Solna site was integrated in the beginning of 2015 and has an EHS management system providing for as many as 17 EHS procedures and instructions which are assessed and updated on a regular basis**.**

TRAINING ON RISKS

At all of its sites, Valneva employees who handle viruses, class 1 and 2 genetically modified organisms are highly exposed to biotechnological risks. Training programs have been put into place at all sites.

At the Solna site, all new employees in contact with biological and chemical substances are trained both by the Biosafety Officer and their respective managers before the start of their missions.

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.

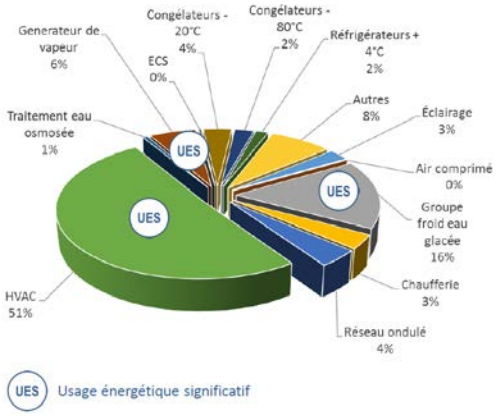
In Solna, a written delegation of authority from the Site Head to all Managers is in place. Every manager so empowered must attend proper EHS training



HIGHLIGHTS

Energy audit at Nantes

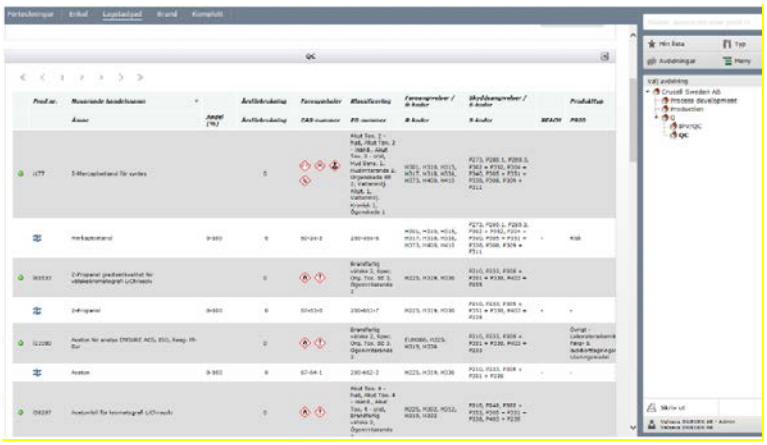
For the purpose of general assessment and identifying areas for improvement, an energy audit was performed at the Nantes site.



This audit performed in November 2015 resulted in a full report on the site's electricity and gas consumption, while identifying a certain number of measures to reduce this consumption. An improvement program must now be implemented in order to achieve economically viable measures for the Nantes site.

Valneva Sweden

In 2015, the Solna site went from a paper-based chemical risk management system to a computer-based system called “iChemistry”. All departments in Solna had one contact person listed in the System-Based Ownership and with this tool the team started Risk Assessment on chemicals.



Working with LOTO (Lock Out Tag Out, an equipment-related safety system for the prevention of accidents linked to non-routine work) and on machine safety has also been on the agenda

Solna performs an Environmental annually report to the authorities. The report includes raw material used at the site, its energy consumption, emissions released into the air and waste disposal to the Swedish Environment.

Valneva Austria maintained its ba rating in 2015

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.



In Austria, Valneva fulfills the legal regulations by offering First Aid Courses – every two years in order to provide first aid helpers as requested by law.

Valneva Scotland

All aspects of Environmental pollution are governed by the permit PPC/E/20022 issued by the government authority, Scottish Environment Protection Agency (SEPA).

The following were completed in 2015:

- an inspection completed by SEPA on 15th July 2015 with no breeches of the permit determined;
- emissions testing of the Water Boiler were carried on two occasions in 2015 as required by our SEPA permit and no breeches of action levels for emissions were determined;
- a noise impact survey was completed in July 2015 and no noise mitigation measures were identified.

POLLUTION PREVENTION AND WASTE MANAGEMENT

INFORMATION AND ACHIEVEMENTS

Since 2013, 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).

Preventive maintenance plans are in place at all Valneva Group sites to ensure the efficiency of these measures and effectively monitor the proper functioning of equipment.

WASTE REDUCTION

Valneva Scotland introduced a waste management system which has reduced waste and increased the proportion of waste that can be recycled (since 2013, following the 2012 audit).

The Nantes, Vienna and Solna sites have implemented waste sorting and reduction systems as well.

Waste separation procedures for all Group sites cover biowaste, chemical waste, cardboard, paper, pallets and nonhazardous waste.

WASTE RECYCLING

Waste separation procedures continued in 2015 with sorting campaigns in the laboratories for expired or unused chemical products. Waste is also recovered as much as possible through channels meeting the circular economy criteria (use of chemicals waste to operate cement kilns, reuse of pallets, etc.).

The Solna site also carried out significant work with its waste management provider to improve management and safety conditions in the handling of waste.

The same focus is given to waste recycling at the Vienna and Livingston site.

REINFORCED TRACEABILITY

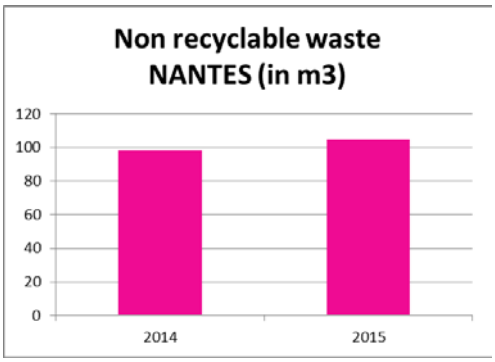
At the Nantes site, compliance with regulatory requirements is now more closely tracked through a monitoring register set up in partnership with its service providers (Veolia and SITA) for the sorting, storage and pick-up of chemical and biological waste (infectious medical waste).

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

Permanent adoption of waste separation procedures at Valneva France

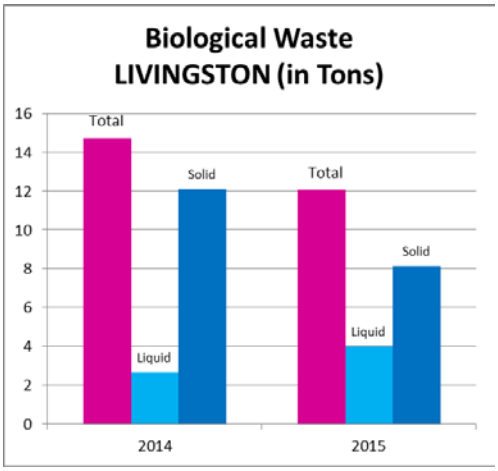
A new electrical and electronic waste sorting drive was led at the Nantes site in December to recycle computer hardware and defective laboratory equipment.



The volume of nonhazardous waste at the site has remained stable between 2014 and 2015 at around 100 m^3. To improve the storage of chemical products and ensure their storage in the labs under optimal conditions for employee safety and the environment, additional chemical storage cabinets were purchased.

Valneva Scotland

All aspects of waste management and pollution prevention are governed by the Livingston facility permit PPC/E/20022 issued by the government authority, Scottish Environment Protection Agency (SEPA).



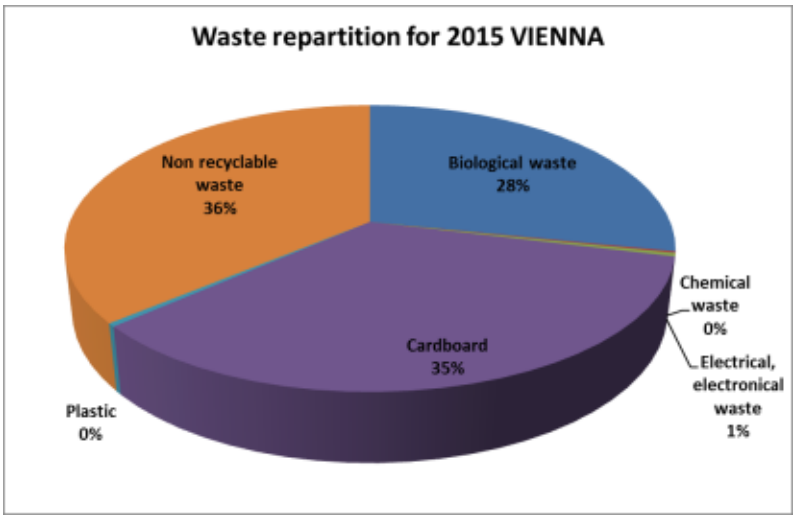
Regular recording of waste quantities was completed on a quarterly basis with no changes in waste generated out with the expected variation linked to changes / increases in the manufacturing schedule.

Waste Handling at Valneva Sweden

During 2015, Valneva Solna worked closed with the QA department on waste handling. The team in Solna has performed an audit at their company waste, the purpose was to ensure that they respect the contract terms and Solna auditors have controlled on rejected vaccines and rejected labels, etc. They also trained employees of their subcontractor in GMP. The Waste Handling instruction was reviewed as well. A work has been done to see if Solna can do more in waste sorting and the work is ongoing.

Waste management at Valneva Austria

The total amount of biological waste increased slightly between 2014 and 2015 due to an empty lab space, which was rented beginning 2015 to an external company (Horizon Genomics). The biological waste is disposed via Valneva Austria waste disposal procedures and therefore part of Vienna statistics.



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 sites. 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:

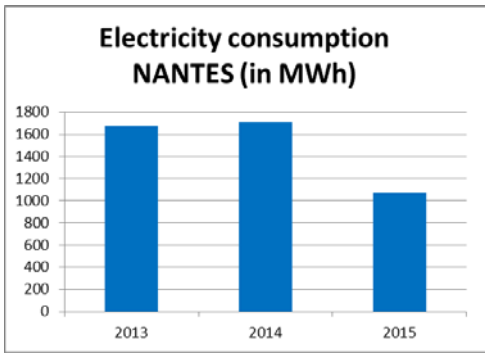
In Austria, a system for detecting over-consumption of energy has been installed.

In Scotland, pursuant to the 2012 audit, energy consumption has been analyzed for the last three years and optimized by the calibration of equipment

At the Nantes site, new energy consumption saving measures were implemented (optimized use of autoclaves, boiler control settings, etc.).

IN FRANCE

In 2015, electricity consumption was marginally reduced by optimizing the management of autoclaves and the mild summer weather conditions limiting the needs for air-conditioning in the laboratories.



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 Vienna, a contract was signed with the electricity supplier Kelag in 2015 for the provision of 100% carbon emission-free energy.

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).

For the entire Valneva Group, travel needs are assessed and approved to limit CO2 emissions from plane travel to a minimum. To reduce the volume of employee travel, all sites have been equipped with video and teleconferencing systems for inter-site meetings.

THE HEATING SYSTEM IN SWEDEN

The Solna site in Sweden is in large part heated by the Stockholm municipality which makes available to both individuals and companies a steam heating network for heating buildings within its conurbation.



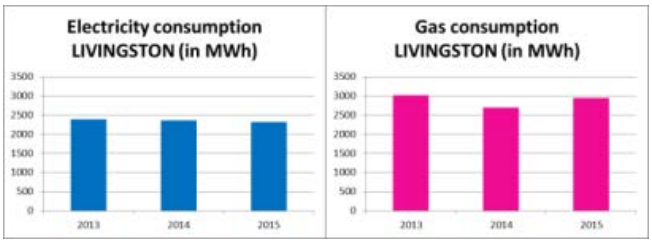
A similar system for air-conditioning is also available during the summer season.

As a result of this system, the Solna site does not itself use gas to heat its buildings.

HIGHLIGHTS

Valneva Scotland

The use of energy through both natural gas and electricity and minimizing any impact from its facility/ equipment and manufacturing process energy use of is controlled and minimized by implementation of a program of planned preventative maintenance (PPM) which is governed by the facility and equipment maintenance and calibration scheduler.



Continued review of the Bill of Materials (BOM) for the manufacturing process and standardization of raw material use is an ongoing process ensuring control and minimizing the extent of Chemical waste and raw material waste generated. Therefore waste generation and raw material use is linked to the manufacturing schedule and impacted by increases in manufacturing output.

Valneva France

Energy consumption of the Nantes site was significantly reduced in 2015. This reduction was attributable to two factors:

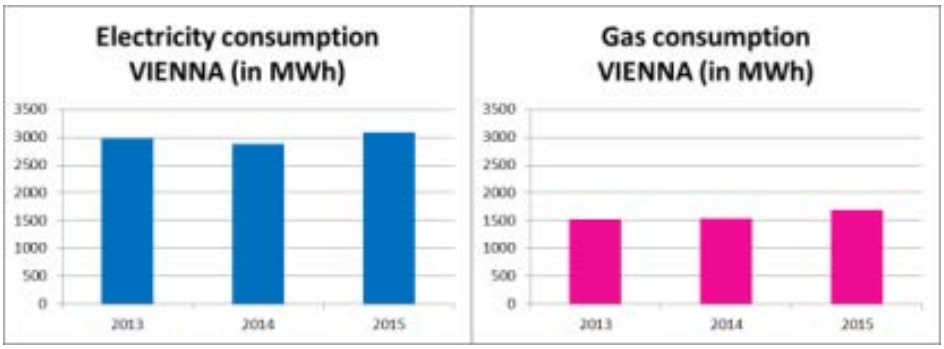
- very mild temperatures in the summer of 2015 resulting in limited additional demand for air conditioning in the laboratories,
- the adoption of a rationalized management for the use of autoclaves that consume a large amount of electricity, awareness-raising measures for users through an internal training program.



To pursue these efforts, an energy audit was performed in November 2015, making it possible to identify other ways to reduce energy consumption and the carbon footprint of the Valneva laboratories in Nantes.

Valneva Austria

Electricity consumption slightly increased in 2015 compared to the prior year due to extremely high temperatures up to 40 degrees during the summer months. Chillers were running on their maximum possible performance over weeks.



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.

Although almost all Austrian electricity suppliers have already a high amount of hydro power in their portfolio, in 2015 a new contract with Kelag was signed to get 100% CO_2 free electricity effective as of January 1, 2016.

Travel by plane is systematically subject to a procedure requiring prior authorization even if the carbon emissions count is not calculated.

Valneva Sweden

The heat production system made available by the Stockholm municipality does not cover the needs of all Solna premises. For that reason, an electric steam boiler is used to meet the needs of the production building.

In order to keep down energy consumption and reduce the carbon footprint of this boiler, it is shut off during the summer season. In 2015, this measure resulted in electricity savings of 200 MWh.

RESOURCES AND BIODIVERSITY

FORMATION AND ACHIEVEMENTS

BIODIVERSITY

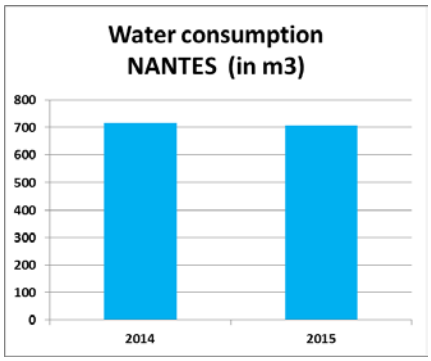
In 2015, an initiative was organized at the Nantes site enabling employees to exchange fruit and vegetable plants to develop their gardens.



This initiative ("*Silence ça pousse*") named after a French television program on gardening, promotes biodiversity at Valneva through its employees and their gardens.

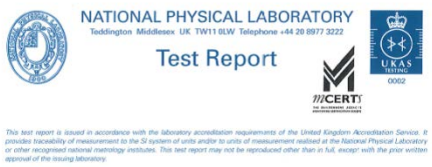
IN FRANCE

Measures to reduce resource consumption (bio-cleaning of laboratories and offices, infrared-controlled water faucets, pushbutton-controlled showers) introduced in prior years have contributed to stabilizing water consumption at 706 m3.



SUSTAINABLE USE OF RESOURCES IN SCOTLAND

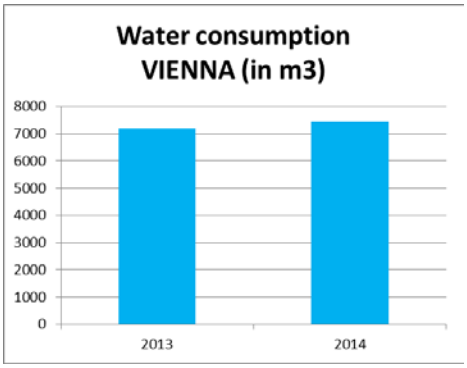
Use of mains water is limited to the facility boiler which has a system of reuse of condensate to minimizing water consumption.



Regular verifications of boiler atmospheric emissions combined with control of waste water and biological waste into the environment (ground water) is controlled by Livingston SEPA permit to ensure no release into ground water which can have an impact on Biodiversity.

IN AUSTRIA

In Vienna water consumption has remained stable between 2014 and 2015 at 7,462 m^3.



SECTION 3 – COMMITMENT TO SOCIETY



ETHICS AND R&D

CORPORATE COMPLIANCE AND SUPPLIER RELATIONS

LOCAL, ECONOMICAL AND SOCIAL PARTNERSHIPS

DONATIONS, VOLUNTEERISM AND SPONSORING

COOPERATIONS WITH SCHOOLS AND UNIVERSITIES

COMMITMENT TO PROTECTING LIVES

Valneva is engaged in the research, development and distribution of vaccines, with the aim of protecting populations from severe infectious diseases and reducing morbidity and mortality. All medicinal products in the EU are subject to a strict testing and assessment of their quality, efficacy and safety before being authorized. Once placed on the market Valneva, continues to monitor our products to assure that any aspect which could impact the safety profile is detected and assessed. Valneva's Medical Affairs team oversees the scientific and medical aspects of clinical development at Valneva and ensures the maintenance of the global safety database. Recently, telephone and email addresses have been established allowing direct access to a Medical Information Professional who can provide physicians as well as consumers with timely and accurate information on Valneva's products.

Good corporate governance is a high priority at Valneva, as the Group wants to honor and maintain the trust it has been given by investors, business partners, employees and the general public. Valneva has recently joined the United Nations' global compact, which is the world's largest corporate sustainability initiative to align strategies and operations with universal principles on human rights, labour, environment and anti-corruption and a strategic sustainability program that defines its commitment to people, the environment and society. In January, 2016, Valneva has launched a new Anti-bribery and Anti-corruption Policy supporting this commitment. This policy provides standards that are applicable worldwide, to ensure Valneva's business activities are conducted ethically and with integrity and do not attempt to improperly influence others by paying, offering or accepting bribes in any form, directly or indirectly.

Valneva is also a member of the Austrian Business council for sustainable development. Several support and volunteer actions took place at a local level at Valneva Austria, France, Sweden and Scotland in 2015.

ETHICS AND R&D

MEDICAL AFFAIRS AND DISTRIBUTION

Valneva's vaccines are produced in Livingston and Solna and distributed all over the world by Valneva and its local partners. Valneva opened a new office in 2015 in Montreal, Canada and signed several marketing and distribution agreements with leading vaccine distributors. Monitoring and evaluation procedures as well as pharmacovigilance 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).

ADVERSE EVENT REPORTING

An adverse event is any untoward medical occurrence in a patient or clinical investigation subject, administered a pharmaceutical product and which does not necessarily have a causal relationship with this treatment.

Valneva is obliged to continuously monitor the risk and benefit profile of its products.

To this end, Valneva collects and evaluates all safety information associated with Valneva's vaccines, Detected adverse events are reported to competent authorities according to applicable regulations.

DISTRIBUTION OF VALNEVA'S PRODUCTS

In 2015, Valneva set several steps to become directly involved in the marketing and distribution of its products. In February, it acquired Crucell Sweden AB, including the DUKORAL® vaccine and a distribution business in the Nordics. Valneva then took back the marketing and distribution rights for its leading commercial product IXIARO® and entered into new agreements with local partners. At the end of 2015, Valneva also set up a local entity to distribute its vaccines in Canada.

Valneva is now a fully integrated vaccine company with its own Research, Development, Manufacturing, Marketing and Sales activities. Quality and, where applicable, pharmacovigilance, is tightly managed across all sites and operations through the appropriate quality management system and the Quality Manual.

AUDITS

Valneva operates according to high quality standards. These standards are regularly challenged by the Group's partners and by regulatory authorities, e.g. the US Food and Drug Administration (FDA), the Swedish Medical Products Agency (MPA), the UK Medicines & Healthcare products Regulatory Agency (MHRA) or the Austrian Agency for Health and Food Safety (AGES), through audits and inspection. In 2015, none of those led to critical findings. Comments from auditors are always welcome to continuously improve Valneva's systems.

VALNEVA MEDICAL AFFAIRS DEPARTMENT

Valneva is responsible for its Medical Information services and Pharmacovigilance and ensures maintenance of the Global Safety Database and reporting of information to Competent Authorities (CAs) according to applicable regulations in territories where Valneva has a marketing authorization for IXIARO and DUKORAL. The service is formed by Medical Information and Pharmacovigilance experts.

In some countries, Valneva's products are distributed by partner companies. In such cases, individually adapted agreements ensure proper processing of all safety related information as well as adequate response to all medical queries.

CORPORATE COMPLIANCE AND SUPPLIER RELATIONS

PROCUREMENT POLICY AND CODE OF CONDUCT

All employees are required to be aware of the purchasing procedures that are defined in the procurement policy, which comprises the integration of harmonized procurement processes across all Valneva sites. The Procurement Policy is supported by other procedures such as the quality system, the code of conduct and contract management with suppliers. As defined in its Code of Conduct, Valneva deals with its suppliers in a fair, ethical, lawful, professional and respectful manner.

The impact of purchasing on the Valneva Group is driven by the nature of the outsourced activity and recorded according to industry standards.

SUBCONTRACTING WASTE MANAGEMENT

Valneva France selects its suppliers based on their environmental commitments (re-use and recycling of packaging, invoices or delivery notes in recycled paper).

Some maintenance services providers operating at Nantes site have to handle waste generated in the context of their services.

+ Cofely Ineo (maintenance for electric equipment):

Recycling of electrical waste

+ Cofely Axima (maintenance for air filtration equipment and cold production) :

Recycling of waste and used filters.

+ Unity LabServices (maintenance for laboratory equipment) : recycling for used parts

Valneva France appeals to the following suppliers employing persons with disabilities:

+ Saprena: for green space maintenance
+ Les Ateliers Agnelis and Algeeis: for provisions (paper, pencils, etc.)

CORPORATE COMPLIANCE

Valneva recognizes that a culture of integrity and ethical behavior is one of the cornerstones of its success and that doing business in accordance with high ethical standards assists in securing and maintaining strong business relationships.

Trainings

Eleven compliance trainings for new employees were held in 2015. It is mandatory that each Valneva employee receives compliance training and refresher compliance training is given to all employees every two years.

Policies

The corporate Compliance Team launched two policies in 2015: the Social Media Policy which governs the publications of and commentary on social media by Valneva's employees and the Global Anti-Bribery and Anti-Corruption Policy to comply with all laws in this regard including the UK Bribery Act, the Foreign Corrupt Practices Act and Canadian Criminal Code and Corruption of Foreign Public Officials Act.



Valneva's corporate compliance team published two issues of its periodic compliance newsletter named "The Booster: A dose of Compliance& Ethics News" in 2015. Valneva designates each September as Compliance & Ethics Month to bring greater awareness of compliance and ethics matters to employees. In 2015, the theme was "Compliance World Cup" which encouraged employees to re-familiarize themselves with the Valneva Code of Conduct through a tournament of compliance risk areas.

LOCAL, ECONOMICAL AND SOCIAL PARTNERSHIPS

Regarding local employment and development, Valneva is member of the Info-Meeting Neu Marx which aims to develop the area for media, research, technology and economy.

In Austria, Valneva is part of the VacTrain consortium, a scientific training network in the field of vaccines in which several European universities, institutes and companies participate.

In France, Valneva is member of Atlanpole Biothérapies, an interregional cluster, including the Pays de la Loire administrative region, which was recognized and certified by the Ministry of Industry (July 2005). Valneva thus participates in supporting local companies in their innovative and collaborative projects.

To date, Valneva has not worked on specific communication with neighboring residents.

DONATIONS, VOLUNTEERING AND SPONSORING

DONATIONS

Valneva Scotland donated notepads, pencils, crayons and many more useful classroom items to children affected by the current refugee crisis in Calais. The charity appeal was an initiative started by the Livingston Social Committee. The site has donated (via the charity organization: Edinburgh Direct Aid) towards displaced children who have had their educations halted due to a lack of resources and supplies within the camps.



VOLUNTEERISM AND SPONSORING

Valneva Scotland's employees managed to raise 700 Euros for the Macmillan Cancer Support foundation with corporate sponsors from the area and employee donations. They raised the same amount during Christmas party raffle which was donated to Radio Forth's Cash for Kids.

Valneva France supported Odyssea, an NPO which organizes several pedestrian races and walks in different French cities to support the fight against breast cancer. Valneva France paid the registration fees of 13 employees and two of their children and collected165 Euros.



SUPPORT FOR NON-PROFIT ORGANIZATIONS

Valneva purchased 400 Christmas Cards from UNICEF and raised 291 Euros during an employee Charity punch event at Valneva Austria. The amount was doubled by Valneva's management afterwards to 582 Euros.



SOCIAL ENGAGEMENT AT THE LOCAL LEVEL

In December 2015, ten employees from Valneva Austria volunteered to cook at Vienna's Adult Day Care Center for approximately 100 homeless people.

The Adult Day Care Center supports people who have lost their homes giving them the opportunity to socialize, take a shower, do laundry, get medical advice or just find some rest and quiet time. Valneva did not only donate working time for the cooking sessions but also provided groceries equivalent to two nutritious winter meals.

COOPERATIONS WITH SCHOOLS AND UNIVERSITIES

JOB PRACTICAL DAYS

Valneva Austria hosted a 14 year old Middle school student for his mandatory job practical days in 2015. He spent four days at different departments: One day working with the Corporate Communications department, another day with Supply Chain and two days with Valneva's IT department.

His visit was planned and organized with Human Resources to meet the student's interests and to give him a first insight into the working world.

EXCURSIONS AND STUDENT GROUPS

Valneva Austria hosted a student group excursion from the Technical University in Munich for one afternoon giving a presentation of the most important clinical projects and a tour through the laboratories.

Valneva Scotland welcomed students from the Stirling University and Fife College for one afternoon to support their university course requirements for an introduction to EOHS Management and Quality as well as Regulatory Management within the biopharmaceutical manufacturing industry. The visit included a general introduction to these topics flowed by a facility tour focusing on JEV manufacturing clean rooms and the QC testing laboratories.

ENTREPRENDRE POUR APPRENDRE

Valneva France sponsored Entreprendre Pour Apprendre, an association which promotes the entrepreneurial spirit of young people and develops their entrepreneurial skills. Throughout France, the network assists students 8-25 years (CM1 to post-Bac) with business professionals and teachers.

Valneva France granted 2408 euros.

INDICATORS TABLES

EMPLOYMENT DATA TABLE

Indicators	Document reference	Nature of information	GRI	Law G.2	ISO 26000	Unit of measure	Valneva Group 2014*	Valneva Group 2015*	Austria 2015	Scotland 2015	France 2015	Sweden 2015
Employment	b1	**Total headcount**	G4-10/LA1	1.a	6.4.4	No.	278	**414**	146	92	47	129
		Breakdown of personnel										
	b1	**By gender**										
		Women	G4-10/LA1	1.a		No.	162	**252**	89	45	29	89
		Men	G4-10/LA1	1.a	6.4.4	No.	116	**162**	57	47	18	40
	b1	**By age**										
		Less than 30		1.a		No.	25	**37**	16	11	6	4
		30 to 50 years	LA1	1.a		No.	220	**294**	119	66	36	73
		More than 50 years		1.a	6.4.4	No.	33	**83**	11	15	5	52
	b1	**Average age**				yr.	39.54	**41,49**	38,69	40,43	37,09	47,02
		Breakdown of personnel										
	b1	**by type of employment contract**										
		Permanent contracts	G4-10/LA1	1.a	6.4.4	No.	274	**408**	146	90	47	125
		Temporary contracts	G4-10/LA1	1.a		No.	4	**6**	0	2	0	4
	b1	**by function**										
		R&D		1.a		No.	124	**132**	80	0	25	27
		Production		1.a	6.4.4	No.	58	**138**	0	69	0	69
		SG&A		1.a		No.	96	**108**	53	22	22	15
		Clinical / Medical affairs		1.a		No.		**11**	11	0		0
		Sales and marketing		1.a		No.		**25**	2	1	1	18
	b1	**Recruitments and dismissals**										
		Number of recruitments	G4-10/LA1	1.a		No.	30	**70**	18	19	7	26
		Number of dismissals	G4-10/LA1	1.a		No.	6	**10**	0	3	2	5
		Number of voluntary leave	G4-10/LA1	1.a	6.4.4	No.		**27**	6	11	3	7
	b3	**Remuneration and changes**		1.a				**Compensation policy**		Compensation policy		
Work organization	b4 to b10	**Organization of working hours**		1.b					Agreements on the organization of working hours	EU Directive	Agreements on the organization of working hours	Agreements on the organization of working hours
	b1	**Absenteeism**										
		Illness: average number of sick days per employee	LA6	1.b	6.4.4	No.	6.14	**7,8**	8,2	6,6	4,2	9,4

Indicators	Document reference	Nature of information	GRI	Law G.2	ISO 26000	Unit of measure	Valneva Group 2014*	Valneva Group 2015*	Austria 2015	Scotland 2015	France 2015	Sweden 2015
Labor relations	b11 to b13	Organization of labor relations		1.c			IWC	**IWC**	WC	WC	WC	Trade union
		Employees covered by a collective bargaining agreement				%	100%	**100%**	100%	100%	100%	100%
	b14 to b16	Report on collective bargaining agreements	GA-11	1.c	6.4.3 and 6.4.5		100%	**100%**	Collective Bargaining Agreement (Austria)	Local Works Council Charter	*Convention collective pharmaceutique* (France)	Collective Bargaining Agreement (Sweden)
	b36	Code of conduct					Code of conduct	**Code of conduct**		Code of conduct		
Health and safety management	b17,b19 to b26 b37 à b67	**Occupational health and safety**		1.d	6.4.6				VIE-SOP-0054 VIE-SOP-0074	EHS OHS policies	Single document Safety booklet for new 100%	EHS OHS policies
		% of total workforce represented in the joint management-worker occupational health and safety committee	LA5						non applicable	non applicable	Health, Safety and Working Conditions Committee (CHSCT) report	non applicable
		Report on occupational health and safety agreements	LA8	1.d						no specific agreement		
		Occupational accidents										
		Occupational accidents with day off work	LA6	1.d		No. occupational accidents	1	**1**	0	1	0	0
		Occupational illnesses	LA6	1.d		No. occupational illnesses	0	**0**	0	0	0	0
Training	b27 to b31	Policies adopted with respect to training	LA10	1.e	6.4.7				None	Global training policy	Priority annual training	Training prodedure
	b1	Total number of training hours	LA9	1.e		No. hours	2670.02	**4919,27**	1507,77	1958,5	1453	N/A
Workplace equality		**Measures adopted in favor of:**										
	b15, b32 to b34	- gender equality		1.f					National law	Equality policy	Charte de la diversité	procedure
	b35	- the employment and integration of disabled persons		1.f	6.3.and 6.3.7	No.		**1**	N/A	N/A	1	N/A
	b36	- Combating discrimination		1.f			Code of conduct			Code of conduct		
Promoting and complying with ILO conventions	b36	Upholding freedom of association and recognition of the right to collective bargaining	HR4 LA4							Legal Compliance		
		Elimination of discrimination in respect of employment and occupation	G4-56		6.3.and 6.3.7		Code of conduct			Code of conduct		
		Elimination of all forms of forced and compulsory labor	HR6				Legal Compliance			Legal Compliance		
		Abolition of child labor	HR5				Legal Compliance			Legal Compliance		

*The Japan, US and Canadian sites are excluded from the Valneva Group reporting boundary.
Numbers of employees at December 31, 2015: 2 employees (FTE) under permanent contract and 1 employee (20%FTE) under permanent contract.

ENVIRONMENTAL DATA TABLE

Indicators	Document reference	Nature of information	GRI	Law G.2	ISO 26000	Unit of measure	Valneva Group 2014*	Valneva Group 2015*	Austria 2015	Scotland 2015	France 2015	Sweden 2015
General environmental policy	a0, a1, a2, a9, a10, a11, a12, a13, a14, a19, a20, a32 to a40, a49, a50, a58 to a60, a64 to a68	**Organization of the company for addressing environmental issues and, as applicable, environmental assessments or certification approaches**	EC2		6.5.1 & 6.5.2		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	Sweddish authorities permits
	a0, a15, a19, a51	**Training and employee information actions relating to environmental protection**		2.a					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	Training program for employees of the waste recycling company sub-contractors
	a0, a15, a19, a41, a42, a51, a61, a62, a69 to a74	**Resources devoted to preventing environmental risks and pollution**	EC2	2.a					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	Sweddish authorities permits
	a0, a16	**Amount of provisions and guarantees for environmental risks**	EN31	2.a			No provision		No provision	Business RA #39 Contamination	No provision	No provision
		Total non-monetary sanctions for noncompliance with regulations	EN 29	2.a			0		0	0	0	0

Indicators	Document reference	Nature of information	GRI	Law G.2	ISO 26000	Unit of measure	Valneva Group 2014*	Valneva Group 2015*	Austria 2015	Scotland 2015	France 2015	Sweden 2015
Pollution and waste management	a0, a3, a7, a17, a18, a19, a43, a51, a75	**Measures for preventing, reducing and repairing discharges in the air, water and ground causing serious environmental impacts**		2.b	6.5.3				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 An energy audit has been realizedx in order to evaluate improvements for reducing energy and water consumptions and minimizing waste.	Annuall testing and change of HVAc filter, water sample program, annual maintenance of wastewater tanks. Action plan for reducing emissions of risk chemicals (based on directive from Käppala)to waste water .
		Total water discharge	EN8	2.b					N/A	N/A	N/A	N/A

Indicators	Document reference	Nature of information	GRI	Law G.2	ISO 26000	Unit of measure	Valneva Group 2014*	Valneva Group 2015*	Austria 2015	Scotland 2015	France 2015	Sweden 2015
		Measures for prevention, recycling and eliminating waste		2.b					VIE-SOP-0074 (02)	Controlling document; LIV/SOP/0333	DASRI and Reach regulations - waste sorting table	SLN-OTI-0020
		Total hazardous waste (chemical or biological)										
Pollution and waste management	a0, a21, a41, a44 to a46, a51, a52, a77, a78	- Recycled	EN23	2.b					Biological waste inactivated then discharged in waste evacuation system	Biological waste inactivated then discharged in waste evacuation system	Biological waste inactivated then discharged in waste evacuation system**	Valneva Sweden doesn't separate liquid from solid waste. All the biological waste are incinerated.
		- Biological (incinerated)	EN23	2.b		quantity	553,870 L	**42,241 T**	13,951 T	8,10 T	6,79 T	13,4 T
		- Chemicals (incinerated)	EN23	2.b		quantity		**1,73 T**	0,1 T	0,93 T	0	0,7 T
		- DEEE	EN23	2.b		quantity			0,2 T	N/A	0,93 T	0,6 T +8 equipments with unknown weights
		Total non-hazardous waste										
		- Recycled plastic	EN23	2.b		quantity		**6,64 T**	0,2 T	6,44 T	0	non applicable
		- Recycled cardboard	EN23	2.b		quantity			18 T	8,82 T	35m3	7,8 T
		- Recycled pallets	EN23	2.b		quantity		**100%**		100% (158 palettes)	100% (100 palettes)	(50 palettes)
		- Non-recycled nonhazardous industrial waste	EN23	2.b		quantity			19,12 T	8,97 T	105 m3	4,4 T

Indicators	Document reference	Nature of information	GRI	Law G.2	ISO 26000	Unit of measure	Valneva Group 2014*	Valneva Group 2015*	Austria 2015	Scotland 2015	France 2015	Sweden 2015
Pollution and waste management	a0, a6, a43	**Taking into account some pollution and other forms of pollution specific to an activity**		2(b)					Activated carbon coal filter are installed to avoid uplesant smells. These filters are renewed yearly.	Noise survey completed bi-annually to ensure all aspects of SEPA licence are complied with. Program of Planned Preventative maintenance in place for the facility and all equipment.	Not pertinent	non applicable
Sustainable use of resources	a0, a8, a22 to a24, a47, a53	**Consumption and supply of water according to local constraints**	EN8	2.c		M3	9943.32	**12712**	7462	4544	706	Training prodedure
	a0, a8, a22 to a24, a31, a48	**Consumption of raw materials and measures taken to improve efficiency in their use**	EN1	2.c		Tons		**73,885**	Not pertinent (no production sites)	71,855 T	Not pertinent (no production sites)	2,03 T
	a0, a3, a4, a5, a7, a8, a17, a18, a22 to a24, a43, a47, a53 to a57, a75	**Energy consumption, measures taken to improve energy performance and recourse to renewable energy**		2.c	6.5.4				Monthly energy meter reading and documentation to dedect unusal high energy consumptions early. New contract for electricity with no CO2 emmissions signed in 2015 (contract starts with year 2016)	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) An energy audit has been realizedx in order to evaluate improvements for reducing energy and water consumptions and minimizing waste.	Steamboilers (electricity)closed during summer holiday, always install led lights when changing or new installations and on/off censors for the lighting. Planned Preventative Maintenance (monitoring consumption and equipment calibration)
		Electricity consumption	EN3	2.c		MWh	6950.275		3083	2325	1071,26	5181
		Municipal networks (heat for space heating)							1002.523 MWh	0	0	2610 MWh
		Gas consumption	EN3	2.c		MWh		**4997,25**	1693	2953	351,25	0
	a0, a25 to a30	**Ground use**		2.c					No actions			

Indicators	Document reference	Nature of information	GRI	Law G.2	ISO 26000	Unit of measure	Valneva Group 2014*	Valneva Group 2015*	Austria 2015	Scotland 2015	France 2015	Sweden 2015
	a0, a4, a5, a8, a20, a30, a53 to a57	**Greenhouse gas emissions**		2.d						Controlling document Environmental Monitoring Report of Emissions to Atmosphere.		
		CO_2 emissions from energy consumption (gas, electricity, heating network)	EN15	2.d		Teq Co2		**4131,2**	803	2173	109,2	1046
Climate change					6.5.5							
	a0, a63, a76, a79	**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.	An energy audit has been realizedx in order to evaluate improvements for reducing energy and water consumptions and minimizing waste.	Steamboilers (electricity)closed during summer holiday, always install led lights when changing or new installations and on/off censors for the lighting.
Protection of biodiversity	a0, a63, a76, a79	**Measures taken to preserve and/or develop biodiversity**		2.e	6.5.6				No actions	Controlling document; Environmental Monitoring Report of Emissions to Atmosphere.	HEQ building "Silence ça pousse" operation (seeding exchanges between employees)	,

*The Japan, US and Canadian sites are excluded from the Valneva Group reporting boundary.

CORPORATE CITIZENSHIP DATA TABLE

Indicators	Document reference	Nature of information	GRI	Law G.2	ISO 26000	Unit of measure	Valneva Group 2014*	Valneva Group 2015*	Austria 2015	Scotland 2015	France 2015	Sweden 2015
Regional, economic and social impact of the company's activity	c1 to c3	In terms of employment and regional development	EC8	3.a	6.8. and 6.8.5							
	c4 to c7	On neighboring or local populations	EC8									
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		Conditions of dialogue with these persons organizations		3.b	5 5.3.3		Communication actions	Communication actions		Communication actions		
	c8 to c15 c35	Partnership or sponsorship initiatives	EC8		6.8.9							
Subcontracting and suppliers	c16	Taking into account social and environmental issues in the purchasing policy	HR7	3.c	6.6.6		Procurement policy	Procurement policy		Procurement policy		
	c34 to c35	Importance of subcontracting and taking into account social and environmental responsibility in relations with suppliers and subcontractors										
Fair practices	c17 to c24	Actions taken to prevent corruption		3.d	6.6 6.6.3 6.7.4		Code of conduct	Code of conduct "Booster" newsletters		Code of conduct		
	c25 to c33	Measures taken in favor of consumer health and safety	PR3-PR5				MSOP-0013 Spontaneous Adverse Event Reporting VIE-SOP-0011 Pharmacovigilance System MFS-0010(04)	MSOP-0013 Spontaneous Adverse Event Reporting MFS-0010(05)	VIE-SOP-0011 Pharmacovigilance System MFS-0010(05)	MSOP-0013 Spontaneous Adverse Event Reporting		
	c1 c35	Actions undertaken under item 3, in favor of Human Rights		3.e	6.3							

*The Japan, US and Canadian sites are excluded from the Valneva Group reporting boundary.

METHODOLOGICAL NOTE

Methodological note on Group CSR data reporting

Following the acquisition of Crucell Sweden AB, the year 2015 was a period of transition for the 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 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.

Procedures are gradually being harmonized at the Group level.

Group structure of consolidated operations

The quantitative data in the employment area was consolidated at the Group level for the collection of information in 2015. This data is derived from the human resource management software, HR Cube.

Quantitative environmental data has been harmonized at the Group level for 2015 inputs. Environmental impact measures energy consumption, GHG emissions and waste for the production and R&D sites (Livingston, Vienne, Solna and Nantes).

Work is currently in progress to harmonize social data in 2016.

Scope of the CSR reporting

The scope of reporting of the CSR Report in 2015 covers the Scottish site based in Livingston, the Austrian site based in Vienna, the Sweden site based in Solna and the French site in Nantes.

The reasons why Japanese, Canadian and US subsidiaries were excluded from this scope of the 2015 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;
+ for Canada, employees recruited in 2015 will be taken into account in 2016 for the purpose of ensuring comparability of data over identical periods (one year).

Reporting referential

To ensure the homogeneity and reliability of indicators tracked for all subsidiaries, the Group is continuing to adopt common guidelines for employment-related and environmental data. These documents specify the methodologies to be applied for the reporting of indicators for the entire Group: definitions, calculation formulas, etc.

Data collection method

Data collection in 2015 has required application of a working method and different steps that are presented below:

1. Maintaining the resource persons identified in 2014 to report quantitative and qualitative employment, social and environmental data for each site in order to optimize the collection process. Resource persons were identified for the Solna site this year.
2. Sending the resource persons a data collection spreadsheet for information to be provided along with guidelines for quantitative employment-related and environmental data.

3. Classifying the source documents received (codification) according to three fields: employment, environment, and social.

a followed by a number: for the Environment**,**

b followed by a number: for Employment,

c 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.

For the construction of this CSR report, data collection is organized through resource persons identified internally:

- Resource persons to coordinate where possible and transmit quantitative and qualitative data for employment-related information requirements;
- Other resource persons to coordinate where possible and transmit quantitative and qualitative data for the environmental information requirements;
- Resource persons for quantitative and qualitative data for the social information requirements;
- One person of Nantes in France to coordinate the data collection at the international level.

4. Implementation of a dedicated CSR reporting platform (currently being installed on the internal server) to improve the data storage and facilitate access for the resource persons.

Comparison of data between the 2014 and 2015 CSR reports

The comparability of data is still partial since all information collected is not based on the same scope of reporting (new production site in Sweden). Certain items are still not yet harmonized at the Group level.

This year, comparison with data of the 2014 CSR report highlighted changes in the environmental and employment-related areas based on the scope of reporting of the 2014 report (excluding Sweden).

Valneva's social responsibility policy

In 2015, Valneva Group concentrated efforts on integrating the Solna production unit and developing the sales entity (Canada) and has not yet had possibility 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.

Due diligence processes are in place in the Group, in particular in areas relating to product liability (pharmacovigilance). Consultation of the stakeholders is not however carried out in a formalized and exhaustive manner.

Potential improvements

Improvements can be considered for future years:

+ priorities specific to Valneva Group and defined at the level of subsidiaries, in order to harmonize procedures and indicators;
+ construction of common guidelines specifying the relevant indicators (quantitative and qualitative) and the methodology for social data.
+ 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. Workforce is expressed based on headcount, regardless of the amount of working hours or the starting date in the reporting year.

Medium age

The dates of birth are subtracted from December 31, 2015 then divided by 365.25 for each employee with an employment contract (permanent or fixed term) with a company of the Valneva Group, and then divided by the figure for the total headcount.

Recruitments and dismissals

Recruitments and dismissals exclude movements within the Group such as international transfers or transfers between companies and sites.

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.

Temporary contracts

This includes executive employees, namely corporate officers ("*mandataires sociaux*") in France and two Board Members in Austria.

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

The absenteeism rate is the number of days of absence during the year (from Monday to Friday, or five days per week) for the average number of active employees (based on calculations for monthly periods) and concerns solely sick leave (= the average number of sick days per employee).

Training

Only the number of external training hours is taken into account.

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.

Professional disease

An illness arising as a consequence to exposure to occupational risk factors (physical, chemical or biological risks).

Occupational accidents

An accident resulting from or arising in the course of work, regardless of the cause, to any salary employee or a person working on behalf of the Group. An occupational accident can also arise in the course of a business-related trip. This report contains only accident with days lost.

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. Consumption expressed in MWh.

Water

Water consumption concerns solely withdrawn water volume. Consumption expressed in m3.

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. Direct emissions of GHG expressed in tons of CO_2.

Waste is taken into account by category according to a breakdown between hazardous and nonhazardous waste. The production of waste is expressed in tons.

Transport

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.

All impacts are derived from qualitative data (procedures and the assessments of practices).

3.2 Independent Third Party's Report

Report by the certified public accountant appointed as independent third party, on the consolidated human resources, environmental and social information included in the management report for the year ended 31/12/2015.

This is a free English translation 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 standards applicable in France.

To the Shareholders,

In our capacity as professional certified public accountant appointed as independent third party by VALNEVA and certified by COFRAC under number 3-1055, we hereby report to you on the consolidated human resources, environmental and social information for the year ended 31/12/2015, included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code (Code de commerce).

Company's responsibility

The Management Board is responsible for preparing the management report including the CSR Information required by article R.225-105-1 of the French Commercial Code.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (Code de déontologie) of our profession and the requirements of article L.822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Certified public accountant's responsibility

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);

- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved 3 persons and was conducted between 29th September and the 17th March 2016 during a 10 day period, with an on-site audit on 27th November 2015 in Livingston and on 15th February in Saint-Herblain.

We performed our work in accordance with the French professional standards and with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement.

1. Attestation regarding the completeness of CSR Information

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code.

Based on the work performed, we attest that the required CSR Information has been disclosed in the management report.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

We focused our studies on:

- Social information: total workforce (by age, gender and geographical zone); health and safety conditions; occupational accidents, especially their frequency and severity rate; occupational diseases

- Corporate citizenship information: the importance of sub-contracting and the importance in the relationship with suppliers and sub-contractors of their social and environmental responsibility; measures taken in favour of consumers' health & safety

- Environmental information: VALNEVA's organisation to take into account the environmental questions, steps taken in terms of environmental certification or evaluation; measures implemented to prevent, reduce and repair air, water and ground emissions with a severe environmental impact; measures implemented for the prevention, recycling and elimination of waste

Regarding the CSR Information that we considered to be the most important:

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;

- at the level of Livingston and St Herblain, selected by us on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents on average 34% of headcount.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Toulouse, 17th March 2016

THE INDEPENDENT THIRD PARTY

SAS CABINET DE SAINT FRONT

Jacques de SAINT FRONT

President

4. FINANCIAL STATEMENTS 2015

4.1 Consolidated financial statements as of December 31, 2015

VALNEVA SE

Consolidated Financial Statements

December 31, 2015

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 VALNEVA expressly disclaims all liability for any inaccuracy herein.*

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1. CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

(a) Consolidated income statement

€ in thousand (except per share amounts)	Note	Year ended December 31,	
		2015	2014
Product sales	C.5.5	61,545	28,124
Revenues from collaborations, licensing and services	C.5.5	16,814	8,799
Revenues		**78,360**	**36,922**
Grant income		4,975	5,506
Revenues and Grants		**83,335**	**42,429**
Cost of goods and services	C.5.6/C.5.7	(46,961)	(17,144)
Research & Development expenses	C.5.6/C.5.7	(25,367)	(22,242)
Distribution and marketing expenses	C.5.6/C.5.7	(9,121)	(2,065)
General and administrative expenses	C.5.6/C.5.7	(14,394)	(12,077)
Other income and expenses, net	C.5.8	(152)	(395)
Amortization and impairment of fixed assets/intangibles	C.5.6	(7,273)	(12,323)
OPERATING LOSS		**(19,934)**	**(23,817)**
Finance income	C.5.9	5,073	2,273
Finance expenses	C.5.9	(9,716)	(4,394)
Result from investments in affiliates	C.5.15	(8,999)	-
Gain on bargain purchase	C.5.31	13,183	-
LOSS BEFORE INCOME TAX		**(20,393)**	**(25,938)**
Income tax	C.5.10	(224)	(334)
LOSS FOR THE YEAR		**(20,617)**	**(26,272)**
Losses per share for loss from continuing operations attributable to the equity holders of the Company, expressed in € per share (basic and diluted)	C.5.11	**(0.28)**	**(0.47)**
EBITDA	C.5.12	**(8,492)**	**(7,364)**

(b) Consolidated statement of comprehensive income

€ in thousand	Note	Year ended December 31,	
		2015	2014
Loss for the year		**(20,617)**	**(26,272)**
Other comprehensive income/(loss)			
Items that are or may be reclassified subsequently to profit or loss			
Currency translation differences	C.5.23	(2,584)	(2,626)
Total items that are or may be reclassified subsequently to profit or loss		(2,584)	(2,626)
Other comprehensive income/(loss) for the year, net of tax		**(2,584)**	**(2,626)**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		**(23,200)**	**(28,897)**

2. CONSOLIDATED BALANCE SHEET

€ in thousand	Note	At December 31,	
		2015	2014
ASSETS			
Non-current assets		**158,804**	**166,567**
Intangible assets and goodwill	5.13	98,567	105,204
Property, plant and equipment	5.14	42,439	41,611
Other non-current assets	5.19	17,797	19,753
Current assets		**116,383**	**52,967**
Inventories	5.17	26,687	7,282
Trade receivables	5.18	15,754	6,850
Other current assets	5.19	31,374	9,366
Cash, cash equivalents, short-term deposits and current financial assets	5.20	42,567	29,468
Assets held for sale	5.21	**-**	**7,982**
TOTAL ASSETS		**275,187**	**227,517**
EQUITY			
Capital and reserves attributable to the Company's equity holders		**144,335**	**124,444**
Share capital	5.22	11,205	8,453
Share premium and other regulated reserves	5.22	245,965	206,707
Retained earnings and other reserves	5.22	(92,219)	(64,444)
Net result for the period		(20,617)	(26,272)
LIABILITIES			
Non-current liabilities		**84,489**	**75,704**
Borrowings	5.25	76,568	66,036
Deferred tax liability	5.10	112	103
Other non-current liabilities and provisions	5.28	7,810	9,564
Current liabilities		**46,363**	**26,387**
Borrowings	5.25	25,687	7,117
Trade payables and accruals	5.26	10,698	10,734
Current tax liability		425	275
Tax and employee-related liabilities	5.27	6,889	5,398
Other current liabilities and provisions	5.28	2,664	2,862
Liabilities held for sale	5.21	**-**	**982**
TOTAL LIABILITIES		**130,852**	**103,073**
TOTAL EQUITY AND LIABILITIES		**275,187**	**227,517**

3. CONSOLIDATED CASH FLOW STATEMENT

€ in thousand	Note	Year ended December 31,	
		2015	2014
Cash flows from operating activities			
Loss for the year		(20,617)	(26,272)
Depreciation and amortization	5.13, 5.14	11,442	12,359
Impairment fixed assets/intangibles	5.13, 5.14	-	4,095
Share-based payments	5.24	1,018	530
Income tax	5.10	238	334
Other adjustments for reconciliation to cash used in operations	5.29	2,829	(2,439)
Changes in working capital	5.29	(14,585)	(938)
Cash used in operations	5.29	**(19,674)**	**(12,332)**
Interest paid	5.9	(4,506)	(2,227)
Income tax paid	5.10	(153)	(385)
Net cash used in operating activities		**(24,334)**	**(14,944)**
Cash flows from investing activities			
Acquisition of other businesses, net of cash acquired	5.31	(22,181)	-
Purchases of property, plant and equipment	5.14	(1,854)	(946)
Proceeds from sale of fixed assets	5.29	128	1,712
Purchases of intangible assets	5.13	(792)	(2,792)
Purchases of financial assets		-	(13,616)
Proceeds from sale of financial assets		-	17,130
Investments in associated companies	5.15	(1,999)	-
Interest received		133	505
Net cash generated from/(used in) investing activities		**(26,565)**	**1,993**
Cash flows from financing activities			
Proceeds from issuance of common stock, net of costs of equity transactions	5.22	42,010	8,632
Disposal/(Purchase) of treasury shares		63	69
Proceeds from borrowings, net of transaction costs	5.25	26,472	1,656
Repayment of borrowings	5.25	(4,350)	(5,083)
Net cash generated from financing activities		**64,195**	**5,274**
Net change in cash and cash equivalents		**13,296**	**(7,677)**
Cash at beginning of the year		28,857	36,509
Exchange gains/(losses) on cash		(246)	25
Cash at end of the year	5.20	**41,907**	**28,857**
Cash, cash equivalents, and financial assets at end of the year		**42,567**	**29,468**

4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ in thousand	Note	Share capital	Share premium and other regulated reserves	Retained earnings and other reserves	Net result	Total equity
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	5.23	-	-	530	-	530
+ exercise of share options	5.22 / 5.24	6	(6)	-	-	-
Treasury shares	5.23			69	-	69
Issuance of common stock, May and June 2014	5.22	240	8,716	-	-	8,956
Cost of equity transactions, net of tax	5.22	-	(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**
Balance at January 1, 2015		**8,453**	**206,707**	**(64,444)**	**(26,272)**	**124,444**
Total comprehensive loss		-	-	(2,584)	(20,617)	(23,200)
Income appropriation		-	-	(26,272)	26,272	-
Employee share option plan:						
+ value of employee services	5.23	-	-	1,018	-	1,018
+ exercise of share options	5.22 / 5.24	17	299	-	-	317
Treasury shares	5.23	-	-	63	-	63
Issuance of common stock, February 2015	5.22	2,735	42,297	-	-	45,032
Cost of equity transactions, net of tax	5.22	-	(3,338)	-	-	(3,338)
		2,752	39,258	(27,775)	5,655	19,891
Balance as of December 31, 2015		**11,205**	**245,965**	**(92,219)**	**(20,617)**	**144,335**

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 General information

Valneva SE – together with its subsidiaries – is a fully integrated vaccine company that specializes in the development, manufacture and commercialization of innovative vaccines with a mission to protect people from infectious diseases through preventative medicine.

The Group 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: one for the prevention of Japanese encephalitis (IXIARO®/JESPECT®) and the second (DUKORAL®) indicated for the prevention of Cholera and, in some countries, prevention of Diarrhea caused by LT- ETEC (*Enterotoxigenic escherichia coli*). The Group has proprietary vaccines in development including candidates against Pseudomonas aeruginosa, Clostridium difficile and Lyme Borreliosis. A variety of partnerships with leading pharmaceutical companies complement the Group's value proposition and include vaccines being developed using Valneva's innovative and validated technology platforms (EB66® vaccine production cell line, IC31® adjuvant).

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

5.1.1 Changes in the Group structure during the year

In January 2015, the Company co-founded BliNK Biomedical SAS with UK Company BliNK Therapeutics Ltd. Valneva SE contributed assets and liabilities related to its VIVA|Screen® technology to BliNK Biomedical SAS. Valneva SE holds 48.22% of the shares of BliNK Biomedical SAS and does not have control over the company which is run as an independent business by its own management team. The investment is therefore consolidated at equity and Valneva SE's share in the result is shown in the income statement under a new line item "Result from investments in affiliates".

In February 2015, the Company completed the acquisition of Crucell Sweden AB (subsequently renamed to Valneva 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 certain types of ETEC ("Crucell Sweden"). The acquisition included the purchase of a manufacturing site in Solna (Sweden).

In March 2015, the Company founded Valneva Canada Inc. for the purpose of vaccine distribution in Canada.

In October 2015, the Company founded Valneva UK Ltd. for the purpose of vaccine distribution in the United Kingdom.

In September 2015, Valneva Austria GmbH resolved to dissolve its wholly owned subsidiary, Elatos GmbH, without liquidation via a universal transfer of its assets to Valneva Austria GmbH retroactively as of January 1, 2015. Removal of Elatos GmbH from the Commercial Register was effective on November 11, 2015.

5.1.2 List of direct or indirect interests

Name	Country of incorporation	Consolidation method	Interest held at December 31,	
			2015	2014
BliNK Biomedical SAS	FR	at equity	48.22%	-
Elatos GmbH	AT	full	-	100%
Intercell USA, Inc.	US	full	100%	100%
Vaccines Holdings Sweden AB	SE	full	100%	100%
Valneva Austria GmbH	AT	full	100%	100%
Valneva Canada Inc.	CA	full	100%	-
Valneva Scotland Ltd.	UK	full	100%	100%
Valneva Sweden AB	SE	full	100%	-
Valneva Toyama Japan KK	JP	full	100%	100%
Valneva UK Ltd.	UK	full	100%	-

The closing date for the consolidated financial statements is December 31 of each year. As Valneva Sweden AB has been acquired in February 2015, the subsidiary started to be included in the consolidated financial statements on February 9, 2015.

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. The antibody discovery based on the VIVA|Screen® platform was spun off into BliNK Biomedical SAS as of January 16, 2015. 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 Group's Japanese encephalitis vaccine. Valneva Toyama Japan KK, Toyama, Japan, was established in 2011 as part of the asset acquisition from the Japanese company SC World. Its R&D activities were stopped at the end of 2013. Vaccines Holdings Sweden AB (formerly "Goldcup 10618 AB") served mainly as the acquisition vehicle and holding company of Crucell Sweden AB, now Valneva Sweden AB in February 2015 (see Note 5.31). Valneva Sweden AB, Solna, Sweden operates a vaccine distribution business in the Nordic countries a manufacturing site related to DUKORAL®, a vaccine against cholera and traveler's diarrhea caused by certain types of ETEC and R&D activities. Valneva USA Inc., Valneva Canada Inc. and Valneva UK Ltd. are focused on sales and marketing of vaccines in the respective countries.

These consolidated financial statements have been approved and authorized for issue by the Management Board on March 17, 2016.

5.2 Summary of significant accounting policies

On February 9, 2015, the Group completed its acquisition of Crucell Assets (see Note 5.31). As a result of the acquisition, Crucell's business has been included in the Group's full year consolidated financial statements under IFRS from the acquisition closing date. Therefore, 2014 and 2015 results under IFRS are not fully comparable. While the results of Valneva SE Group were fully included in the

income statement of the year 2015, the results from the ex-Crucell operations were only included starting from February 9, 2015.

Pro-forma comparative figures including the Crucell business for the full year 2015 and excluding one-time effects due to the acquisition were prepared for illustrative purposes only. For a detailed explanation of pro-forma assumptions and reconciliation to IFRS results, please refer to Note 5.33.

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

5.2.1 Basis of presentation

These 2015 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 Group's management to exercise its judgment in applying the Group'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 5.4.

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.

5.2.2 Impact of new, revised or amended Standards and Interpretations

(a) New and amended standards adopted by the Group

Standard/Interpretation/Amendment		Effective Date	Effects
IAS 19 - amendment	Annual improvements to IFRSs 2011-2013 Cycle	Jan 1, 2015	No material impact

There are no IFRSs or IFRIC interpretations effective for the first time for the financial year beginning on or after January 1, 2015 that would be expected to have a material impact on the Group.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2015, and not early adopted.

Standard/Interpretation/Amendment		Effective Date	Expected Effects
IAS 19 - amendment	Defined Benefit Plans: Employee Contributions	Feb 1, 2015	None
	Annual improvements to IFRSs 2010-2012 Cycle	Feb 1, 2015	No material impact
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

Standard/Interpretation/Amendment		Effective Date	Expected Effects
IFRS 15	Revenue from Contracts with Customers	Jan. 1, 2018	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	No material impact
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	Deferred indefinitely	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	Jan. 1, 2016	No material impact

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

5.2.3 Consolidation

Subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company 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 Company. They are deconsolidated from the date that control ceases.

The Group 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 the fair value of the net assets of the acquired subsidiary exceeds the consideration the difference is recognized directly in the income statement as gain on bargain purchase.

Intercompany transactions, balances, and unrealized gains on transactions between group companies are eliminated.

5.2.4 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 "chief operating decision maker". The Management Board reviews the consolidated operating results regularly to make decisions about resources and to assess overall performance.

The Management Board primarily uses a measure of adjusted earnings before interest, tax, depreciation and amortization (EBITDA, see Note 5.12) to assess the performance of the operating segments. However, the Management Board also receives information about the segments' revenue on a monthly basis.

For further disclosure, see Note 5.5.

5.2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group'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 Group'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 differences 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.

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.

5.2.6 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group 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 Group'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 Group. The Group 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. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred and the Group has objective evidence that all criteria for acceptance have been satisfied. 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 Group 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 Group to receive the variable consideration have been met. The Group does not operate any loyalty programs. Revenue from sales is based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns.

(b) Revenues from collaborations, licensing and services

The Group 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 Group'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 Group 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 Group 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 Group 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 Group will comply with all conditions.

Grant monies received as reimbursement of approved Research & 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 & 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.

5.2.7 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 Group leases certain property, plant and equipment. Leases of property, plant and equipment, where the Group 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.

5.2.8 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 & 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 18 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:

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(ii) management intends to complete the intangible asset and to utilize or sell it;

(iii) there is an ability to utilize or sell the intangible asset;

(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;

(v) adequate technical, financial, and/or other resources to complete the development and to utilize or sell the intangible asset are available; and

(vi) 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.

5.2.9 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 Group 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 5 - 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".

5.2.10 Impairment of non-financial assets

Assets that have an indefinite useful life, such as acquired R&D technology and projects, and capitalized 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.

5.2.11 Equity-accounted investees

An associate (or affiliate) is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent

that the Company has incurred legal or constructive obligation s or made payments on behalf of the associate.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

5.2.12 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.

5.2.13 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 Group 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 5.2.16).

5.2.14 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 Group uses valuation techniques to establish the fair value of instruments where prices, quoted in active markets, are not available.

5.2.15 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.

5.2.16 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.

5.2.17 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 5.20.

5.2.18 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 cancelled, 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.

5.2.19 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.

5.2.20 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 Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

5.2.21 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 Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation 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 Group and it is probable that the temporary difference will not be reversed within the foreseeable future.

5.2.22 Employee benefits

(a) Share-based payments

Equity-settled transactions

The Company operates various equity-settled, share-based compensation plans. 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 Group 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 Group recognizes a liability and an expense for bonuses. The Group 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 Group recognizes the contributions as expenses when payable, as it has no obligations over and above the amount of contributions paid.

5.2.23 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group 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.

5.2.24 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 provisions” and “other current liabilities and provisions” according to their maturity.

5.3 Financial risk management

5.3.1 Financial risk factors

The Group’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 Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance.

Financial risk management is carried out under the CFO’s responsibility and is closely supervised by the Management Board. The Company’s risk management systems identify, evaluate, and manage 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 Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar (“$”), the British Pound (“GBP”), the Swedish Krona (“SEK”), the Norwegian Krone (“NOK”), the Canadian Dollar (“CAD”), Australian Dollar (“AUD”), whereas the foreign exchange risk exposure to some other currencies, including the Danish Krone, the Swiss Franc, the New Zealand Dollar 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 Group 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 Group has certain investments in foreign operations, the net assets of which are exposed to foreign currency translation risk.

At December 31, 2015, if the $ had weakened by 10% against the €, with all other variables held constant, pre-tax comprehensive loss for the year would have been lower by €3,251 thousand (2014: €2,060 thousand), mainly as a result of foreign exchange gains on the translation of $-denominated borrowings and trade payables, partly offset by a negative effect from cash equivalents and trade receivables. Income was more sensitive to fluctuations in the €/$ exchange rate at the balance sheet date in 2015 than it was in 2014 mainly because of the increased $-denominated borrowings and trade payables.

At December 31, 2015, if the SEK had weakened by 10% against the €, with all other variables held constant, pre-tax comprehensive loss for the year would have been €1,516 thousand higher (2014: €0 thousand), mainly as a result of foreign exchange losses on the translation of SEK-denominated cash equivalents and trade receivables, partly offset by a positive effect from trade payables.

At December 31, 2015, if the GBP had weakened by 10% against the €, with all other variables held constant, pre-tax comprehensive loss for the year would have been €446 thousand higher (2014: € 261 thousand). Income was more sensitive to fluctuations in the €/GBP exchange rate at the balance sheet date in 2015 than it was in 2014 mainly because of the increased amount of GBP-denominated cash equivalents.

At December 31, 2015, if the CAD had weakened by 10% against the €, with all other variables held constant, pre-tax comprehensive loss for the year would have been €201 thousand higher (2014: €0 thousand), mainly as a result of foreign exchange losses on the translation of CAD-denominated cash equivalents and trade receivables.

At December 31, 2015, if the AUD had weakened by 10% against the €, with all other variables held constant, pre-tax comprehensive loss for the year would have been €67 thousand higher (2014: €0 thousand), mainly as a result of foreign exchange losses on the translation of AUD-denominated trade receivables.

At December 31, 2015, if the NOK had weakened by 10% against the €, with all other variables held constant, pre-tax comprehensive loss for the year would have been €36 thousand lower (2014: €0 thousand), mainly as a result of foreign exchange losses on the translation of NOK-denominated trade payables, partly offset by a negative effect from trade receivables.

Interest rate risk

The Group 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 Group to cash flow interest rate risk, which is offset by cash and financial assets held at variable rates. During 2015 and 2014, the Group's investments at variable rate as well as the borrowings at variable rate were denominated in €, SEK, $ and in GBP.

The Group analyzes its interest rate exposure on a dynamic basis. Based on this analysis, the Group 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 €5 thousand (2014: €36 thousand).

(b) Credit risk

The Group is exposed to credit risk. The Group holds bank accounts, cash balances, and securities at quality financial institutions with high credit ratings. To monitor the credit quality of its counterparts, the Group relies on credit ratings as published by specialized rating agencies such as Standard & Poor's, Moody's, and Fitch. The Group has policies that limit the amount of credit exposure to any single financial institution. The Group 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 Group 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 5.16.3.

(c) Liquidity risk

The Group is exposed to liquidity risk resulting from the maturity of its financial liabilities. Furthermore, liquidity risk is resulting from the fact that the Group's operating cash flow is subject to fluctuations during accounting periods. Prudent liquidity risk management therefore implies maintaining sufficient cash, cash equivalents and short-term deposits 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 Group'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, 2014 € in thousand	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
Borrowings (excluding finance lease liabilities)[68]	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	10,734	-	-	-	10,734
Tax and employee-related liabilities[69]	3,278	-	-	-	3,278
Other liabilities and provisions[70]	23	-	178	9	210
	21,152	**27,265**	**11,444**	**27,514**	**87,375**

[68] 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.

[69] 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.

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

At December 31, 2015 € in thousand	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
Borrowings (excluding finance lease liabilities)[71]	28,083	41,371	16,677	533	86,664
Finance lease liabilities	978	1,956	1,956	25,186	30,076
Trade payables and accruals	10,698	-	-	-	10,698
Tax and employee-related liabilities[72]	4,982	-	-	-	4,982
Other liabilities and provisions[73]	26	-	178	47	251
	44,766	**43,327**	**18,811**	**25,766**	**132,671**

The fair values as well as the book values of the Group's borrowings are disclosed in Note 5.25. To manage liquidity risk, the Group holds sufficient cash, cash equivalents and short-term deposit balances.

5.3.2 Accounting for hedging activities

At the balance sheet date, the Group does engage in hedging activities. For more information, see Note 5.16.2.

5.3.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group'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 Group actively manages its funds to primarily ensure liquidity and principal preservation while seeking to maximize returns. The Group's cash and short-term deposits are located at several different banks. In order to maintain or adjust the capital structure, the Group 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 Group relies on equity and debt financing. Capital consists of "equity" as shown in the consolidated balance sheet.

5.3.4 Fair value estimation

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.

5.4 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.

[71] 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.

[72] 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.

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

5.4.1 Critical accounting estimates and assumptions

To produce this financial information, the Group'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 Group's management relate primarily to the valuation of 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. In addition, significant estimates and assumptions made by the Group relate to the Purchase Price Accounting for property, plant and equipment, inventory, and other liabilities.

5.4.2 Critical judgments in applying the entity's accounting policies

Revenue recognition

The Group 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.

5.5 Segment information

The segments consist of following:

+ "Commercialized vaccines" (marketed vaccines, currently the Group's JEV and DUKORAL® vaccines as well as 3rd Party vaccines distributed through the acquired Nordics distribution business);
+ "Technologies and services" (services and inventions in commercialization stage, i.e. revenue-generating through collaboration, service and licensing agreements, including EB66® and IC31®);
+ "Vaccine Candidates" (proprietary Research & Development programs aiming to generate new approvable products in order to generate future cash flows from product sales or from commercialization through partnering with pharmaceutical companies).

5.5.1 Income statement aggregates by segment:

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

€ in thousand	Commercialized vaccines	Technologies and services	Vaccine Candidates	Corporate 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 & Development expenses	(3,749)	(4,231)	(14,262)	-	**(22,242)**
Distribution and marketing expenses	(1,193)	(874)	-	-	**(2,067)**
General and administrative expenses	-	-	-	(12,074)	**(12,074)**
Other income and expenses, net	-	-	-	(395)	**(395)**
Amortization and impairment of fixed assets/intangibles	(6,637)	(5,686)	-	-	**(12,323)**
Operating profit / (loss)	**1,144**	**(7,302)**	**(5,190)**	**(12,469)**	**(23,817)**
Finance income/loss and income tax	-	-	-	(2,455)	**(2,455)**
Profit / (loss) from continuing operations	**1,144**	**(7,302)**	**(5,190)**	**(14,924)**	**(26,272)**

Income statement aggregates by segment for the year ended December 31, 2015:

€ in thousand	Commercialized vaccines	Technologies and services	Vaccine Candidates	Corporate Overhead	Total
Revenues and grants	62,052	12,591	8,691	-	**83,335**
Cost of goods and services	(41,943)	(5,020)	-	-	**(46,963)**
Research & Development expenses	(3,273)	(2,299)	(19,794)	-	**(25,365)**
Distribution and marketing expenses	(8,390)	(629)	(102)	-	**(9,121)**
General and administrative expenses	-	-	-	(14,394)	**(14,394)**
Other income and expenses, net	-	-	-	(152)	**(152)**
Amortization and impairment of fixed assets/intangibles	(6,712)	(561)	-	-	**(7,273)**
Operating profit / (loss)	**1,735**	**4,081**	**(11,204)**	**(14,546)**	**(19,934)**
Finance income/loss, result from investments in affiliates, gain on bargain purchase, and income tax	-	-	-	(683)	**(683)**
Profit / (loss) from continuing operations	**1,735**	**4,081**	**(11,204)**	**(15,229)**	**(20,617)**

5.5.2 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

€ in thousand	Year ended December 31,	
	2015	2014
France	3,768	4,845
Europe – without France	39,147	16,844
North America	33,933	19,160
Other	6,486	1,580
Revenues	**83,335**	**42,429**

Non-current assets per geographical segment

€ in thousand	At December 31,	
	2015	2014
France	7,050	7,833
Europe – without France	133,194	138,269
North America	763	712
Other	-	-
Non-current assets	**141,007**	**146,814**

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

5.5.3 Information about major customers

Product sales to the largest customer amounted to €30,309 thousand (2014: €27,781 thousand). Collaboration and licensing revenue from the two largest customers amounted to €5,014 thousand (2014: €5,054 thousand) and €4,626 thousand (2014: €1,328 thousand), respectively.

5.6 Expenses by nature

Cost of goods and services, Research & Development expenses, distribution and marketing expenses, general and administrative expenses, and amortization and impairment fixed assets/intangibles include the following items by nature of cost:

€ in thousand	Year ended December 31,	
	2015	2014
Consulting and other purchased services	22,251	14,662
Employee benefit expense (Note 5.7)	33,651	21,864
Depreciation and amortization	11,442	12,359
Impairment	-	4,095
Building and energy costs	7,166	3,244
Raw materials and consumables used	2,036	2,060
Supply, office and IT-costs	1,434	677
Travel and transportation costs	1,120	762
Advertising costs	1,763	25
License fees and royalties	2,173	3,836
Other expenses	357	134
Amounts capitalized as development costs and changes in inventory	19,724	2,133
Cost of goods and services, Research & Development expenses, distribution and marketing expenses, general and administrative expenses, and amortization and impairment fixed assets/intangibles	**103,116**	**65,851**

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

€ in thousand excl. VAT	Year ended December 31, 2015		Year ended December 31, 2014	
	PwC	Deloitte & Associés	PwC	Deloitte & Associés
Audit				
Statutory audit				
+ Valneva SE	81	82	111	114
+ Fully consolidated subsidiaries	113	44	53	44
Audit procedures in relation with the issuance of common stock in February 2015	36	37	78	66
Other procedures and services direct related to the statutory auditor's engagement				
+ Valneva SE	21	8	-	4
+ Fully consolidated subsidiaries	19	-	17	16
Audit sub-total	**270**	**171**	**258**	**245**
Other services				
Legal, tax, labor issues				
+ Valneva SE	-	-	-	-
+ Fully consolidated subsidiaries	37	152	-	-
Other directly related procedures	-	-	-	-
Accessory missions	-	1	-	-
Other services sub-total	37	153	-	-
Fees charged by the statutory auditors and members of their network	**307**	**324**	**258**	**245**

5.7 Employee benefit expense

Employee benefit expenses include the following:

€ in thousand	Year ended December 31, 2015	Year ended December 31, 2014
Salaries	23,705	16,483
Social security contributions	7,557	4,236
Training and education	542	292
Share options granted to management and employees	1,018	528
Other employee benefits	830	325
Employee benefit expense	**33,651**	**21,864**

During the year 2015, the Group had an average of 390 employees (2014: 275 employees).

5.8 Other income/(expenses), net

Other income, net of other expenses, includes the following:

€ in thousand	Year ended December 31,	
	2015	2014
Taxes, duties, fees, charges, other than income tax	(116)	(258)
Gain/(loss) on disposal of fixed assets, net	29	(63)
Miscellaneous income/(expenses), net	(66)	(74)
Other income/(expenses), net	**(152)**	**(395)**

5.9 Finance income/(expenses), net

€ in thousand	Year ended December 31,	
	2015	2014
Finance income		
+ Interest income from bank deposits	43	132
+ Interest income from other parties	3,053	93
+ Gains on financial assets/liabilities	-	48
+ Foreign exchange gains	1,977	1,999
	5,073	**2,273**
Finance expense		
+ Interest expense to banks and government agencies	(148)	(190)
+ Interest expense on other loans	(9,569)	(4,204)
	(9,716)	**(4,394)**
Finance income/(expenses), net	**(4,643)**	**(2,121)**

The Group benefits from government assistance through arranging borrowing facilities that would have otherwise not been available to the Group. This assistance includes guarantees for the amount outstanding. For more information, see Note 5.25.

5.10 Income tax

5.10.1 Income tax

Income tax is comprised of current and deferred tax.

€ in thousand	Year ended December 31,	
	2015	2014
Current tax	(549)	(315)
Deferred tax	325	(19)
Income tax	**(224)**	**(334)**

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:

€ in thousand	**Year ended December 31,**	
	2015	**2014**
Loss before tax	(20,393)	(25,938)
Tax calculated at domestic tax rates applicable to profits in the respective countries	6,919	7,650
Income not subject to tax	5,085	1,828
Expenses not deductible for tax purposes	(5,350)	(1,602)
Deferred tax asset not recognized	(6,721)	(8,163)
Deemed income	(117)	-
Adjustments in respect of prior years	6	(20)
Effect of change in applicable tax rate	5	2
Exchange differences	(21)	(4)
Income tax of prior years	(22)	-
Minimum income tax	(2)	(3)
Withholding tax	(7)	(23)
Income tax	**(224)**	**(334)**

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

5.10.2 Deferred tax

As of December 31, 2015 the deferred tax asset of €106,002 thousand (2014: €95,114 thousand) are not recognized as there was no sufficient evidence that adequate taxable profit will be available against which the unused tax losses can be utilize in the foreseeable future.

As of December 31, 2015 the Group has tax losses carried forward of €433,078 thousand (2014: €422,023 thousand), of which €91,469 thousand are related to Valneva SE in France (2014: €81,169 thousand), €318,135 thousand are related to Valneva Austria GmbH (2014: €322,984 thousand) and €20,180 thousand are related to Intercell USA, Inc. in US (2014: €17,871 thousand) and €1,970 thousand are related to Valneva Sweden AB..

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

The offset amounts are as follows:

€ in thousand	At December 31,	
	2015	2014
Deferred tax assets		
+ Deferred tax asset to be recovered after more than 12 months	18,275	21,774
+ Deferred tax asset to be recovered within 12 months	428	1,569
Total deferred tax assets	**18,703**	**23,343**
Deferred tax liabilities		
+ Deferred tax liability to be recovered after more than 12 months	(18,457)	(23,259)
+ Deferred tax liability to be recovered within 12 months	(357)	(187)
Total deferred tax liability	**(18,815)**	**(23,446)**
Deferred tax, net	**(112)**	**(103)**

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

€ in thousand	2015	2014
Beginning of year	(103)	(79)
Exchange differences	(6)	(6)
Income statement charge	(2)	(18)
End of year	**(112)**	**(103)**

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

€ in thousand	At December 31,	
	2015	2014
Deferred tax asset from		
Tax losses carried forward	118,888	115,015
Fixed assets	2,230	1,051
Borrowings	1,478	-
Other items	2,109	2,390
Non-recognition of deferred tax assets	(106,002)	(95,114)
Total deferred tax assets	**18,703**	**23,343**
Deferred tax liability from		
Fixed assets	(526)	(526)
Intangible assets	(18,130)	(22,780)
Other items	(159)	(140)
Total deferred tax liability	**(18,815)**	**(23,446)**
Deferred tax, net	**(112)**	**(103)**

The income tax rate in the United Kingdom has been reduced from 21% to 20% and will be 19% from starting April 1, 2017. The deferred tax assets and liabilities presented above as at December 31, 2015 and 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.

5.11 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 5.23).

	Year ended December 31,	
	2015	**2014**
Net loss from continuing operations attributable to equity holders of the Company (€ in thousand)	(20,617)	(26,272)
Weighted average number of outstanding shares	72,740,348	55,493,043
Basic earnings/(losses) from continuing operations per share (€ per share)	**(0,28)**	**(0.47)**

Diluted losses per share equal basic losses per share, because the conversion of all potentially dilutive shares (outstanding preferred shares, share options, free shares, and equity warrants) (see Notes 5.22 and 5.24) would result in a decrease in the loss per share and is therefore not to be treated as dilutive.

5.12 EBITDA

EBITDA (Earnings before interest, taxes, depreciation and amortization) was calculated by excluding depreciation, amortization and impairment fixed assets/intangibles from the operating loss.

€ in thousand	Year ended December 31,	
	2015	**2014**
Operating loss	(19,934)	(23,817)
Depreciation	4,437	3,861
Amortization	7,005	8,498
Impairment on intangibles and fixed assets	-	4,095
EBITDA	**(8,492)**	**(7,364)**

5.13 Intangible assets and Goodwill

€ in thousand	Software	Acquired R&D techno-logy and projects	Deve-lopment costs	Good-will	Advance payments	Total
January 1, 2014						
Cost	2,334	131,800	13,617	350	1	148,102
Accumulated amortization and impairment	(2,036)	(10,776)	(9,887)	-	-	(22,699)
Net book value	**299**	**121,023**	**3,730**	**350**	**1**	**125,403**
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**

€ in thousand	Software	Acquired R&D techno-logy and projects	Deve-lopment costs	Good-will	Advance payments	Total
Year ended December 31, 2015						
Opening net book value	294	100,134	4,672	-	105	105,204
Exchange rate differences	3	296	38	-	-	336
Acquisition of subsidiary (Note 5.31)	-	2	-	-	-	2
Additions	136	83	337	-	65	622
Reclassification	105	-	-	-	(105)	-
Disposals	(2)	-	(62)	-	-	(64)
Amortization charge	(220)	(6,494)	(818)	-	-	(7,532)
Impairment charge	-	-	-	-	-	-
Closing net book value	**315**	**94,021**	**4,167**	**-**	**65**	**98,567**
December 31, 2015						
Cost	2,591	117,811	10,511	-	65	130,979
Accumulated amortization and impairment	(2,277)	(23,791)	(6,344)	-	-	(32,412)
Net book value	**315**	**94,021**	**4,167**	**-**	**65**	**98,567**

5.13.1 Significant intangible assets

Intangible assets primarily relate to in-process R&D projects, the Japanese encephalitis vaccine, the Pseudomonas vaccine and in 2014 the VIVA│Screen® technology.

In 2014, the impairment charge of €7,263 thousand is related to the antibody technologies VIVA│Screen® and eMAB® and was netted in the profit and loss statements with the related changes from a financial liability, which was amended due to the change of the agreement in relation with the new structure of this technology.

5.13.2 Impairment testing

(a) Impairment testing of in-process Research & Development projects

The book values of capitalized in-process Research & Development projects have been assessed annually for impairment testing purposes using the risk-adjusted discounted cash flow method. 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 Group'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 11.66% to 11.83% per annum (2014: 9.15% per annum).

The discount rate of 11.66% to 11.83% per annum (2014: 9.15% per annum) is based on 1.58% risk-free rate (2014: 1.59%), 7% market risk premium (2014: 6.50%), 0.93% to 1.16% country risk premium (2014: 0%), 0.49% to 0.52% currency risk (2014: 0%), a beta of 1.44 (2014: 1.16), and a peer group related equity-capital ratio.

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 2014 and 2015.

(b) Impairment testing for Assets held for sale

In January 2015 BliNK Biomedical SAS, a private company specialized in the discovery of innovative monoclonal antibodies was created – see Note 5.15.

Therefore the VIVA|Screen®-assets and liabilities have been recognized as assets and liabilities held for sale and valued at the fair value less cost to sell as of December 31, 2014.

In connection with the spin-off of the VIVA|Screen® technology into BliNK Biomedical SAS in January 2015, 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 €4,095 thousand in 2014.

5.13.3 Sensitivity to changes in assumptions

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

+ discount rate
+ probability of project success
+ reduction in expected revenues / royalties

The net present value calculation uses a discount rate of 11.66% to 11.83% (2014: 9.15%). An increase in the discount rate of 2.70% to 63.92% would trigger an impairment loss (2014: 0.08% to 9.23%). Furthermore, an increase in the discount rate of one percentage point would result in no additional impairment loss (2014: €1 million).

The result of the acquired Research & Development projects is inherently uncertain and the Group 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 & Development projects would result in an impairment loss. The net present value calculation uses a probability of success rate of 10% to 50% for acquired products in the stage of Research & Development. Applying the Industry standard for the likelihood of successfully passing clinical Phase II, Phase III or final filing stages, results in no additional impairment. Assumptions used were a 10% likelihood of failure in final filing stage (2.5% weighted risk), a 50% chance to fail in Phase III after having successfully passed Phase II (22.5% weighted risk) and a risk of 50% for failing in Phase II after successful finalization of Phase I (50% weighted risk).

The net present value calculations are based upon assumptions regarding market size, expected sales volumes resulting in sales value expectations or expected royalty income. A reduction in revenues or royalty income of 10% would result in no additional impairment loss. A reduction of expected revenues / royalties of 25.50% to 48.47% would trigger an impairment loss.

5.14 Property, plant and equipment

€ in thousand	Land, buildings and leasehold improve-ments	Manu-facturing and laboratory equipment	Computer hard-ware	Furniture, fittings and other	Assets in the course of con-struction	Total
January 1, 2014						
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**
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**
Year ended December 31, 2015						
Opening net book value	38,134	2,886	132	458	-	41,611
Exchange rate differences	215	106	4	10	34	369
Acquisition of subsidiary (Note 5.31)	202	1,254	50	32	1,130	2,669
Additions	56	985	93	106	540	1,780
Reclassification	38	655	-	2	(696)	-
Disposals	(19)	(23)	(1)	-	-	(43)
Depreciation charge	(2,297)	(1,412)	(96)	(140)	-	(3,945)
Impairment charge	-	-	-	-	-	-
Closing net book value	**36,329**	**4,452**	**182**	**469**	**1,009**	**42,439**
December 31, 2015						
Cost	52,821	20,069	1,523	1,461	1,009	76,883
Accumulated depreciation and impairment	(16,492)	(15,618)	(1,341)	(992)	-	(34,443)
Net book value	**36,329**	**4,452**	**182**	**469**	**1,009**	**42,439**

Depreciation and amortization expenses of €1,346 thousand (2014: €1,384 thousand) were charged to Research & Development expenses, €20 thousand (2014: €3 thousand) were charged to distribution and marketing expenses, and €110 thousand (2014: €25 thousand) were charged to general and administrative expenses.

Operating property leases amounting to €2,170 thousand (2014: €365 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:

€ in thousand	Buildings and leasehold improvements	Manufacturing and laboratory equipment	Computer hardware	Furniture, fittings and other	Assets in the course of construction	Total
December 31, 2015						
Cost	34,795	-	-	-	-	34,795
Accumulated depreciation	(5,919)	-	-	-	-	(5,919)
Net book value	**28,876**	**-**	**-**	**-**	**-**	**28,876**

5.15 Equity-accounted investees

Details of the Group's material associate are as follows:

Name of associate	Place of business	Measurement method	% of ownership interest at December 31,	
			2015	2014
BliNK Biomedical SAS	FR	Equity method	48.22%	-

In January 2015, Valneva and the UK company BliNK Therapeutics Ltd founded BliNK Biomedical SAS, a private company specialized in the discovery of innovative monoclonal antibodies. Valneva contributed assets and liabilities in conjunction with the VIVA|Screen® technology.

The creation of BliNK Biomedical SAS gives 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 is run as an independent business by its own management team.

5.15.1 Summarized financial information for material associate

The summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs (adjusted by the Group for equity accounting purposes).

€ in thousand	At December 31,	
	2015	2014
BliNK Biomedical SAS		
Non-current assets	12,469	-
Current assets	3,779	-
Non-current liabilities	1,999	-
Current liabilities	1,915	-
Revenue	992	-
Profit/(Loss) from continuing operations	(2,186)	-
Post-tax profit or loss from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	(2,186)	-

5.15.2 Reconciliation to the carrying amount

€ in thousand	At December 31,	
	2015	2014
Net assets of associate	12,334	-
Proportion of the Company's ownership interest in BliNK Biomedical SAS	48.22%	-
Company's share in net assets	5,948	-
Additional investment – convertible bonds	1,999	-
Impairment	(7,946)	-
Balance at December 31	-	-

The book values of equity-accounted investees have been assessed annually for impairment testing purposes using the risk-adjusted discounted cash flow method (value in use approach). The resulting net present value of cash flows using this valuation methodology did not confirm the book value. BliNK Biomedical's business strategy is to use its technologies to develop own products, as opposed to Valneva's previous strategy of generating early revenues from services, upfront license fees and milestone revenues from out-licensing. The long term-nature and development risks inherent to own product development, together with the significant cost of capital of an early stage company explain the valuation result based on BliNK Biomedical's business plan.

BliNK Biomedical is private company and its shares are not listed on a stock exchange. After the financing that followed its foundation, no shares of BliNK Biomedical have been sold or issued to third parties and no offers for a purchase of shares by independent parties have been received so far. Therefore, the initial fair market value used in the initial valuation of the BliNK Biomedical asset could not be confirmed by any recent fair market value and the investment has been impaired at the end of 2015.

5.16 Financial instruments

5.16.1 Financial instruments by category

December 31, 2014 € in thousand	Loans and receivables	Total
Assets as per balance sheet		
Trade receivables	6,850	6,850
Other assets[74]	12,950	12,950
Cash, cash equivalents, short-term deposits and current financial assets	29,468	29,468
Assets	**49,268**	**49,268**

	Liabilities at fair value through profit and loss	Other financial liabilities	Total
Liabilities as per balance sheet			
Borrowings (excluding finance lease liabilities)[75]	-	43,099	43,099
Finance lease liabilities	-	30,054	30,054
Trade payables and accruals	-	10,734	10,734
Tax and employee-related liabilities[76]	-	3,278	3,278
Other liabilities and provisions[77]	3	208	210
Liabilities held for sale	-	982	982
Liabilities	**3**	**88,355**	**88,358**

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

[75] 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.

[76] 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.

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

December 31, 2015 € in thousand	Loans and receivables	Total
Assets as per balance sheet		
Trade receivables	15,754	15,754
Other assets[78]	31,073	31,073
Cash, cash equivalents, short-term deposits and current financial assets	42,567	42,567
Assets	**89,394**	**89,394**

	Liabilities at fair value through profit and loss	Other financial liabilities	Total
Liabilities as per balance sheet			
Borrowings (excluding finance lease liabilities)[79]	-	73,039	73,039
Finance lease liabilities	-	29,217	29,217
Trade payables and accruals	-	10,698	10,698
Tax and employee-related liabilities[80]	-	4,982	4,982
Other liabilities and provisions[81]	2	249	251
Liabilities held for sale	-	-	-
Liabilities	**2**	**118,183**	**118,185**

5.16.2 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).

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

[79] 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.

[80] 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.

[81] 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 **€ in thousand**	**Level 2**	**Total**
Other liabilities and provisions		
Derivative financial instruments	3	3
Other liabilities and provisions	**3**	**3**

December 31, 2015 **€ in thousand**	**Level 2**	**Total**
Other liabilities and provisions		
Derivative financial instruments	2	2
Other liabilities and provisions	**2**	**2**

At December 31, 2015, the fair value of these swaps was not material.

Since 2010, the Company has been covered by interest rate hedging contracts through Groupe Grimaud La Corbière.

In 2012, an interest rate hedging contract was set up for €394 thousand and reduced to €385 thousand at December 31, 2012 then to €325 thousand at December 31, 2013, to €270 thousand at December 31, 2014 and to €215 thousand at December 31, 2015. This contract was implemented on October 17, 2012 for a seven-year period. This interest rate swap agreement provides for a payment to Groupe Grimaud La Corbière each month at 1-month Euribor plus a fixed-rate amount of 0.58%.

5.16.3 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:

€ in thousand	At December 31,	
	2015	2014
Trade receivables		
Receivables from governmental institutions	284	3
AAA	307	-
AA	-	6,324
A	5,280	-
Counterparties without external credit rating	9,884	522
Trade receivables	**15,754**	**6,850**
Other assets		
Receivables from governmental institutions	189	1,299
AAA	19,159	-
A	237	175
Counterparties without external credit rating or rating below A	11,488	11,477
Other assets	**31,073**	**12,950**
Cash, cash equivalents, short-term deposits and current financial assets		
AA	357	-
A	25,178	23,748
Counterparties without external credit rating or rating below A	17,032	5,720
Cash, cash equivalents, short-term deposits and current financial assets	**42,567**	**29,468**

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

5.17 Inventories

€ in thousand	At December 31,	
	2015	2014
Raw materials	1,715	582
Work in progress	17,322	5,891
Finished goods	7,651	811
Inventory	**26,687**	**7,283**

The cost of inventories recognized as an expense and included in "cost of sales" amounted to €40,890 thousand (2014: €12,481 thousand). The cost of inventories recognized as an expense includes €17,377 thousand (2014: €819 thousand write-ups) related to write-downs of inventory to net realizable value.

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

5.18 Trade receivables

Trade receivables and other assets include the following:

€ in thousand	At December 31,	
	2015	2014
Trade receivables	15,754	6,850
Less: provision for impairment of receivables	-	-
Trade receivables, net	**15,754**	**6,850**

During the years 2015 and 2014, no impairment losses have been recognized. The amount of trade receivables past due in 2015 amounted to €1,361 thousand (2014: €62 thousand).

The fair values of trade receivables equal their book values.

5.19 Other assets

Other assets include the following:

€ in thousand	At December 31,	
	2015	2014
Prepaid expenses	1,876	995
Non-current financial assets	403	333
Other receivables	46,892	27,791
	49,172	29,119
Less non-current portion	(17,797)	(19,753)
Current portion	**31,374**	**9,366**

The fair values of other assets equal their book values. Other receivables include various deposits and advances, R&D tax credit receivables, tax receivables and consumables and supplies on stock. The increase compared to the previous year mainly results from a receivable from Johnson & Johnson amounting to €18,279 thousand in connection with the acquisition of Crucell Sweden – see Note 5.31.

5.20 Cash, cash equivalents, short-term deposits and current financial assets

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, 2015, cash and cash equivalents include €660 thousand (December 31, 2014: €592 thousand) for which there are restrictions on remittances. Furthermore, according to a loan agreement, the Group needs to hold a minimum amount of cash of €2,000 thousand at any time until December 31, 2016.

€ in thousand	At December 31,	
	2015	2014
Cash in hand	7	2
Cash at bank	38,174	27,571
Short-term bank deposits (maturity less than 3 months)	3,726	1,284
Mutual funds	-	-
Restricted cash	660	592
Current financial assets	-	19
Cash, cash equivalents, short-term deposits and current financial assets	**42,567**	**29,468**

5.21 Assets and Liabilities held for sale

In January 2015 the Company contributed assets and liabilities relating to the VIVA|Screen® technology to BliNK Biomedical SAS (see Note 5.1 and 5.15), which are shown as held for sale as of December 2014.

As of December 31, 2015, there are no assets or liabilities held for sale or associated with discontinued operations.

5.21.1 Breakdown of Assets held for sale

€ in thousand	At December 31,	
	2015	2014
Intangible assets – gross amounts	-	17,430
Intangible assets – amortization	-	(4,971)
Intangible assets – impairment	-	(5,610)
Intangible assets – net amounts	**-**	**6,849**
Property, plant and equipment – gross amounts	-	967
Property, plant and equipment – depreciation	-	(343)
Property, plant and equipment – impairment	-	-
Property, plant and equipment – net amounts	**-**	**623**
Inventories	-	510
Inventories – net amounts	**-**	**510**
Total Assets held for sale & discontinued operations	**-**	**7,982**

5.21.2 Liabilities held for sale

Liabilities held for sale in connection with the founding of BliNK amounted to €982 thousand as of December 31, 2014.

5.22 Share capital, share premium and other regulated reserves

€ in thousand (except numbers of shares)	Number of shares	Share capital	Share premium	Other regulated reserves[82]	Total share capital, share premium and other regulated reserves
Balance at January 1, 2014	**54,709,000**	**8,206**	**145,502**	**52,820**	**206,529**
Employee share option plan:					
+ exercise of share options	42,833	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	**56,351,833**	**8,453**	**153,887**	**52,820**	**215,160**
Balance at January 1, 2015	**56,351,833**	**8,453**	**153,887**	**52,820**	**215,160**
Employee share option plan:					
+ exercise of stock options and full vesting of free shares	115,874	17	299	-	317
+ Issuance of common stock, February 2015	18,231,466	2,735	42,297	-	45,032
+ Cost of equity transactions, net of tax	-	-	(3,338)	-	(3,338)
Balance at December 31, 2015	**74,699,173**	**11,205**	**193,145**	**52,820**	**257,170**

Increases of share capital

The acquisition of the Crucell Sweden (see Note 5.31) was financed in part 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 €45 million, corresponding to the issuance of 18,231,466 new ordinary shares, at a subscription price of €2.47 per new ordinary share.

In addition, the Company issued 115,874 (2014: 42,333) new ordinary shares in connection with the exercise of stock options and the full vesting of free shares during the reporting period, resulting in an increase in the share capital of €17 thousand (2014: €6 thousand).

Conditional and authorized capital

On December 31, 2015, the Company had 18,234,445 shares of conditional capital in connection with (see Note 5.24):

+ the possible exercise of existing stock options
+ the grant of free shares being vested
+ the possible exercise of existing equity warrants
+ the possible conversion of existing preferred shares
+ the possible conversion of existing convertible preferred shares or convertible preferred shares being vested

[82] Regulated non-distributable reserve relating to the merger with Intercell AG

Pursuant to resolution No. 16 of the General Meeting held on June 25, 2015, the nominal amount of increases in Valneva's share capital which can be carried out by the Company, immediately or in the future, may not under any circumstances exceed a maximum overall amount €4,500 thousand 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, immediately or in the future, to the share capital of the Company.

5.23 Retained earnings and other reserves

€ in thousand	Currency translation	Treasury shares	Retained earnings	Total
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)**
Balance at January 1, 2015	**(960)**	**(1,072)**	**(62,413)**	**(64,444)**
Currency translation differences	(2,584)	-	-	(2,584)
Income appropriation	-	-	(26,272)	(26,272)
Employee share option plan:				
- value of employee services	-	63	-	63
Purchase/Sale of treasury shares	-	-	1,018	1,018
Balance at December 31, 2015	**(3,544)**	**(1,009)**	**(87,667)**	**(92,219)**

The Company has not received a dividend and has not paid a dividend to its shareholders in the years ended December 31, 2015 and 2014.

5.24 Share-based payments

5.24.1 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 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 Group (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 Group.

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

	2015			2014		
	Number of options	Number of shares available	Average exercise price in € per share	Number of options	Number of shares available	Average exercise price in € per share
Outstanding at January 1	955,340	1,072,860	3.07	1,022,640	1,140,160	3.08
Granted	712,000	712,000	3.92	-	-	-
Adjusted	-	97,998	-	-	-	-
Forfeited	(78,940)	(95,504)	3.17	(67,300)	(67,300)	3.21
Exercised	(700)	(79,800)	1.80	-	-	-
Outstanding at year end	**1,587,700**	**1,707,554**	**3.48**	**955,340**	**1,072,860**	**3.07**
Exercisable at year end	448,725	524,439		8,040	125,560	

700 share options have been exercised in 2015 at a price of €1.80 per share (2014: no options have been exercised). The weighted average value per share at the time of option exercise was €3.75 in 2015.

As a consequence of the capital increase in February 2015 an adjustment to the number of shares available through existing share option plans had to be made in accordance with article L. 228-99 of the French Commercial Code, which resulted in an additional number of 97,998 of shares available.

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

	Exercise price	Number of options at December 31,	
Expiry date	**in € per share**	**2015**	**2014**
2016	1.80	250	1,040
2020	5.19	7,000	7,000
2023	3.21	882,950	947,300
2025	3.92	697,500	-
		1,587,700	**955,340**

In 2015, 712,000 options were granted (2014: no options were granted). The weighted average grant date fair value of options granted during the year 2015 was €1.06. The fair value of the granted options was determined using the Black Scholes valuation model. The significant inputs into the models were:

	2015
Expected volatility (%)	41.76
Expected vesting period (term in years)	2.00 – 4.00
Risk-free interest rate (%)	(0.26) – (0.12)

5.24.2 Free shares

Over the years, 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 free shares outstanding are as follows:

	Number of free shares	
	2015	**2014**
Outstanding at January 1	39,000	97,333
Granted	-	-
Forfeited	(3,000)	(15,500)
Definitively granted	(35,000)	(42,833)
Outstanding at year end	**1,000**	**39,000**

5.24.3 Equity warrants

In 2011 and 2015, the Company granted equity warrants to members of the Supervisory Board. The warrants granted in 2011 vest in four equal portions after one, two, three and four years. The warrants granted in 2015 vest in four equal portions after two, 17, 31 and 45 months. The subscription price of the equity warrants granted in the year 2011 amounts to €5.17 per share. The subscription price of the equity warrants granted in the year 2015 amounts to €3.92 per share.

Changes in the equity warrants outstanding are as follows:

	Number of equity warrants	
	2015	**2014**
Outstanding at January 1	5,625	11,250
Granted	153,000	-
Forfeited	(5,625)	(5,625)
Outstanding at year end	**153,000**	**5,625**

5.24.4 Free convertible preferred share plan

On June 25, 2015, the General Meeting of Valneva SE decided to create convertible preferred shares for the benefit of the Management Board members, but also for the benefit of key employees, members of the Executive Committee. Consequently, on July 28, 2015, the Management Board implemented the free convertible preferred share plan 2015-2019, a long-term incentive program for the Company's executive management.

The granted payable convertible preferred shares ("SPS") are as follows:

	Number of payable convertible preferred shares subscribed for by the beneficiaries	Subscription amount (in €)
Management Board	744	119,784
Other Executive Committee members	330	53,130
	1,074	**172,914**

Following the subscription of SPS the Management Board conditionally granted the Program beneficiaries a number of free convertible preferred shares ("FCPS") corresponding to a ratio of 25 FCPS to 1 SPS, as follows:

	Number of free convertible preferred shares allotted to the beneficiaries
Management Board	18,600
Other Executive Committee members	8,250
	26,850

SPS and FCPS will be convertible into Valneva's ordinary shares 4 years after their issuance (with respect to the SPS) or their initial granting (with respect to the FCPS), if the conversion conditions are met.

5.25 Borrowings

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

€ in thousand	At December 31,	
	2015	2014
Non-current		
Bank borrowings	2,812	3,536
Other loans	45,384	33,281
Finance lease liabilities	28,372	29,219
	76,568	**66,036**
Current		
Bank borrowings	2,885	3,339
Other loans	21,957	2,943
Finance lease liabilities	845	836
	25,687	**7,117**
Total borrowings	**102,255**	**73,153**

The maturity of non-current borrowings is as follows:

€ in thousand	At December 31,	
	2015	2014
Between 1 and 2 years	26,424	13,276
Between 2 and 3 years	21,803	13,989
Between 3 and 4 years	1,537	9,766
Between 4 and 5 years	1,345	1,500
Over 5 years	25,460	27,505
Non-current borrowings	**76,568**	**66,036**

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

€ in thousand	At December 31,	
	2015	2014
EUR	61,710	47,048
USD	40,546	26,105
Total borrowings	**102,255**	**73,153**

5.25.1 Finance lease liabilities

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

5.25.2 Bank borrowings and other loans secured

As at December 31, 2015, €14,123 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 8.75% at year-end 2015:

€ in thousand	At December 31, 2015	
	Carrying amounts	Fair values
Bank borrowings	5,520	5,258
Other loans (excluding the other loans described in Note 5.25.3)	8,603	7,617
Guaranteed, secured, or pledged borrowings	**14,123**	**12,875**

5.25.3 Other loans

On December 20, 2013 the Group received a $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 an interest rate ranging from 9.5% to 10.5%. On November 18, 2015 the

loan was increased by an additional financing of $11 million. From 2016 onwards, the Company will pay a royalty to Pharmakon Advisors ranging from 2.5% to 3.1% on its IXIARO®/JESPECT® sales during the term of the loan. The 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 sales of IXIARO®/JESPECT® and on the shares of the Group's Austrian and Scottish subsidiaries, which hold the key IXIARO®/JESPECT® assets. At December 31, 2015 the book values of the assets pledged amounted to €267,019 thousand (2014: €275,328 thousand).

The loan is included in the balance sheet item "borrowings".

€ in thousand	2015	2014
Balance at January 1	**26,105**	**21,023**
Proceeds of issue	9,985	-
Transaction costs	(91)	-
Accrued interest and royalty expense	4,061	3,816
Payment of interest	(2,589)	(1,646)
Foreign exchange valuation	3,074	2,912
Balance at December 31	**40,546**	**26,105**
Less non-current portion	(39,691)	(25,514)
Current portion	**854**	**592**

In connection with the acquisition of Crucell Sweden AB and its related assets the Group entered into a €15 million term loan facility from funds managed by Athyrium Capital Management, LLC. The loan originally extended over a 5 year period and carried a fixed yearly interest rate of 11% payable in cash on a quarterly basis. The loan was secured by collateral on the assets acquired in the course of the above mentioned acquisition. In order to reflect the business changes resulting from the adjustments to the DUKORAL® label in Canada in December 2015, the parties agreed on an early repayment of the loan which was made in January 2016 (see Note 5.34).

At December 31, 2015 the loan is included in the balance sheet item "borrowings" as follows:

€ in thousand	2015
Balance at January 1	**-**
Proceeds of issue	15,000
Transaction costs	(390)
Accrued interests and prepayment fees	4,985
Payment of interest	(1,410)
Balance at December 31	**18,184**
Less non-current portion	-
Current portion	**18,184**

5.26 Trade payables and accruals

Trade payables and accruals include the following:

€ in thousand	At December 31,	
	2015	2014
Trade payables	6,325	5,192
Accrued expenses	4,372	5,542
	10,698	**10,734**
Less non-current portion	-	-
Current portion	**10,698**	**10,734**

5.27 Tax and employee-related liabilities

€ in thousand	At December 31,	
	2015	2014
Social security and other taxes	1,907	2,121
Employee-related liabilities	4,982	3,278
	6,889	**5,398**
Less non-current portion	-	-
Current portion	**6,889**	**5,398**

5.28 Other liabilities and provisions

€ in thousand	At December 31,	
	2015	2014
Deferred income	9,467	11,859
Other financial liabilities	251	210
Provisions for employee commitments	188	163
Other liabilities	53	58
Other provisions	514	135
	10,474	**12,426**
Less non-current portion	(7,810)	(9,564)
Current portion	**2,664**	**2,862**

5.28.1 Deferred Income

€ in thousand	At December 31,	
	2015	2014
Arising from collaboration and licensing agreements	8,681	10,812
Arising from government grants	785	1,047
	9,467	**11,859**
Less non-current portion	(7,379)	(9,197)
Current portion	**2,087**	**2,662**

5.28.2 Provisions for employee commitments

(a) Assumptions used

	At December 31,	
	2015	2014
Discount rate	1.90%	1.80%
Salary increase rate	2.00%	2.00%
Turnover rate	0%-45.90%	0%-45.90%
Social security rate	47.00%-48.00%	45.00%
Average remaining lifespan of employees (in years)	20	20

(b) Changes in defined benefit obligation

Present value of obligation development:

€ in thousand	2015	2014
Balance at January 1	**163**	**23**
Current service cost	2	-
Re-measurements	23	140
Benefit payments		-
Balance at December 31	**189**	**163**

5.28.3 Other provisions

€ in thousand	At December 31,	
	2015	2014
Non-current	-	-
Current	514	135
Provisions	**514**	**135**

	2015	2014
Balance at January 1	**135**	**371**
Charged to the income statement:		
+ Additional provision	502	113
+ Reversed provision	(113)	-
Used provisions	(11)	(350)
Exchange differences	1	1
Balance at December 31	**514**	**135**

Other liabilities and provisions include a provision of €312 thousand in connection with the right of return of sold goods by GSK in the course of the transition phase of the cancelled distribution agreement. In addition, a provision of €190 thousand relates to restructuring costs for the acquired production site in Solna, Sweden.

5.29 Cash used in operations

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

€ in thousand	Note	Year ended December 31,	
		2015	2014
Loss for the year		(20,617)	(26,272)
Adjustments for			
+ Depreciation and amortization	5.13 5.14	11,442	12,359
+ Impairment fixed assets/intangibles	5.13 5.14	-	4,095
+ Share-based payments	5.24	1,018	530
+ Income tax	5.10	238	334
+ (Profit)/Loss from disposal of fixed assets	5.8	(29)	63
+ Gain on bargain purchase	5.31	(13,183)	-
+ Share of (profit)/loss from associates	5.15	8,998	-
+ Other non-cash income/expense		1,651	(1,034)
+ Fair value gains/losses on derivative financial instruments	5.9	-	(48)
+ Interest income	5.9	(3,096)	(226)
+ Interest expense	5.9	9,716	4,394
+ Changes in other long-term assets and liabilities		(1,229)	(5,589)
Changes in working capital (excluding the effects of acquisition and exchange rate differences on consolidation):			
+ Inventory		7,537	(1,870)
+ Trade and other receivables		(3,235)	(279)
+ Trade and other payables and provisions		(18,887)	1,211
Cash used in operations		**(19,674)**	**(12,332)**

The following table shows the adjustments to reconcile net profit/loss from the disposal of fixed assets to proceeds from the disposal of fixed assets:

€ in thousand	At December 31,	
	2015	2014
Net book value	99	75
Profit/(Loss) on disposal of fixed assets	29	(63)
Proceeds from disposal of fixed assets	**128**	**12**

5.30 Commitments and contingencies

(a) Capital commitments

There were no capital expenditure contracted for at December 31, 2015, and December 31, 2014.

(b) Operating lease commitments

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

€ in thousand	At December 31,	
	2015	2014
Not later than 1 year	2,248	265
Later than 1 year and not later than 5 years	8,135	672
Later than 5 years	596	32
Operating lease commitments	**10,980**	**970**

The Group leases office space, cars and equipment.

(c) Other commitments and guarantees

The other commitments consisted of:

€ in thousand	At December 31,	
	2015	2014
Potential earn out payment on investment securities	-	4,954
Commitment with a supplier and subcontractors	-	619
Loans and grants	2,607	7,790
Other	34	47
Other commitments	**2,641**	**13,410**

The guarantees and pledges consisted of:

€ in thousand	At December 31,	
	2015	2014
Equipment pledge	429	600
Pledges on consolidate investments	324,292	285,426
Guarantees for non-consolidated investments	300	-
Guarantees and pledges	**325,021**	**286,026**

In connection with the foundation of BliNK Biomedical SAS, Valneva issued a Guarantee and Comfort Letter to SC World Inc., Japan. In case BliNK Biomedical SAS fails to pay specific milestones under an Asset Sale and Purchase Agreement, Valneva guarantees to pay up to an amount of €300 thousand.

5.31 Business combination

On February 9, 2015, the Group completed the acquisition of Crucell Sweden AB, (subsequently renamed to Valneva Sweden AB), and all assets, licenses and privileges related to DUKORAL®, a vaccine against cholera and traveler's diarrhea caused by certain types of ETEC (including a

manufacturing site in Solna, Sweden) as well as a vaccine distribution business in the Nordic countries (together "**Crucell Sweden**"). After completion of the acquisition Valneva holds 100% of the voting rights of the acquired company.

The Company entered into the transaction anticipating 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 carve-out consolidated revenue generated by Crucell Sweden amounted to €36.4 million in the year ended December 31, 2014.

The initial agreed aggregate acquisition price amounts to €45 million (the "**Acquisition Price**") and was comprised of €3 million of cash consideration paid on the signing date, €32 million paid on the completion date of the transaction and a packaging line milestone payment of €10 million. In order to reflect the business changes resulting from the adjustments to the DUKORAL® label in Canada in December 2015, the seller Crucell Holland BV and Valneva agreed on an adjustment to the purchase price. Crucell Holland BV waived the €10 million milestone payment and repaid €15 million from the acquisition price. Together, the €10 million milestone waiver and the €15 million cash repayment resulted in a €25 million reduction of the purchase consideration, bringing the original €45 million down to €20 million. The acquisition, the components of the acquisition consideration and its subsequent adjustment are viewed as a single transaction. The sale and purchase agreement also provided for a working capital adjustment mechanism of the acquisition price calculated as the difference between an agreed working capital level and the actual working capital at the completion date. The resulting adjustment to the acquisition price resulted in a payment received by the Company. In addition the seller assumed payment obligations for cash outflows under certain outstanding liabilities.

Purchase consideration **€ in thousand**	
Cash consideration paid as of Feb 9, 2015	35,000
Packaging line milestone	10,000
Reduction following label-change in Canada	(25,000)
Total cash consideration	**20,000**
Less: working capital adjustment payment by the seller	(5,550)
Less: other liabilities assumed by the seller	(4,592)
Total net purchase consideration	**9,858**
Fair value of net assets acquired	23,041
Gain on bargain purchase	13,183

The acquisition was financed through a combination of debt and equity. The latter was raised through a public rights issue with final gross proceeds of €45 million. The debt part of the acquisition financing was raised through a loan facility put in place with Athyrium in an amount of €15 million, which was repaid in January 2016 (see Notes 5.25 and 5.34).

The cash consideration paid as of December 31, 2015, net of cash acquired through the acquisition, is as follows:

€ in thousand	
Cash consideration paid	35,000
Cash and cash equivalents in acquired business	(2,795)
Payments received from J&J (WC adjustment, other liabilities)	(10,024)
Cash outflow through acquisition	22,181

The main acquired assets and liabilities remain located in Sweden. The acquired assets and liabilities have been included in the Company's assets and liabilities as of the acquisition closing date February 9, 2015 and were consolidated from this date onwards. From the acquisition closing date through December 31, 2015, the acquired business contributed revenues and grants of €36,427 thousand and a net profit of €9,038 thousand to the Group's consolidated income.

If the transaction had occurred on January 1, 2015, the Group's consolidated revenues and grants for the year ended December 31, 2015 would have been €89,235 thousand, and its net loss would have been €19,341 thousand, of which €497 thousand result from non-recurring acquisition costs.

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

€ in thousand	**Fair Value**	**Acquiree's carrying amount**
Cash, cash equivalents and financial assets	2,795	2,795
Property, plant and equipment, hardware	2,670	10,706
Intangible assets	-	4
Other non-current assets	-	369
Inventories	25,846	20,183
Trade receivables and other current assets	3,294	3,294
Deferred tax liability	-	-
Trade payables, accruals and other payables	(11,564)	(11,135)
Net assets acquired	**23,041**	**26,217**

The fair value of trade receivables and other current assets equals their book values (gross values). No receivables are expected to be uncollectable.

The initial accounting for the business combination was adjusted within twelve months from the acquisition date. The values reported as of December 31, 2015 are final.

5.32 Related-party transactions

5.32.1 Purchases of services

Services provided by companies of Grimaud Group are considered related party transactions and included a group management agreement and the provision of services as well as miscellaneous items by Groupe Grimaud to Valneva SE. These services were rendered in connection with operating activities (interest rate swap allocation agreement) or with regulated activities (guarantees).

€ in thousand	Year ended December 31,	
	2015	2014
Purchases of services:		
+ Operating activities	7	35
+ Group management	-	-
Purchases of services	**7**	**35**

5.32.2 Key management compensation

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

€ in thousand	Year ended December 31,	
	2015	2014
Salaries and other short-term employee benefits	1,379	1,421
Other long-term benefits	24	14
Share-based payments (expense of the year)	498	131
Key management compensation	**1,901**	**1,566**

5.32.3 Supervisory Board compensation

The aggregate compensation of the members of the Company's Supervisory Board amounted to €250 thousand (2014: €243 thousand). In the years 2011 and 2015, the Company granted equity warrants to members of the Supervisory Board. For more information, see Note 5.24.3.

5.33 Pro Forma Information related to the acquisition of Crucell Sweden

5.33.1 Background to the preparation of the merger pro forma information

On January 5, 2015, Valneva entered into a Sale and Purchase Agreement with Crucell Holland BV, to acquire all shares of Crucell Sweden AB, DUKORAL® - related assets and privileges owned by other affiliates of the seller and assets and privileges of the Nordics Trade business. The closing date (defined as the date at which certain closing conditions were fulfilled, in particular the completion of an equity and debt fundraising such that the Company had sufficient immediately available funds to pay the purchase price at completion) was February 9, 2015. From that time onward the Crucell Assets have been consolidated in full. The carve-out consolidated revenue from Crucell Sweden, DUKORAL® and Nordics Trade amounted to €36.4 million in the year ended December 31, 2014.

For more information, see Note 5.31.

The pro forma consolidated income statement for the year ended on December 31, 2015 reflects the consolidated results of the Valneva Group as if the acquisition of the Crucell Sweden had occurred on January 1, 2015. The pro forma adjustments are based on available information and on assumptions that are considered reasonable by Valneva Group.

The 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, 2015 if the acquisition 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.

5.33.2 Income statement for the year ended December 31, 2015 and pro forma income statement for the year ended December 31, 2015

Pro forma income statement (unaudited)

€ in thousand	**Full year ended December 31,**	
	2015	**Pro forma 2015**
Product sales	61,545	67,445
Revenues from collaborations, licensing and services	16,814	16,814
Revenues	**78,359**	**84,259**
Grant income	4,975	4,975
Revenues and Grants	**83,335**	**89,235**
Cost of goods and services	(46,961)	(49,861)
Research & Development expenses	(25,367)	(25,367)
Distribution and marketing expenses	(9,121)	(10,021)
General and administrative expenses	(14,394)	(14,297)
Other income and expenses, net	(152)	(652)
Amortization and impairment of fixed assets/intangibles	(7,273)	(7,273)
OPERATING PROFIT/(LOSS)	**(19,934)**	**(18,237)**
Finance income	5,073	5,073
Finance expenses	(9,716)	(9,716)
Result from investments in affiliates	(8,999)	(8,999)
Gain on bargain purchase	13,183	13,183
PROFIT/(LOSS) BEFORE INCOME TAX	**(20,393)**	**(18,696)**
Income tax	(224)	(645)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	**(20,617)**	**(19,341)**

5.33.3 Reconciliation to the Group's consolidated financial statements under IFRS

	Full year ended December 31, 2015			
€ in thousand (unaudited)	**Valneva reported income statement (IFRS)**	**Crucell assets income statement for the period Jan 1– Feb 9, 2015**	**Pro forma adjustments - exclusion of acquisition-related costs**	**Adjusted pro forma income statement**
Product sales	61,545	5,900		67,445
Revenues from collaborations, licensing and services	16,814	-		16,814
Revenues	**78,359**	**5,900**		**84,259**
Grant income	4,975	-		4,975
Revenues and Grants	**83,335**	**5,900**		**89,235**
Cost of goods and services	(46,961)	(2,900)		(49,861)
Research & Development expenses	(25,367)	-		(25,367)
Distribution and marketing expenses	(9,121)	(900)		(10,021)
General and administrative expenses	(14,394)	(400)	*497*	(14,297)
Other income and expenses, net	(152)	(500)		(652)
Amortization and impairment of fixed assets/intangibles	(7,273)			(7,273)
OPERATING PROFIT/(LOSS)	**(19,934)**	**1,200**	***497***	**(18,237)**
Finance income	5,073	-		5,073
Finance expenses	(9,716)			(9,716)
Result from investments in affiliates	(8,999)			(8,999)
Gain on bargain purchase	13,183			13,183
PROFIT/(LOSS) BEFORE INCOME TAX	**(20,393)**	**1,200**	***497***	**(18,696)**
Income tax	(224)	(421)		(645)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	**(20,617)**	**779**	***497***	**(19,341)**

The main adjustments in the year ended December 31, 2015 are the following:

Cancellation of the impact of acquisition costs of €0.5 million incurred by Valneva in order to perform the acquisition. These items represent significant charges that impact current results, but have been considered unrelated to the Group's ongoing operations and performance.

5.33.4 Basis of preparation

The Pro Forma Financial Information was prepared based on published data of Valneva SE and Johnson & Johnson pro forma management reporting, 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 acquisition has been treated in the Pro Forma Financial Information as an acquisition of Crucell Sweden by Valneva, if analyzed in terms of the criteria provided for by IFRS 3 R, applicable as of December 31, 2013.

(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, 2015 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, at December 31, 2015
+ unaudited Johnson & Johnson pro forma management reporting for the period Jan 1, 2015 to Feb 9, 2015

The pro forma adjustments to the pro forma consolidated income statements for the years ended on December 31, 2015 were calculated on the assumption that the acquisition had been completed on January 1, 2015.

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, 2015 if the acquisition 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 acquisition.

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 acquisition;
+ 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 acquisition;
+ 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 acquired business for the period Jan 1, 2015 to Feb 9, 2015.

5.34 Events after the reporting period

In connection with the acquisition of Crucell Sweden AB and its related assets the Group entered into a €15 million term loan facility from funds managed by Athyrium Capital Management, LLC. Following changes to the DUKORAL® label in Canada in December 2015 the parties agreed on an early repayment of the loan. This voluntary prepayment triggered a 20% prepayment fee in the amount of €3,000 thousand. Alongside with 1% participation fee and the interest for the remaining period the repayment amounts to €18.340 thousand and was redeemed to the lender on January 26, 2016 (see Note 5.25.3).

No further events that are expected to have a material effect on the financial statements occurred after the reporting period until March 18, 2016.

4.2 Auditors' report on the consolidated 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 consolidated financial statements

Year ended December 31, 2015

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and it 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 such reports, whether modified or not. This information is presented below the audit opinion on the consolidated 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 consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the Group's management report.

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, 2015 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, 2015 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 Notes 5.2 “Summary of significant accounting policies” and 5.31 « Business combination » to the consolidated financial statements regarding the acquisition of Crucell Sweden AB completed on February 9, 2015 and the impact on the consolidated financial statements, which implies that fiscal years 2014 and 2015 cannot be relevantly compared.

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 €98.6 million as of December 31, 2015, have been subject to impairment tests in accordance with the methods set forth in the Notes 5.2.8 “Intangible assets” and 5.2.10 “Impairment of non-financial assets” 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 5.13 “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 18, 2016

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Thierry Charron	Vincent Gros

4.3 Statutory financial statements as of December 31, 2015

VALNEVA

A European company (*Societas Europaea* or SE)
with a Management and a Supervisory Board
Share capital: €11,383,243.14
Registered office: 70, rue Saint Jean de Dieu, 69007 Lyon
Lyon Companies Register (RCS) No. 422 497 560

Annual Financial Statements
at December 31, 2015

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, 2015 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.

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1. BALANCE SHEET

1.1 Assets

(in € thousand)	Note No.	Gross Value	Depreciation, amortization & provisions	At December 31 2015	At December 31 2014
INTANGIBLE FIXED ASSETS	4.3.1				
Research & Development expenses		8,343	6,558	1,785	3,597
Concessions, patents and similar rights		394	228	165	1,860
Goodwill					4,107
Other intangible assets in process		4		4	105
PROPERTY, PLANT AND EQUIPMENT	4.3.2				
Land		677	150	527	554
Constructions		6,207	2,282	3,925	4,257
Plant, machinery and equipment		3,449	2,481	968	1,469
Other PPE		489	367	122	201
Tangible fixed assets under construction		15		15	
Prepayments					
LONG-TERM INVESTMENTS	4.3.3				
Non-consolidated investments		163,927	8,999	154,929	137,928
Receivables on non-consolidated investments					
Loans		142		142	130
Other financial assets		1,293	471	823	881
TOTAL NON-CURRENT ASSETS		**184,939**	**21,536**	**163,403**	**155,088**
INVENTORIES AND WORK IN PROGRESS	4.3.4				
Raw materials and supplies		210	51	159	685
Work-in-progress					
RECEIVABLES					
Trade receivables and related accounts	4.3.5	163		163	404
Other receivables	4.3.6	45,729	144	45,584	33,352
Called up capital					
OTHER CURRENT ASSETS					
Marketable securities					
Cash at bank and in hand	4.3.7	12,184		12,184	9,314
ACCRUAL ACCOUNTS					
Prepaid expenses	4.3.8	427		427	250
TOTAL CURRENT ASSETS		**58,713**	**196**	**58,517**	**44,005**
Unrealized losses on foreign exchange		**50**		50	4
TOTAL EQUITY AND LIABILITIES		**243,702**	**21,732**	**221,970**	**199,097**

1.2 Liabilities and equity

(in € thousand)	Note No.	December 31, 2015	December 31, 2014
Share capital or individual share		11,383	8,631
Additional paid-in capital		214,300	175,041
Regulated reserves		52,832	52,832
Retained earnings/(accumulated deficit)		(58,716)	(43,832)
NET INCOME (LOSS) FOR THE YEAR		**(17,619)**	**(14,883)**
Investment grants	4.3.11	172	418
Tax-driven provisions		467	659
SHAREHOLDERS' EQUITY	4.3.10	202,820	178,866
Subordinated grants	4.3.12	2,516	3,951
OTHER EQUITY		**2,516**	**3,951**
Provisions for contingencies		62	129
Provisions for losses		189	163
PROVISIONS FOR CONTINGENCIES AND LOSSES	4.3.13	**250**	**292**
BORROWINGS			
Bank borrowings	4.3.14	8,396	9,614
OPERATING PAYABLES			
Trade payables and related accounts	4.3.15	1,073	1,833
Tax and employee-related liabilities	4.3.16	1,022	1,137
OTHER PAYABLES			
Payables on fixed assets and equivalent	4.3.17	115	1,578
Other financial liabilities	4.3.17	5,733	1,822
ACCRUAL ACCOUNTS			
Deferred income	4.3.18	33	
TOTAL LIABILITIES		**16,370**	**15,984**
Unrealized losses on foreign exchange		14	3
TOTAL EQUITY AND LIABILITIES		**221,970**	**199,097**

2. INCOME STATEMENT

Headings (in € thousand)	France	Export	Note No.	At December 31, 2015	2014
Sales of services	549	281		830	1,402
NET SALES	**549**	**281**	4.4.1	**830**	**1,402**
Change in inventory of own production of goods and services					
Own production of goods and services capitalized			4.4.2	107	152
Grants			4.4.3	86	278
Reversals of depreciation, amortization and provisions, expense reclassifications			4.4.5	141	291
Other income			4.4.4	3,200	1,090
OPERATING INCOME				**4,364**	**3,212**
Purchase of trade goods					
Purchases of raw materials and other supplies (including customs duties)				466	1,226
Change in inventory (raw materials and supplies)				17	(377)
Other purchases and external expenses			4.4.6	8,404	8,265
Taxes other than on income and related payments			4.4.7	121	196
Wages and salaries			4.4.8	2,660	3,261
Employee benefit expense			4.4.8	1,283	1,428
ALLOWANCES FOR DEPRECIATION AND AMORTISATION, PROVISIONS					
For fixed assets			4.4.9	1,385	1,971
For current assets			4.4.9	0	52
For contingencies and losses			4.4.9	25	254
Other expenses				318	318
OPERATING EXPENSES				**14,680**	**16,593**
INCOME (LOSS) FROM ORDINARY ACTIVITIES				**(10,317)**	**(13,381)**
JOINT VENTURE OPERATIONS					
FINANCIAL INCOME					
Financial income from non-consolidated investments				545	533
Income from other marketable securities and receivables capitalized					
Other interests and similar income				98	157
Reversals of provisions and expense reclassifications			4.4.9	21	270
Foreign exchange gains				19	14
Net proceeds from the disposal of marketable securities				0	0
FINANCIAL INCOME				**683**	**973**
Amortization and charges to provisions for financial items			4.4.9	9,138	
Interest and similar expenses				556	210
Foreign exchange losses				13	223
Net charges on disposals of marketable securities					
FINANCIAL EXPENSES				**9,708**	**434**
NET FINANCIAL INCOME (EXPENSE)			4.4.10	**(9,025)**	**540**
INCOME (LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX AND EXCEPTIONAL ITEMS				**(19,341)**	**(12,841)**

Headings (in € thousand)	Note No.	At December 31, 2015	2014
Exceptional income from non-capital transactions		268	2,500
Exceptional income from capital transactions		7,582	40
Reversals of provisions and expense reclassifications		6,954	157
EXCEPTIONAL INCOME		**14,803**	**2,697**
Exceptional expenses on non-capital transactions			
Exceptional expenses on capital transactions		14,932	3
Exceptional depreciation, amortization and provisions		0	6,702
EXCEPTIONAL EXPENSES		**14,932**	**6,705**
NET EXCEPTIONAL ITEMS	4.4.11	**(129)**	**(4,008)**
Corporate income tax	4.4.12	(1,851)	(1,965)
TOTAL INCOME		**19,849**	**6,883**
TOTAL EXPENSES		**37,469**	**21,766**
PROFIT OR LOSS		**(17,619)**	**(14,883)**
Basic net earnings per share (in euros)	4.4.13	(0.24)	(0.26)
Diluted net earnings per share (in euros)		(0.24)	(0.26)

3. CASH FLOW STATEMENT

Cash flow statement	Note No.	2015	2014
Cash flow from operating activities:			
Net income /(loss)		(17,619)	(14,883)
Income and expenses with no impact on cash or unrelated to operating activities			
Operating depreciation and amortization expenses		1,411	2,277
Reversals of operating depreciation and amortization expenses		(114)	(21)
Financial depreciation and amortization expenses		9,117	(270)
Exceptional depreciation and amortization		0	6,701
Reversals of exceptional provisions		(6,954)	(157)
Expense reclassifications on capitalized assets		(107)	(152)
Amount of grants recognized under income		(37)	(40)
(Gains)/losses on disposal of assets		7,418	3
Cancellation of operating/exceptional receivables		0	0
Operating cash flows		**(6,885)**	**(6,540)**
Change in other current assets and liabilities:			
Inventories		527	(377)
Trade receivables and related accounts		241	1
Trade payables and related accounts		(760)	254
Other receivables		(13,300)	8,017
Prepayments and accrued income		(222)	162
Tax and employee-related liabilities		(115)	25
Other accruals and deferred income		3,911	1,784
Accruals and deferred income		47	(1,583)
Net cash from (used in) operating activities		**(16,557)**	**1,743**
Cash flow from investing activities			
Purchase of intangible fixed assets:		(146)	(163)
Purchase of property, plant and equipment		(404)	(402)
Purchase of long-term investments		(18,539)	(10,019)
Net capital expenditure		39	0
Change in working capital requirements with regard to assets		(1,463)	(2,927)
Net cash used in investing activities		**(20,514)**	**(13,510)**
Cash flow from financing activities			
Proceeds from borrowings		1,769	1,835
Repayment of borrowings		(2,987)	(3,197)
Subordinated grants received/repaid		(642)	(250)
Investment grants received		(209)	0
Capital increase		45,168	9,137
Transaction costs charged to merger premium		(3,157)	(505)
Net cash from financing activities		**39,942**	**7,019**
Net change in cash and cash equivalents		**2,870**	**(4,748)**
Opening cash, cash equivalents and marketable securities		9,314	14,062
Closing cash, cash equivalents and marketable securities		12,184	9,314
Net change in cash and cash equivalents	4.3.7	**2,870**	**(4,748)**

4. NOTES TO THE FINANCIAL STATEMENTS

4.1 Key events of the year

Annual highlights of the year included:

+ **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**;

Signature of the Sale and Purchase Agreement

On January 5, 2015, Valneva announced that it had entered into a Sale and Purchase Agreement with Crucell Holland B.V. to acquire 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 (the "**Acquisition**"). This agreement entails in particular the purchase of the manufacturing site in Solna (Sweden) as well as transfer to the Valneva Group of approximately 115 employees (FTEs).

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

+ complement Valneva's product portfolio that includes a Japanese encephalitis vaccine by creating critical mass in traveler'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.

Closing of the Crucell Sweden AB acquisition

On February 10, 2015, Valneva announced the completion of 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®.

This acquisition is reflected in the accounts of Valneva SE by a 100% equity stake in the new subsidiary Vaccines Holdings Sweden AB in the amount of €17 million.

In order to reflect the commercial changes resulting from the adjustment in the indications of DUKORAL® in Canada, Crucell Holland BV and Valneva agreed to make certain changes to the sale and purchase agreement, and notably a purchase price adjustment. Crucell Holland BV accordingly waived the last installment of €10 million that Valneva was to pay under the terms of the agreement while repaying Valneva €15 million of the purchase price. The waiver of the last payment of €10 million outstanding and the repayment of €15 million represented accordingly a reduction of €25 million from the purchase price, which was accordingly reduced from €45 million to €20 million.

+ **Successful completion of the €45 million capital increase**

On February 4, 2015, Valneva announced the successful completion of its capital increase with shareholders preferential subscription rights. The final gross proceeds of the rights issue amounted to €45,031,721.02, corresponding to the issuance of 18,231,466 new ordinary shares, at a subscription price of €2.47 per share. Total subscription orders for the rights issue amounted to approximately €81.1 million, i.e. a take up rate of approximately 180%.

+ **Confirmation of BliNK Biomedical's launch and financing**

On December 11, 2014, Valneva and the 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.

BliNK Biomedical SAS was created to 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. The purpose of BliNK Biomedical SAS' powerful B cell technology is to enable the isolation of antibody- producing cells for difficult targets for which other platforms have failed to deliver. This cutting-edge technology is 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 two highly efficient combined processes, an unprecedented capability to screen and identify extremely rare antibody-secreting cells will be achieved by BliNK.

BliNK Biomedical SAS was created in January 2015 with retroactive effect as from January 1, 2015. BliNK Biomedical SAS is today held by Valneva SE (with 48.2%), and by historic investors of Blink Therapeutics (Kurma Biofund I and different funds managed by its partner, Idinvest), Cancer Research Technology and the founders of BliNK Therapeutics Ltd. (with a combined holding of approximately 51.8%).

An impairment test performed at year-end led to the recognition of an impairment charge for the total number of BliNK Biomedical SAS shares. This impairment is the result of this strategic redeployment of the company held.

Impact of the transaction of the accounts (in € thousand):

Financial assets	8,998
Intangible fixed assets	(7,238)
Property, plant and equipment	(620)
Inventories	(528)
Payables	1,000
Cash	(1,998)
Net exceptional items	386

4.2 Accounting policies and methods

4.2.1 General background

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 regulation 2014-03 of the French accounting standard setter (*Autorité des Normes Comptables* or ANC), and applied 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 Management Board on March 17, 2016.

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 & 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 the expenditure 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 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 transferred in connection with the contribution to BliNK Biomedical SAS.

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."

At December 31, 2015, as the license agreements in question had fallen into the public domain, the corresponding guaranteed payments and future royalties were derecognized.

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
    - i) Structure 25 years
    - ii) Roofing 25 years
    - iii) Weatherboarding 25 years
    - iv) Exterior woodwork 20 years

v) Interior partitions	20 years
› General installations	
i) Fluid and energy systems	10 to 15 years
ii) Air treatment	10 years
iii) 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:

+ an 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 Management 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 on December 31, 2014 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 the Japanese subsidiary, Valneva Toyama Japan K.K., Valneva Austria GmbH securities tendered in connection with the merger of May 28, 2013, securities of new subsidiaries Vaccines Holdings Sweden AB, Valneva Canada Inc. and Valneva UK Ltd., and non-consolidated investments in BliNK Biomedical SAS.

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, an impairment expense 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, as well as for the liquidity agreement concluded in connection with the Company's listing for the purpose of ensuring the liquidity and orderly trading of its shares, in addition to 124,322 treasury shares in the amount of €646,350, corresponding to financial compensation paid by the company to former Intercell shareholders who exercised their exit right following the merger with Intercell AG in May 2013.

An 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.

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. An impairment expense 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 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 an 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.

4.2.15 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.

4.2.16 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". Grants used to finance Research & Development projects that are capitalized are recognized under "Development expenditure", whereas those used for projects not capitalized are recognized under "Operating Grants".

4.2.17 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.

4.2.18 Payables

Payables are stated at nominal amount.

4.2.19 Revenues

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

+ the manufacture of vaccines. Valneva SE offers research and commercial licenses for its EB66® cell lines to biotechnology companies and the pharmaceutical industry for the production of viral vaccines;
+ the perfection of systems for producing ("expressing") recombinant therapeutic proteins and monoclonal antibodies. Valneva SE works with companies operating in the biotechnology sector.

Sales generated by Valneva SE 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; and
+ when services are re-invoiced to the subsidiary Valneva Austria GmbH and other companies.

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.

4.2.20 Operating grants

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

4.2.21 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 upfront 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.

4.2.22 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.

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 CICE wage tax receivables for 2013, 2014 and 2015 will be paid back in 2017, 2018 and 2019 and for that reason have not yet been allocated to expenses.

4.2.23 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 2015, the transfer of assets relating to the VIVA|Screen® to BliNK Biomedical SAS had no impact on results for the period, as the impairment charge for these assets in the amount of €6.7 million was recorded on December 31, 2015.

4.2.24 Income tax

The incomes tax expense line item 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 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) are henceforth collateralized with BPI *(Banque Publique d'Investissement).*

4.2.25 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, 2015 to December 31, 2015

(in € thousand)	At January 1, 2015	Changes in the period			At December 31, 2015
		Increase	Decrease	Other Changes	
Preliminary expenses	0	0	0	0	0
Development expenditure	8,604	107	(369)	0	8,343
Goodwill	8,124	0	(8,124)	0	0
Concessions, patents and rights	8,084	0	(7,916)	0	168
Software	180	146	(101)	0	225
Intangible assets under development	105	0	(101)	0	4
Other	0	0	0	0	0
Gross intangible fixed assets	**25,097**	**253**	**(16,610)**	**0**	**8,740**
Preliminary expenses	0	0	0	0	0
Development expenditure (1)	6,237	628	(306)	0	6,558
Goodwill (2)	4,017	0	(4,017)	0	0
Concessions, patents and rights (3)	5,041	10	(4,905)	0	146
Software	135	46	(98)	0	83
Total amortization	**15,429**	**684**	**(9,327)**	**0**	**6,786**
Net intangible fixed assets	**9,668**	**(431)**	**(7,283)**	**0**	**1,954**
Development expenditure	623	0	(156)	0	467
Concessions, patents and rights	0	0	0	0	0
Software	2	0	(2)	0	0
Total accelerated tax depreciation or amortization	**625**	**0**	**(158)**	**0**	**467**
Net tax value of intangible fixed assets	**9,042**	**(431)**	**(7,125)**	**0**	**1,487**
(1) Of which exceptional depreciation	1,229	0	(38)	0	1,191
(2) Of which exceptional depreciation	4,017	0	(4,017)	0	0
(3) Of which exceptional depreciation	2,683	0	(2,683)	0	0

Development expenditure

In 2015, a new development expenditure of €107 thousand 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 derecognized in connection with the contribution to

BliNK Biomedical SAS. An impairment was recorded for this amount in 2014 based on the valuation of the VIVA|Screen® technology in the Contribution Agreement.

Concessions, patents and rights

The SC World technology was transferred in connection with the contribution to BliNK Biomedical SAS. It was subject to impairment in 2014 following the valuation of the VIVA|Screen® technology in the Contribution Agreement providing for the transfer to BliNK Biomedical SAS.

(b) Change from January 1, 2014 to December 31, 2014

(in € thousand)	At January 1, 2014	Changes in the period			At December 31, 2014
		Increase	Decrease	Other Changes	
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
Intangible assets under development	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	**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 depreciation	1,229	0	0	0	1,229
(2) Of which exceptional depreciation	0	4,017	0	0	4,017
(3) Of which exceptional depreciation	0	2,683	0	0	2,683

Development expenditure

In 2014, a new development expenditure of €152 thousand 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 €4,017 thousand 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 €2,683 thousand 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.

4.3.2 Net intangible fixed assets

(a) Change from January 1, 2015 to December 31, 2015

(in € thousand)	At January 1, 2015	Changes in the period			At December 31, 2015
		Increase	Decrease	Other Changes	
Land	677	0	0	0	677
Buildings on own land	3,026	0	0	0	3,026
Buildings on land of third parties	557	0	0	0	557
Building installations and improvements	2,591	33	0	0	2,624
Plant, machinery and equipment	4,323	338	(1,212)	0	3,449
General installations, miscellaneous improvements	42	0	(33)	0	9
Vehicles	18	0	(13)	0	5
Office, IT equipment, furniture	620	18	(165)	0	473
Recoverable packaging	2	0	0	0	2
Tangible fixed assets under construction	0	15	0	0	15
Prepayments	0	0	0	0	0
Gross intangible fixed assets	**11,856**	**404**	**(1,424)**	**0**	**10,837**
Land	123	28	0	0	150
Buildings on own land	605	133	0	0	738
Buildings on land of third parties	191	63	0	0	254
Building installations and improvements	1,121	169	0	0	1,290
Plant, machinery and equipment	2,821	272	(623)	0	2,470
General installations, miscellaneous improvements	16	1	(14)	0	3
Vehicles	18	0	(13)	0	5
Office, IT equipment, furniture	445	35	(123)	0	357
Recoverable packaging	2	0	0	0	2
Total depreciation	**5,341**	**701**	**(773)**	**0**	**5,270**
Impairment	0	0	0	0	0
Plant, machinery and equipment	34	0	(23)	0	11
Net intangible fixed assets	**6,481**	**(297)**	**(629)**	**0**	**5,556**
Plant, machinery and equipment	34	0	(34)	0	0
Total accelerated tax depreciation or amortization	**34**	**0**	**(34)**	**0**	**0**
Net tax value of intangible fixed assets	**6,447**	**(297)**	**(595)**	**0**	**5,556**

€404 thousand in capital expenditures were incurred for fixtures and laboratory equipment for the Saint-Herblain site.

Fixtures and laboratory equipment were transferred in connection with the contribution to BliNK Biomedical SAS for a net carrying amount of €620 thousand.

(b) Change from January 1, 2014 to December 31, 2014

(in € thousand)	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, miscellaneous 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	0	0	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, miscellaneous 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**

€106 thousand in capital expenditures were incurred for fixtures and laboratory equipment for the Lyon site and €244 thousand for the Saint-Herblain site.

4.3.3 Long-term investments

(a) Change from January 1, 2015 to December 31, 2015

(in € thousand)	At January 1, 2015	Acquisitions/ Contributions/ Mergers	Disposals	At December 31, 2015
Non-consolidated investments	137,928	25,999	0	163,927
Receivables on non-consolidated investments	0	0	0	0
Loans[1]	130	11	0	142
Deposits and bonds	47	0	0	47
Treasury shares	646	0	0	646
Liquidity agreement	600	0	0	600
Gross value	**139,352**	**26,011**	**0**	**165,363**
Non-consolidated investments	0	8,998	0	8,999
Depreciation of deposits and bonds	8	0	0	8
Treasury shares impairment	97	79	0	176
Liquidity agreement impairment	307	(21)	0	286
Total depreciation	**413**	**9,057**	**0**	**9,469**
Total net long-term investments	**138,939**	**16,954**	**0**	**155,893**
Non-consolidated investments	0	0	0	0
Total accelerated tax depreciation or amortization	**0**	**0**	0	**0**
Net tax value	**138,939**	**16,954**	**0**	**155,893**

(1): Long-term loans in connection with social housing levies

The increase in non-consolidated investments reflects:

+ the acquisition of an equity stake in BliNK Biomedical SAS for €8,998 thousand (fully written down at December 31, 2015);
+ the acquisition of securities of Vaccines Holdings Sweden AB pour €17,000 thousand following the acquisition of Crucell Sweden AB ;
+ the acquisition of securities of the distribution company Valneva Canada Inc. for €0.7 thousand; and
+ the acquisition of securities of the distribution company Valneva UK Ltd. for €0.1 thousand.

124,322 treasury shares representing €646,350 and correspond to financial compensation the Company paid to former Intercell shareholders having exercised their exit right.

The liquidity agreement concluded in July 2007 amounted to €600 thousand at December 31, 2015. Assets held under this liquidity agreement included both cash and shares (21,110 shares at December 31, 2015). The portion in shares has been valued on the basis of the average trading price for December 2015 resulting in the reversal of an allowance for impairment for €21 thousand. On that basis, the impairment at December 31, 2015 was €287 thousand.

An impairment charge of €79 thousand for treasury shares was recorded according to this same principle of valuation at December 31, 2015. At December 31, 2004, the remaining amount of this provision amounted to €176 thousand.

Portfolio of shares held in treasury:

	Number of shares at December 31, 2015	Gross	provision	Net
Liquidity agreement	20,110	363	287	76
Financial compensation	124,322	646	176	470

(b) Change from January 1, 2014 to December 31, 2014

(in € thousand)	At January 1, 2014	Acquisitions/ Contributions/ Mergers	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 €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 10618 AB (renamed "Vaccines Holdings Sweden AB") for SEK 50 thousand (€5 thousand) in December 2014 in preparation for the proposed acquisition.

124,322 treasury shares representing €646,350 and correspond to financial compensation the Company paid to former Intercell shareholders having exercised their exit right.

The liquidity agreement concluded in July 2007 amounted to €600 thousand 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 resulting in the reversal of an allowance for impairment for €14 thousand. On that basis, the impairment at December 31, 2014 was €307 thousand.

A provision for impairment of €26 thousand for treasury shares was recorded according to this same principle of measurement at December 31, 2014. At December 31, 2004, the remaining amount of this provision amounted to €97 thousand.

Portfolio of shares held in treasury:

	Number of shares At December 31, 2014	Gross	provision	Net
Liquidity agreement	26,722	425	307	118
Financial compensation	124,322	646	97	549

4.3.4 Inventories and work-in-progress

(a) Change from January 1, 2015 to December 31, 2015

(in € thousand)	At January 1, 2015	Increase	Decrease	At December 31, 2015
Raw materials and supplies	737	0	(527)	210
Impairment	(52)	0	1	(51)
Total	**685**	**0**	**(526)**	**159**

A provision for impairment of €52 thousand was recorded at December 31, 2014 relating to small laboratory consumables no longer adapted to current processes was subject to a marginal adjustment.

(b) Change from January 1, 2014 to December 31, 2014

(in € thousand)	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**

4.3.5 Trade receivables and related accounts

(in € thousand)	December 31, 2015	December 31, 2014
Trade receivables	163	404
Doubtful trade receivables	0	0
Gross value	**163**	**404**
Impairment of trade receivables	0	0
Total trade receivables(net value)	**163**	**404**

(a) Trade receivables by maturity at December 31, 2015

(in € thousand)	Gross	Up to 1 year	More than 1 year
Trade receivables	153	153	0
Doubtful trade receivables	0	0	0
Trade receivables – sales invoice accruals	10	10	0
Total	**163**	**163**	**0**

(b) Trade receivables by maturity at December 31, 2014

(in € thousand)	Gross	Up to 1 year	More than 1 year
Trade receivables	362	362	0
Doubtful trade receivables	0	0	0
Trade receivables – sales invoice accruals	42	42	0
Total	**404**	**404**	**0**

4.3.6 Other receivables

(in € thousand)	December 31, 2015	December 31, 2014
Income tax	8,811	8,955
VAT	149	379
Grant income	189	1,299
Current account advances / Valneva Toyama Japan K.K.	144	129
Current account impairment charges / Valneva Toyama Japan K.K.	(144)	(129)
Current account advances / subsidiaries	36,411	21,985
Other operating receivables	25	735
Amounts receivable on disposal of assets	0	0
Total other receivables (net value)	**45,584**	**33,352**

The corporate income tax receivables virtually all concern the Research Tax Credit (RTC) and the CICE (*Crédit d'Impôt pour la Compétitivité et l'Emploi*) wage tax credit.

(in € thousand)	December 31, 2015	December 31, 2014
2015 RTC	1,851	0
2014 RTC	1,965	1,965
2013 RTC	2,039	2,039
2012 RTC	2,759	2,759
2011 RTC	0	2,046
CICE 2015 tax credit	52	0
CICE 2014 tax credit	70	70
CICE 2013 tax credit	71	71
Miscellaneous tax reductions	4	5
Total corporate income tax receivables (net value)	**8,811**	**8,955**

(in € thousand)	Allocated	Reversed	Paid	Balance
DIACT (2008)	550	460	220	(130)
OSEO (2009)	6,016	1,594	4,422	0
NANTES (2009)	894	0	894	0
ANR (2010)	541	76	465	0
FEDER	1,500	298	752	450
FUI RHONES ALPES	374	276	112	(14)
FUI PAYS DE LOIRE	628	430	314	(116)
Total grants and advances	**10,503**	**3,134**	**7,180**	**189**

(a) At December 31, 2015

(in € thousand)	Gross	Up to 1 year	More than 1 year
Income tax	8,811	2,759	6,052
VAT	149	149	0
Grant income	189	189	0
Current account advances / Valneva Toyama Japan K.K.	144	144	0
Current account impairment charges / Valneva Toyama Japan K.K.	(144)	(144)	0
Current account advances / subsidiaries	36,411	36,411	0
Other operating receivables	25	25	0
Amounts receivable on disposal of assets	0	0	0
Total	**45,584**	**39,533**	**6,052**

(b) At December 31, 2014

(in € thousand)	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
Current account advances / Valneva Toyama Japan K.K.	129	129	0
Current account impairment charges / Valneva Toyama Japan K.K.	(129)	(129)	0
Current account advances to Valneva Austria 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**

4.3.7 Net cash flow

Net cash flow items

(in € thousand)	December 31, 2015	December 31, 2014
Cash at bank and in hand[1]	11,184	9,314
Fixed term deposits	1000	0
Marketable securities[2]	0	0
Cash assets	**12,184**	**9,314**
Bank facilities	0	0
Cash liabilities	**0**	**0**
Net cash flow	**12,184**	**9,314**
(1) Of which notes sent for collection or discounting	0	0
(2) Of which accrued income on certain assets	0	0

4.3.8 Prepaid expenses

(in € thousand)	December 31, 2015	December 31, 2014
Office supplies	5	1
Maintenance and repairs	23	25
Leasing expenses	0	9
Rent and service charges	42	32
Insurance premiums	109	118
Documentation	15	11
Conventions	29	2
Fees	157	17
Advertising	6	3
Bank services	15	7
Site security services	2	2
Royalties, concessions, patents	24	22
Total	**427**	**250**

4.3.9 Accrued income

(in € thousand)	December 31, 2015	December 31, 2014
Receivables on non-consolidated investments	0	0
Accrued interest on liquid assets under the equity agreement	0	0
Trade receivables and related accounts	10	42
Other receivables	0	55
Marketable securities (certificates of deposit)	0	0
Bank – accrued interest on time deposits	1	19
Total accrued income[1]	**11**	**116**

(1) For 2014: amount up to one year: €116 thousand

For 2015: amount up to one year: €11 thousand

4.3.10 Shareholders' equity

(a) Change from January 1, 2015 to December 31, 2015

(in € thousand)	At January 1, 2015	Changes in the period			At December 31, 2015
		Increase	Decrease	Other changes	
Share capital	8,631	2,752	0	0	11,383
Additional paid-in capital	175,041	39,258	0	0	214,299
Regulated reserves	52,832	0	0	0	52,832
Retained earnings/(accumulated deficit)	(43,832)	0	0	(14,883)	(58,715)
Net income/(loss) for the year	**(14,883)**	**0**	**(17,619)**	**14,883**	(17,619)
Net investment grants	418	0	(245)	0	173
Tax-driven provisions	660	0	(193)	0	467
Total shareholders' equity	**178,866**	**42,010**	**(18,057)**	**0**	**202,820**

Share capital

At December 31, 2015, the share capital in the amount of €11,383 thousand is comprised of 75,888,288 shares, including (a) 74,698,099 ordinary shares with a par value of €0.15, (b) 17,836,719 preferred shares with a par value of €0.01, and (c) 1,074 convertible preferred shares with a par value of €0.15.

On February 4, 2015, Valneva completed a capital increase with shareholders preferential subscription rights. The final gross proceeds of the rights issue amounted to €45,031,721.02, corresponding to the issuance of 18,231,466 new ordinary shares, at a subscription price of €2.47 per share.

This issue generated an increase in the share capital of €2,735 thousand and share premium of €42,297 thousand.

Restricted shares granted for no consideration (free shares) and preferred shares were furthermore granted in the amount of €17 thousand.

At December 31, 2015, 15.95% of the share capital was mainly held by "Groupe Grimaud La Corbière SA", 9.83% by BPI (*Banque Publique d'Investissement*) and 69.95% by the free float. The remaining capital is held by financial investors, employees and executive managers.

Other equity

€3,338 thousand relating to the share issuance costs were charged against additional paid-in capital.

No dividend was paid in 2015.

(b) Change from January 1, 2014 to December 31, 2014

		Changes in the period			
(in € thousand)	**At January 1, 2014**	**Increase**	**Decrease**	**Other Changes in the period**	**At December 31, 2014**
Share capital or individual share	8,384	246	0	0	8,631
Additional paid-in capital	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

The share capital in the amount of €8,631 thousand is comprised of 57,540,948 shares including (a) 56,351,833 ordinary shares each with a par value of €0.15 and (b) 17,836,719 preferred shares with a par value of €0.01.

Valneva SE and the bank Crédit Agricole CIB (CACIB) executed an agreement on May 6, 2014 to establish an equity line for up to 10% 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) permitting the issuance of 5,474,633 new ordinary shares, that once exercised, will represent the equivalent of 10% of the ordinary shares.

500,000, 600,000 and once again, 500,000 such equity warrants were exercised on May 21, 2014, June 3, 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 €240 thousand and share premium of €8,716 thousand.

Restricted shares were granted for no consideration (free shares) in the amount of €6 thousand.

At December 31, 2014, 20.58% of the share capital was mainly held by "Groupe Grimaud La Corbière SA", 9.56% by BPI (*Banque Publique d'Investissement*) and 64.50% by the free float. The remaining capital is held by financial investors, employees and executive managers.

Other equity

€325 thousand relating to transaction costs for the equity line were charged against additional paid-in capital.

No dividend was paid in 2014.

4.3.11 Investment grants

(in € thousand)	MENRT 04G608	REGION NANTES	MINEFI 6075	REGION EPF	REGION EPF
Amount granted	441	500	954	111	137
Grant date	January 5, 2005	September 13, 2005	August 11, 2006	October 12, 2006	October 12, 2006
Net amount at 01/01/11	**75**	**162**	**23**	**50**	**81**
Grant for 2011	0	0	0	0	0
Amounts reclassified as operating grants	0	0	0	0	0
Grant transferred to 2011 net income	14	63	22	7	10
Net amount at 12/31/11	**61**	**99**	**1**	**43**	**71**
Grant for 2012	0	0	0	0	0
Amounts reclassified as operating grants	0	0	0	0	0
Grant transferred to 2012 net income	15	55	1	6	10
Net amount at 12/31/12	**46**	**44**	**0**	**37**	**61**
Grant transferred to 2013 net income	13	42	0	6	10
Net amount at 12/31/13	**33**	**2**	**0**	**31**	**51**
Grant transferred to 2014 net income	7	2	0	6	10
Net amount at 12/31/14	**26**	**0**	**0**	**25**	**41**
Grant transferred to 2015 net income	6	0	0	6	10
Decrease in the grant	0	0	0	0	0
Net amount at 12/31/15	**20**	**0**	**0**	**19**	**31**

(in € thousand)	REGION EPF	REGION Energie	OSEO Vivabio	DEPT 44	TOTAL
Amount granted	115	15	556	87	
Grant date	October 12, 2006	December 15, 2008	June 26, 2009	October 13, 2009	
Net amount at 01/01/11	**83**	**13**	**422**	**85**	**994**
Grant for 2011	0	0	0	0	0
Amounts reclassified as operating grants	0	0	(116)	0	(116)
Grant transferred to 2011 net income	10	3	14	3	146
Net amount at 12/31/11	**73**	**10**	**292**	**82**	**732**
Grant for 2012	0	0	0	0	0
Amounts reclassified as operating grants	0	0	0	0	0
Grant transferred to 2012 net income	11	2	41	4	145
Net amount at 12/31/12	**62**	**8**	**251**	**78**	**587**
Grant transferred to 2013 net income	11	2	42	3	**129**
Net amount at 12/31/13	**51**	**6**	**209**	**75**	**458**
Grant transferred to 2014 net income	10	1	0	3	40
Net amount at 12/31/14	**41**	**5**	**209**	**71**	**418**
Grant transferred to 2015 net income	10	1	0	3	36
Decrease in the grant	0	0	209	0	209
Net amount at 12/31/15	**31**	**4**	**0**	**68**	**173**

4.3.12 Subordinated grants

(in € thousand)	REGION PDL	OSEO Vivabio	NANTES Métropole	TOTAL
Amount granted	894	2,770	894	**4,558**
Grant date	May 22, 2009	June 26, 2009	November 16, 2009	
Net amount at 01/01/11	**894**	**2,770**	**894**	**4,558**
Grant for 2011	0	0	0	0
Repayment during 2011	0	0	0	0
Net amount at 12/31/11	**894**	**2,770**	**894**	**4,558**
Grant for 2012	0	0	0	0
Repayment during 2012	(178)	0	0	(178)
Net amount at 12/31/12	**716**	**2,770**	**894**	**4,380**
Grant for 2013	0	0	0	0
Repayment during 2013	(179)	0	0	(179)
Net amount at 12/31/13	**537**	**2,770**	**894**	**4,201**
Repayment during 2014	**(179)**	**0**	**(72)**	**(250)**
Net amount at 12/31/14	**358**	**2,770**	**822**	**3,951**
Decrease in aid in line with actual expenses	0	**(1,307)**	**0**	**(1,307)**
Financial returns	**0**	**194**	**0**	**194**
Repayment during 2015	**(179)**	**0**	**(143)**	**(322)**
Net amount at 12/31/15	**179**	**1,658**	**679**	**2,516**

4.3.13 Provisions for contingencies and losses

(a) Change from January 1, 2015 to December 31, 2015

(in € thousand)	January 1, 2015	Changes in the period			December 31, 2015
		Charge	Reversals		
			Used	Not used	
Disputes	12	0	0	0	12
Foreign exchange risk	4	46	0	0	50
Retirement severance benefits	163	25	0	0	189
Miscellaneous risks	113	0	0	(113)	0
Minimum annual CIT charge	0	0	0	0	0
Total provisions for contingencies and losses	**292**	**71**	**0**	**(113)**	**250**
+ of which operating	289	25	0	(113)	201
+ of which financial	3	46	0	0	49
+ of which exceptional	0	0	0	0	0

The provision for contingencies and expenses in an amount of €113 thousand in connection with the renegotiation of the grant obtained for the Vivabio project was reversed after payment of €320 thousand in 2015 by Valneva SE.

(b) Change from January 1, 2014 to December 31, 2014

(in € thousand)	January 1, 2014	Changes in the period			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 €113 thousand. This concerns the evaluation of an unjustified amount (€443 thousand) by Bpifrance in connection with the renegotiation of a grant for the Vivabio project.

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

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

4.3.14 Borrowings

(in € thousand)		December 31 2015	2014
CA €800 thousand loan of 12/31/09[1]	3-month Euribor floating rate + 1.10%	320	400
CA €500 thousand loan of 07/16/12[1]	3-month Euribor floating rate + 1.40%	175	276
CM €1.2 million loan of 08/08/08[1]	5.45% fixed rate	0	152
CM €1.2 million loan of 12/23/09[1]	3-month Euribor floating rate + 1.25%	240	300
CM €1,030 thousand loan of 06/18/10[1]	2.70% fixed rate	221	369
CM €1.2 million loan of 05/05/11[1]	3-month Euribor floating rate + 0.70%	429	601
CM €500 thousand loan of 07/05/12[1]	3-month Euribor floating rate + 1.40%	176	276
CE €300 thousand loan of 07/25/08[1]	5.40% fixed rate	0	51
CE €600 thousand loan of 12/23/09[1]	1-month Euribor floating rate + 1.20%	240	300
CA €500 thousand loan of 07/31/12[1]	1-month Euribor floating rate + 1.30%	180	281
LCL €500 thousand loan of 12/23/09[1]	1-month Euribor floating rate + 1.25%	200	250
LCL €470 thousand loan of 07/30/10[1]	3-month Euribor floating rate + 0.80%	118	185
RTC credit collateralization	1-month Euribor floating rate + 1.70%	6,095	6,168
Current bank facilities, bank credit balances		1	5
Total		**8,396**	**9,613**

(1) Of which accrued interest €11 thousand

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

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

Since 2010, through Groupe Grimaud La Corbière, the Company has been covered by several interest rate hedging contracts.

The last hedging contract still open was set in 2012 up for €385 thousand and reduced to €270.4 thousand at December 31, 2014 and €215.4 thousand at December 31, 2015.

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

This interest rate swap agreement provides for payment to Groupe Grimaud La Corbière each month of 1-month Euribor plus a fixed-rate amount of 0.58%.

The fair value of this last contract in progress represented a loss of €2.2 thousand at December 31, 2015.

(a) At December 31, 2015

(in € thousand)		Gross	Up to 1 year	More than 1 year	More than 5 years
Total financial debt		8,396	7,037	1,359	0
+ of which loans secured during the year	6,087				
+ of which loans repaid during the year	2,987				

Loans obtained during the period correspond on the one hand to the renewed collateralization of the 2012 and 2013 Research Tax Credits (RTC), and on the other hand, the collateralization of the 2014 RTC with BPI.

Repayment of these loans includes the collateralization of the 2011 RTC.

(b) At December 31, 2014

(in € thousand)		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				

4.3.15 Trade payables and related accounts

(a) At December 31, 2015

(in € thousand)	Gross	Up to 1 year	More than 1 year	More than 5 years
Operating payables	613	613	0	0
Notes payable	0	0	0	0
Operating payables – purchase invoice accruals	459	459	0	0
Total	**1,073**	**1,073**	**0**	**0**

(b) At December 31, 2014

(in € thousand)	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**

4.3.16 Tax and employee-related liabilities

(in € thousand)	December 31, 2015	December 31, 2014
VAT due	16	28
Other taxes	7	26
Wages and salaries	621	624
Employee benefit expense	378	458
Other employee-related liabilities	0	0
Total tax and employee-related liabilities[1]	**1,022**	**1,137**
(1) up to 1 year	1,022	1,137
more than 1 and less than 5 years	0	0
more than 5 years	0	0

4.3.17 Other financial liabilities

(in € thousand)	December 31, 2015	December 31, 2014
Payables on non-consolidated investments	0	6
Amounts due in respect of fixed asset purchases	115	1,572
Other operating payables	5,733	1,822
Total other liabilities	**5,848**	**3,400**

Amounts due with respect to "Fixed asset purchases" include at December 31, 2014 both estimated future royalties to be paid for license concessions (see Note 4.2.6) as well as €1 million in debt incurred from the technology acquired in 2011 from SC World. This latter debt was contributed to BliNK Biomedical SAS and at December 31, 2015 there no longer existed debt relating to future royalties.

The line item "Other operating liabilities" includes the current account balance with Valneva GmbH.

(a) At December 31, 2015

(in € thousand)	Gross	Up to 1 year	More than 1 year	More than 5 years
Payables on non-consolidated investments	0	0	0	0
Payables to fixed asset suppliers	115	115	0	0
Payables to fixed asset suppliers – purchase invoice accruals	0	0	0	0
Other financial liabilities	5,733	5,733	0	0
Total	**5,848**	**5,848**	**0**	**0**

(b) At December 31, 2014

(in € thousand)	Gross	Up to 1 year	More than 1 year	More than 5 years
Payables on non-consolidated investments	6	6	0	0
Payables to fixed asset suppliers	1,479	440	1,040	0
Payables to fixed asset suppliers – purchase invoice accruals	93	93	0	0
Other financial liabilities	1,822	1,822	0	0
Total	**3,400**	**2,360**	**1,040**	**0**

4.3.18 Deferred income

(in € thousand)	December 31, 2015	December 31, 2014
Operating grants	0	0
Research services and royalties	33	0
Total deferred income	**33**	**0**

(a) At December 31, 2015

(in € thousand)	Gross	Up to 1 year	More than 1 year	More than 5 years
Operating grants	0	0	0	0
Research services and royalties	33	0	0	0
Total	**33**	**0**	**0**	**0**

(b) At December 31, 2014

(in € thousand)	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**

4.3.19 Accrued expenses

(in € thousand)	December 31, 2015	December 31, 2014
Trade payables and related accounts	459	1,173
Tax and employee-related liabilities	930	948
Payables on fixed assets and equivalent	0	93
Borrowings and financial liabilities	12	20
Other financial liabilities	14	14
Total accrued expenses (1)	**1,415**	**2,248**

(1) Payable up to 1 year

4.4 Notes to the income statement

4.4.1 Revenues

(in € thousand)	December 31, 2015	December 31, 2014
Research services	224	309
Other services	606	1,093
Total	**830**	**1,402**

(in € thousand)	December 31, 2015	December 31, 2014
Sales in France	549	135
Export sales	281	1,267
Total	**830**	**1,402**

4.4.2 Own production of goods and services capitalized

(in € thousand)	December 31, 2015	December 31, 2014
Development expenditure	107	152
Total	**107**	**152**

4.4.3 Operating grants

(in € thousand)	December 31, 2015	December 31, 2014
FEDER	0	121
FUI RHONE ALPES	0	51
FUI PAYS DE LOIRE	0	106
OSEO	86	0
Total	**86**	**278**

4.4.4 Other income

(in € thousand)	December 31, 2015	December 31, 2014
Upfront and milestones	3,196	1,090
Other	4	1
Total	**3,200**	**1,090**

4.4.5 Reversals of depreciation, amortization and provisions and expense reclassifications

(in € thousand)	December 31, 2015	December 31, 2014
Reversals of provisions for trade receivables	0	21
Reversals of inventory provisions	1	0
Reversals of provisions for contingencies and losses	113	0
Operating expense reclassifications	27	270
Total	**141**	**291**

Operating expense reclassifications concerned amounts recharged for outside services to certain customers.

4.4.6 Purchases and external expenses

Main expense items (in € thousand)	December 31, 2015	December 31, 2014
Work by various third parties	2,878	1,523
Fees	2,281	2,675
Maintenance and repairs	257	366
Administrative services	1,500	2,155
Temporary personnel	20	60
Travel expenses	310	309
Symposiums, seminars, conferences	110	76
Post and telephone expenses	89	109
Entertainment expenses	73	86
Property leasing	130	135
Leasing expenses	55	55
Equipment leasing	14	4
Sundry transport expenses	42	53
Advertising, publications, public relations	112	28

Main expense items (in € thousand)	December 31, 2015	December 31, 2014
Documentation	20	17
Insurance premiums	249	272
Waste management	27	36
Security services	7	8
Training fees	4	15
Bank services	64	58
Natural gas	22	27
Water	2	2
Electricity	115	173
Dues and related contributions	22	23
Total	**8,404**	**8,265**

4.4.7 Taxes, duties and related amounts

(in € thousand)	December 31, 2015	December 31, 2014
Taxes on remuneration	**69**	**84**
Training	40	48
Apprentices tax	17	21
Other taxes / remuneration (FNAL)	13	15
Other taxes	**51**	**112**
Local taxes	52	51
CFE - CVAE regional business tax	(15)	7
Company vehicle tax	2	4
Corporate Social Solidarity Contribution C3S tax	(3)	3
Employer contribution for handicapped workers	8	3
Withholding taxes	4	37
Stamp and registration duties	1	3
Other taxes	2	4
Total	**121**	**196**

4.4.8 Personnel

(a) Employees

Average number of employees	December 31, 2015	December 31, 2014
Executives and higher intellectual professions	38	51
Intermediate professions	4	5
Office employees/workers	2	3
Workers	0	0
Seconded personnel	0	0
Total	**45**	**59**

+ Employees present at December 31, 2015: 47 employees, of which 47 on permanent contracts and on 0 on fixed term contract.
+ Employees present at December 31, 2014: 58 employees, of which 57 on permanent contracts and on 1 on fixed term contract.

(b) Staff costs

(in € thousand)	December 31, 2015	December 31, 2014
Wages and salaries	2,660	3,261
Employee benefit expense	1,284	1,394
CICE wage tax credit	(52)	(70)
Other personnel expenses	51	104
Total	**3,943**	**4,689**

(c) Remuneration paid to Management Board and Supervisory Board members

(in € thousand)	December 31, 2015	December 31, 2014
Fixed compensation	219	195
Variable compensation	139	93
Fringe benefits	7	6
All Management Board members	**365**	**294**
Attendance fees	250	243
All Supervisory Board members	**250**	**243**
Total	**615**	**537**

Restricted shares (free shares) (Restricted shares fully vested)	December 31, 2015	December 31, 2014
Management Board members	0	0
Supervisory Board members	0	0

Equity warrants (number of shares subscribed)	December 31, 2015	December 31, 2014
Management Board members	79,800	0
Supervisory Board members	0	0

Equity warrants (number of shares subscribed)	December 31, 2015	December 31, 2014
Management Board members	0	0
Supervisory Board members	0	0

(d) Employee benefits

Assumptions used for the valuation of pension benefits

	December 31, 2015	December 31, 2014
Discount rate	1.90%	1.80%
Salary increase rate	2%	2%
Social security charge rate	47.00%	45.00%
Employee turnover rate by age	Details below	Details below

2014 and 2015 data	Supervisors	Managers	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 € thousand)	December 31, 2015	December 31, 2014
Commitment at the beginning of period	**163**	**23**
Commitment at the end of period	**189**	**163**
Provision at the beginning of period	**163**	**23**
Charge for the period	25	141
Reversal of the period	0	0
Provision at the end of period	**189**	**163**

4.4.9 Depreciation, amortization & impairment of fixed assets

(in € thousand)	December 31, 2015	December 31, 2014
Intangible fixed assets	684	1,114
Property, plant and equipment	701	858
Total fixed assets (A)	**1,385**	**1,971**
Employee commitments	25	141
Provisions for operating contingencies and losses	(113)	113
Total provisions (B)	**(88)**	**254**
Total net charges excluding current assets (C=A+B)	**1,297**	**2,225**
Trade receivables and other current assets	(1)	52
Total assets (D)	**(1)**	**52**
Exceptional amortization (E=C+D)	**1,296**	**2,277**
Provisions for unrealized foreign exchange losses	46	
Impairments of current account balances	15	
Impairment of financial assets	9,057	
Total financial assets (F)	**9,117**	**0**
Exceptional amortization of fixed assets (G)		
Impairment of fixed assets (H)	(6,761)	6,701
Accelerated tax depreciation or amortization of fixed assets (I)	(192)	(156)
Other provisions (J)		
Total exceptional items (K=G+H+I+J)	**(6,954)**	**6,545**

The provision for impairment of property, plant and equipment (€6,704 thousand) recorded in 2014 to remeasure the VIVA|Screen® technology to its contribution value in the new company BliNK Biomedical SAS, was reversed in 2015 when this contribution was finalized.

A provision for impairment of the full amount of €8,998 thousand for the equity stake in this company (48.20%) was furthermore recorded on December 31, 2015. This provision was recorded following an impairment test carried out at year-end.

4.4.10 Net income/(loss) from financial items

(in € thousand)	December 31, 2015	December 31, 2014
Revenue from marketable securities and deposits	98	157
Interest on borrowings	(136)	(185)
Interest on convertible bond debt	(194)	0
Interest on current accounts	321	533
Translation adjustments	(40)	(3)
Impairment of financial assets /reversals	(9,072)	63
Other	(2)	(25)
Net financial income/(expense)	**(9,025)**	**540**

The impairment of the non-consolidated investment in BliNK Biomedical SAS had an adverse impact on net financial income (expense) of €8,998 thousand.

4.4.11 Net exceptional items

(in € thousand)	December 31, 2015	December 31, 2014
Net income on disposals	(7,418)	(3)
Depreciation and provisions, net of reversals on tangible fixed assets	23	0
Amortization and provisions, net of reversals on intangible fixed assets	6,739	(6,701)
Accelerated tax depreciation and amortization charges and reversals	192	156
Share of grant transferred to income	37	40
Misc. / renegotiation of debt on fixed assets	299	2,500
Net exceptional items	**(129)**	**(4,008)**

In 2015, the contribution of tangible and intangible assets relating to the VIVA│Screen® technology contributed to BliNK Biomedical SAS generated a disposal loss of €7 million offset by the reversal of the impairment charge for the same assets at December 31, 2014.

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

4.4.12 Income tax

(a) Income tax charges

Effective tax rate

(in € thousand)	December 31, 2015	December 31, 2014
Net profit/(loss)	(17,619)	(14,883)
Income tax	(1,851)	(1,965)
Net loss before tax	(19,470)	(16,849)
Effective tax rate	**0**	**0**

(b) Tax losses carried forward

	December 31, 2015	December 31, 2014
Losses carried forward at the beginning of the period	81,084	67,421
Losses generated during period[1]	10,385	13,663
Losses utilized during period	0	0
Prior losses used	0	0
Losses expired during period	0	0
Losses carried forward at the end of the period	**91,469**	**81,084**

(1) 2014 loss adjusted by €85 thousand.

(c) Deferred tax assets and deferred tax liabilities

(in € thousand)	December 31, 2015	December 31, 2014
Deferred tax assets (investment grants and accelerated tax depreciation or amortization)	213	359
Deferred tax liabilities		
+ Corporate Social Solidarity Contribution (C3S)	0	(1)
+ Capital grants taxable at time of allotment	0	0
+ Operating grants taxable at time of allotment	0	0
+ Unrealized gains from UCITS	0	0
+ Employee profit-sharing	0	0
Total deferred tax assets/deferred tax liabilities)	**213**	**358**

4.4.13 Earnings per share

		December 31, 2015	December 31, 2014
Basic net loss (in euros)	(a)	(17,619,145)	(14,883,482)
Average number of shares outstanding:	(b)	74,012,127	56,846,809
Total number of potential shares	(c)	92,932,332	69,923,691
Basic net earnings per share (in euros)	**(a) / (b)**	**(0.24)**	**(0.26)**

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 € thousand)	December 31, 2015	December 31, 2014
Equipment pledge	429	600
Pledges on non-consolidated investments[1]	154,881	137,876
pledge on Vaccines Holdings Sweden AB intercompany loans[2]	5,255	0

(1) Securities of Valneva Austria GmbH in connection with the financing transaction with Pharmakon, and securities of Vaccines Holdings Sweden AB in connection with the financing transaction of Crucell Sweden AB with Athyrium, for respectively €137,876 thousand and €17,005 thousand.

(2) In connection with the financing transaction for the acquisition of Crucell Sweden AB (first-demand guarantee signed by Valneva SE on behalf of Athyrium).

For information, the Athyrium loan was paid back in full in January 2016, and in consequence the corresponding pledges were no longer in force on the date of publication of these French GAAP accounts.

5.1.2 Off-balance-sheet commitments

	At December 31,	
(in € thousand)	2015	2014
Commitments given		
+ Commitment on Pharmakon / Valneva Austria GMBH loan[1]	46,916	37,768
+ Commitment on the Athyrium loan[1]	18,340	0
+ Potential earn out payment on investment securities[2]	0	4,954
+ Purchase commitment with a supplier	0	619
+ Financial returns on OSEO reimbursable loans[3]	1,346	6,230
+ Property lease commitment	551	680
+ Equipment financing lease	34	47
+ Comfort letter in favor of Valneva GMBH[4]	7,794	8,662
+ Comfort letter in favor of the ERP fund for a loan relating to the *Pseudomonas* project	2,084	0
+ Comfort letter in favor of SC World	300	0
+ Comfort letter and guarantee for the benefit of Valneva Canada Inc. for a contract for vehicles	79	0
+ Financial returns and repayment of subordinated grants	220	220
+ Mortgage on loans	1,000	1,250
+ Interest payable on loans	41	91
Total commitments given	**78,705**	**60,521**

Commitments received	0	0
+ Grant from "Département 44" - Laennec construction	0	45
+ Bonds received from the Groupe Grimaud company	0	0
› CM 7-year loan	221	519
› CEP 5-year loan	180	281
› LCL 7-year loan	118	185
+ Securities received / bank accounts	50	100
Total commitments received	**568**	**1,130**

(1) Capital and interest until maturity on the Pharmakon and Athyrium loans guaranteed by Valneva SE. Note: the Athyrium loan was paid back in full in January 2016, and in consequence the corresponding commitment was no longer in force on the date of publication of these French GAAP accounts.

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

(3) The maximum amount repayable of reimbursable loans under the Vivabio program was reduced to €3 million in July 2015. This amount that is repayable until 2024, was recognized in the amount of €1,658 thousand (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 free share plans. In effect, the company intends to issue new shares in connection with future grants and subscriptions.

5.1.4 Auditors' fees

	PWC		Deloitte	
	In € excl. tax		In € excl. tax	
	2015	**2014**	**2015**	**2014**
Audit				
Statutory auditing	74,167	110,730	81,745	113,954
Capital increase	83,971	78,150	63,584	66,000
Merger				
Accessory missions			7,916	4,180
Subtotal	**158,138**	**188,880**	**153,245**	**184,134**
Other services				
Legal, tax, labor issues				
Other directly related procedures				
Accessory missions				
Subtotal	**0**	**0**	**0**	**0**
Total	**158,138**	**188,880**	**153,245**	**184,134**

5.2 Information concerning related parties

Related parties concern relations with Groupe Grimaud La Corbière and companies of said group (1), and relations with the subsidiaries Valneva Toyama Japan K.K. (2), Valneva Austria GmbH (3), Vaccines Holdings Sweden AB (4), Valneva Canada Inc. (5) and Valneva UK Ltd. (6).

1. For the Groupe Grimaud La Corbière and Groupe Grimaud La Corbière companies, services rendered related to either normal operating activities (interest rate swap allocation agreement) or regulated activities (guarantees). For fiscal 2015, €7 thousand excluding tax were invoiced for these services including €7 thousand for trade payables
2. Valneva Toyama Japan K.K invoiced Valneva €85 thousand for operating expenses with €55 thousand under trade payables at December 31, 2015.
3. Valneva SE guaranteed a loan of US$41 million from the investment fund managed by Pharmakon Advisors for the benefit of Valneva Austria GmbH. (Initial amount of US$30 million in December 2013, increased by US$11 million in July 2015). 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 (and revised in November 2015 after the amount borrowed was increased by €11 million) whereby Valneva SE charges interest to Valneva Austria of 0.77% applied to the remaining loan amount outstanding. For 2015, interest thus invoiced amounted to €221 thousand).

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

   Under the terms of this agreement, in 2015 Valneva SE re-invoiced €210 thousand and Valneva Austria GmbH re-invoiced €3,983 thousand.

   These invoices were recognized in the current account balance (showing a credit balance for the net amount of €5,584 thousand at December 31, 2015).

   In October 2013, a loan agreement was signed between Valneva SE and Valneva Austria GmbH for €30 million subject to a rate of interest of 3-month Euribor plus 1%, with €15 million maturing on December 31, 2016 (€2,845 thousand was repaid as of December 31, 2015). €15 million will be repaid after repayment of the Pharmakon (Biopharma) debt by Valneva Austria GmbH.
4. In 2015, two loan agreements were signed between Valneva SE and its subsidiary Vaccines Holding Sweden AB representing €8 million at December 31, 2015 and subject to a rate of interest of 3-month Euribor plus 1%. These loans were paid back in full in February 2016.

   An agreement between Valneva SE and Vaccines Holdings Sweden AB entering into effect starting in 2015 sets guidelines for re-invoicing services by Valneva SE Under this agreement, €8 thousand were invoiced for fiscal 2015.
5. A loan agreement, entering into effect in March 2015, was signed between Valneva SE and its subsidiary Valneva Canada Inc. The amount of this loan, subject to interest at a rate of 3-month CDOR plus 1% is limited to C$10 million and must be paid back before January 31, 2020. The amount borrowed under this loan agreement amounted to €1.1 million at December 31, 2015.

   An agreement between Valneva SE and Valneva Canada Inc. entering into effect starting in 2015 sets guidelines for re-invoicing services by Valneva SE. Under this agreement, €21 thousand were invoiced for fiscal 2015.

6. A loan agreement, entering into effect as from November 30, 2015 was signed between Valneva SE and its subsidiary Valneva UK Ltd. The amount of this loan, subject to interest at a rate of 3-month LIBOR plus 1%, is limited to £4 million and must be paid back before January 31, 2020. The amount borrowed under this loan agreement amounted to €4 thousand at December 31, 2015.

(in € thousand)	December 31, 2015	December 31, 2014
Financial assets		
+ Equity interests	163,927	137,928
Receivables		
+ Other receivables	36,411	21,985
Payables		
+ Trade payables and related accounts	62	58
+ Other financial liabilities	5,693	2,004
Revenues	**239**	**1,089**
Financial income	**545**	**533**
Operating expenses		
+ Other purchases and external expenses	4,184	3,668
Financial expense		
+ Interest and similar expenses	211	25

5.3 Dilutive instruments

Valneva SE's share capital after the exercise of different dilutive instruments at December 31, 2015

		Shares held	%[83]	Dilutive instruments	Breakdown of share capital after the exercise of dilutive instruments	%
Groupe Grimaud La Corbière[84]		**12,104,830**	**15.95**	**0**	**12,104,830**	**13.03**
Bpifrance Participations		**7,456,785**	**9.83**	**0**	**7,456,785**	**8.02**
Management Board members	**Total Management Board members**[85]	**660,048**	**0.87**	**2,402,446**	**3,060,884**	**3.29**
	Franck Grimaud	478,005	0.63	708,103	1,185,890	1.28
	Thomas Lingelbach	124,751	0.16	1,012,637	1,136,842	1.22
	Reinhard Kandera	57,292	0.08	681,706	738,152	0.79
Non-officer employees[86]		**127,007**	**0.17**	**2,097,129**	**2,223,806**	**2.39**
Other private individual shareholders		**1,548,609**	**2.04**	**134,018**	**1,681,126**	**1.81**
Of which private individual shareholders of the Groupe Grimaud Family and Financière Grand Champ SAS [84&87]		874,903	1.15	36,000	910,903	0.98
Of which investors		172,277	0.23	0	172,277	0.19
Of which independent members of the Supervisory Board[88]	Alain Munoz	41,800	0.06	19,500	61,300	0.07
	Michel Greco	618	0.00	19,754	20,340	0.02
	James Sulat	17,867	0.02	19,500	37,367	0.04
	Alexander Von Gabain	39,687	0.05	31,066	69,284	0.07
Other private individual shareholders with shares in registered form		401,457	0.53	8,198	409,655	0.44
Other bearer shares		52,804,261	69.58	0	52,804,261	56.82
Other preferred shares with a par value of €0.01 per share, increased to a par value of €0.15		1,186,748	1.56	9,338,503	9,338,503	10.05
BSA equity warrants held by non-shareholder members of the Supervisory Board		n.a.	n.a.	39,000	39,000	0.04
Anne Marie Graffin		n.a.	n.a.	19,500	19,500	0.02
Hans Wigzell		n.a.	n.a.	19,500	19,500	0.02
Warrants not yet exercised		n.a.	n.a.	4,223,349	4,223,349	4.54
TOTAL		**75,888,288**	**100.00**	**18,234,445**	**92,932,544**	**100.00**

[83] This rate is calculated in reference to a share capital totaling 75,888,288 Valneva shares, divided into (a) 74,698,099 ordinary shares with a nominal value of €0.15 each, (b) 17,836,719 preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each.

[84] The "**Groupe Grimaud Family**" is comprised of the company "Groupe Grimaud La Corbière", the private shareholders of the Groupe Grimaud Family, and the company "Financière Grand Champ SAS".

[85] Securities mentioned in the column "Shares held" with respect to the Management Board members include preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each, and with respect to Messrs. Thomas Lingelbach and Reinhard Kandera, Valneva's bearer shares as well as preferred shares of the Company with a nominal value of €0.01 each, written down to a nominal value of €0.15.

[86] Securities mentioned in the column "Shares held" include preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each.

[87] Securities mentioned in the column "Shares held" include Valneva's bearer shares.

[88] Securities mentioned in the column "Shares held" with respect to Messrs. Michel Greco and Alexander Von Gabain, members of the Supervisory Board, include preferred shares of the Company with a nominal value of €0.01 each, written down to a nominal value of €0.15, as well as Valneva's bearer shares.

5.4 Subsidiaries and associates

SUBSIDIARIES
(more than 50%)

Name	Share capital / Shareholders' equity[1]	Ownership interest[2] / Dividends[3]	Gross value of securities / Net value of securities	Loans, advances[4] / Guarantees[5]	Net sales[6] / Profit or loss[7]
Valneva Toyama Japan K.K.	¥ 5,660,000	100 %	€ 46 471	€ 144,437	¥ 11,249,722
	¥ (1,133,331)	€ 0	€ 46,471	€ 0	¥580,566
Valneva Austria GmbH[8]	€ 10,070,000	100 %	€ 137,876,224	€ 27,155,647	€ 39,183,271
	€ 255,299,928	€ 0	€ 137,876,224	€ 0	€ (9,497,495)
Vaccines Holdings Sweden AB	SEK 50,000	100.00 %	€ 17,005,268	€ 8,082,469	SEK 63,227,029
	SEK 159,140,400	€ 0	€ 17,005,268	€ 0	SEK 115,817,819
Valneva Canada Inc.	CAD 1,000	100.00 %	€ 731	€ 1,168,805	CAD 2,481,418
	€ 0	€ 0	€ 731	€ 0	CAD 45,198
Valneva Scotland Ltd.	GBP 100	100.00 %	€ 136	€ 4,225	€ 0
	€ 0	€ 0	€ 136	€ 0	GBP (206,456)

NON-CONSOLIDATED INVESTMENTS
(less than 50%)

Name	Share capital / Shareholders' equity[1]	Ownership interest[2] / Dividends[3]	Gross value of securities / Net value of securities	Loans, advances[4] / Guarantees[5]	Net sales[6] / Profit or loss[7]
BliNK Biomedical SAS	€ 14,518,028	48.20%	€ 8,998,528.00	€ 0	€ 991,638
	€ 2,324	€ 0	€ 0	€ 0	€ (2,185,985)

(1) Equity = equity other than earnings and share capital

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

(3) Dividends = dividends received by Valneva in 2015

(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) 2015 IFRS data

5.5 Market Risks

5.5.1 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.

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, 2015, borrowings totaled €8,396 thousand including fixed rate debt of €221 thousand (see Note 4.3.14). Floating rates are based on the 3-month and 1-month Euribor benchmarks.

At 31 December 2015, the Company was covered by an interest rate hedging contract through Grimaud La Corbière SA. In consequence, its exposure to risks relating to floating-rate debt is limited.

5.5.2 Exchange rate risk

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

At the date of issue of this report, no material events have occurred subsequent to the end of this reporting period that require disclosure.

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, 2015

This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it 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 audit 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 balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.

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, 2015 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, 2015 and of the results of its operations for the year then ended in accordance with French accounting principles.

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:

Investments in subsidiaries, the net amounts of which total € 154,929 thousand as of December 31, 2015, have been subject to impairment tests in accordance with the methods set forth in the Note 4.2.10 “Financial assets” 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 Notes 4.2.10, 4.3.3 « long-term investments » and 4.4.9 « Depreciation, amortization & impairment of fixed assets » 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 purchase of investments and controlling interests and 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 18, 2016

The Statutory Auditors

PricewaterhouseCoopers Audit

Thierry Charron

Deloitte & Associés

Vincent Gros

4.5 Pro forma information

Please refer to Sections 1.1.1 (d), 1.4.1 (a) and 1.4.3 (c) of this Registration Document, as well as to Note 5.33 of the consolidated financial statements for the fiscal year 2015 (Section 4.1 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, 2015, the Company's share capital stood at €11,383,243.14, divided into:

+ 74,698,099 ordinary shares with a nominal value of €0.15 each, fully paid-up; and
+ 17,836,719 preferred shares with a nominal value of €0.01 each, fully paid-up;
+ 1,074 preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each, fully paid-up.

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

+ 56,351,833 ordinary shares with a nominal value of €0.15 each, fully paid-up; and
+ 17,836,719 preferred shares with a nominal value of €0.01 each, fully paid-up.

A description of the structure of Valneva's share capital at December 31, 2015 (end of business day) is presented in the table of 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

(a) Current authorizations related to share buyback programs and cancellation of shares of the Company

Combined General Meeting held on June 25, 2015

Resolution	Nature of the delegation	Duration of the delegation	Authorized amount	Uses during fiscal year 2015
6	**Authorization and powers to be given to the Management Board for purchase by the Company of its own shares**	18 months, i.e. until December 25, 2016	Authorization to proceed with the purchase, sale or transfer, on one or more occasions, at any time, including during a public offering, and by any means, especially by trading in the market or off-market, including block transactions, except involving the use of derivatives. The purchase and sale of shares through block trades may account for the entire authorized share buyback program. The Company may: + purchase its own shares up to a maximum of 5% of the shares comprising its share capital, as adjusted based on corporate actions that might affect the share capital after this resolution, less treasury shares, at a price per share not exceeding €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, spin-off or contribution, may not exceed 5% of the share capital, after adjustments for corporate actions occurring after this decision;	Delegation used during the fiscal year ended December 31, 2015, in the context of the liquidity agreement executed with the financial institution Natixis (see Section 5.1.3 (b) of this Registration Document).

			+ sell, assign or transfer by any means all or part of the shares thus acquired; + or cancel said shares by reducing the share capital, within the limit of 5% of the Company's share capital per twenty-four (24) month period. In the event of an increase in the capital by capitalizing reserves and a 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 and after the transaction. These share purchases may be made for the purposes provided for by law, or subsequently permitted by law, and notably to: + maintain an orderly market in the Company's share through a liquidity guarantee that complies with the AMAFI code of professional conduct dated March 8, 2011 and concluded with an investment services provider acting independently; + hold acquired shares and subsequently remit them as payment or in exchange as part of financial transactions or acquisitions, pursuant to the applicable regulations; + implement and honor obligations, and in particular remit shares pursuant to the exercise of rights attached to securities giving access, by any means, immediately or in the future, to the Company's shares, as well as all hedging transactions resulting from the obligations of the Company relating to these securities, in accordance with the provisions provided for by market authorities and at such times as the Management Board or the person acting on the authority of the latter shall determine; + cancel acquired shares; + cover share option plans reserved for employees or other share allocations according to the conditions set out in articles L. 3332-1 *et seq.* and R. 3332-4 of the French Labor code, or the allocation of Company shares 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 allocations as part of employee profit sharing. The maximum amount of funds allocated for this program is set at fifteen million euros (€15 000 000).	
7	**Authorization granted to the Management Board for cancellation by the Company of its own shares**	18 months, i.e. until December 25, 2016	Authorization to proceed with the reduction, on one or more occasions, of the share capital of the Company, within the limit of 10% of the Company's capital, adjusted for corporate actions that could affect the share capital after this decision, per twenty-four (24) month period, by canceling the shares that the Company holds or might hold by any means, including by purchasing shares through buyback programs authorized by resolution six submitted to the shareholders' vote during the Combined General Meeting held on June 25, 2015, or buyback programs authorized previously or following the date of said Meeting, or by any other means, by charging the difference between the buyback price of the canceled shares and their nominal value to additional paid-in capital and available reserves.	Delegation not used during the fiscal year ended December 31, 2015.

(b) Share buyback program implemented pursuant to a liquidity agreement

The General Meeting of the Company, held on June 25, 2015, authorized the Company to implement a share buyback program, such authorization being valid for 18 months from the date of the Meeting (resolution No. 6).

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 pursuant to the liquidity agreement, the Company acquired 1,252,657 Valneva's ordinary shares and sold 1,259,269 Valneva's ordinary shares in 2015, for a weighted average purchase price of €3.90 per share (weighted average purchase price in 2014: €5.57) and a weighted average sale price of €3.92 per share (weighted average purchase price in 2014: €5.56). Valneva has not paid any execution fees.

On December 31, 2015, Valneva held, in connection with this liquidity agreement, 20,110 Valneva's ordinary shares (or 0.03%[89] of the share capital at December 31, 2015, compared to 0.05%[90] at December 31, 2014), corresponding to an amount on the closing date of December 31, 2015 of €76,418 (€3,016.50 in nominal value[91]).

(c) Treasury shares held in connection with the "Exit Right" linked to the merger of May 28, 2013 with Intercell AG

At December 31, 2015, the Company held 124,322 own shares with a nominal value of €0.15 per share and the same number of preferred shares with a nominal value of €0.01. The Company holds these shares as a 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 December 16, 2012 version.

Implementation of the exit right

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

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

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

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[89] This rate is calculated in reference to a share capital totaling 75,888,288 Valneva shares, divided into (a) 74,698,099 ordinary shares with a nominal value of €0.15 each, (b) 17,836,719 preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each.

[90] This rate is calculated in reference to (a) 26,772 Valneva's ordinary shares held by the Company pursuant to the liquidity agreement, and (b) a share capital totaling 57,540,948 Valneva shares, divided into (a) 56,351,833 ordinary shares with a nominal value of €0.15 each, and 17,836,719 preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15.

[91] The nominal value of a Valneva ordinary share amounts to €0.15.

- 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 buyback nearly 382,529 ordinary shares from exiting Intercell shareholders, under the share buyback program implemented by Valneva pursuant to the authorization given by its Combined General Meeting of March 7, 2013.

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's ordinary shares and 124,322 Valneva's preferred shares.

5.1.4 Potential share capital

(a) Company stock option plans

Highlights of the Company stock option plans are provided in the table of Section 2.2.2 (e) of this Registration Document.

At December 31, 2015 (end of business day), for all Company plans combined, 1,587,700 exercisable stock option were outstanding, permitting the subscription for 1,707,554 new ordinary Valneva shares, representing a potential nominal increase in the share capital of €256,133.10, and a maximum potential dilution of 2.25%[92] of the share capital of the Company.

(b) Free share plans

In fiscal year 2015, 35,000 free shares were transferred to the beneficiaries of the free share plans of September 6, 2011 and July 24, 2013, in the form of new Valneva's ordinary shares.

[92] This rate is calculated in reference to a share capital totaling 75,888,288 Valneva shares, divided into (a) 74,698,099 ordinary shares with a nominal value of €0.15 each, (b) 17,836,719 preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each.

At December 31, 2015 (end of business day), for all Company plans combined, 1,000 free shares were in the process of vesting by their beneficiaries, representing a potential nominal increase in the share capital of €150, and a maximum potential dilution of 0,001%[93] of the share capital of the Company.

Company free share plans highlights are presented in Section 2.2.2 (f) of this Registration Document.

(c) Equity warrants (BSA)

Reference of the plan	BSA 25	BSA 23
Grant date	Management Board held on July 28, 2015	Management Board held on September 6, 2011
BSA authorized by the General Meeting	Extraordinary General Meeting held on June 26, 2014 – Authorization for the grant of 153,000 BSA 25	Extraordinary General Meeting held on June 7, 2011 – Authorization for the grant of 37,500 BSA 23
BSA issued by the Management Board	153,000 BSA 25	22,500 BSA 23
Beneficiaries and number of BSA granted	+ 36,000 BSA 25 to the Chairman of the Supervisory Board + 19,500 BSA 25 to each of the six other members of the Supervisory Board	+ 15,000 BSA 23 to Mr. Michel Greco + 7,500 BSA 23 to Mr. Alain Munoz
BSA lapsed at December 31, 2015	0	37,500 + 22,500 BSA 23 lapsed in the absence of exercise by their beneficiaries within the timeframe provided by the plan + 15,000 BSA 23 lapsed due to the expiry of the General Meeting's authorization
BSA exercised at December 31, 2015	0	0
Outstanding BSA at December 31, 2015	153,000	0
Number of shares to be issued at December 31, 2015, with a nominal value of €0.15	153,000 (Ratio of conversion 1 BSA :1 Valneva ordinary share)	0
Subscription price per share	€3.92	€5.17
Expiry date	July 28, 2020	September 6, 2016

[93] This rate is calculated in reference to a share capital totaling 75,888,288 Valneva shares, divided into (a) 74,698,099 ordinary shares with a nominal value of €0.15 each, (b) 17,836,719 preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each.

(d) Information on the Company's share capital after the exercise of various dilutive instruments

Structure of the Company's share capital at December 31, 2015 after exercise of dilutive instruments[94]

		Shares held	%[95]	Dilutive instruments	Shareholding structure after exercise of dilutive instruments	%
Groupe Grimaud La Corbière[96]		**12,104,830**	**15.95**	**0**	**12,104,830**	**13.03**
Bpifrance Participations SA		**7,456,785**	**9.83**	**0**	**7,456,785**	**8.02**
Management Board members	**Total Management Board members**[97]	**660,048**	**0.87**	**2,402,446**	**3,060,884**	**3.29**
	+ Franck Grimaud	478,005	0.63	708,103	1,185,890	1.28
	+ Thomas Lingelbach	124,751	0.16	1,012,637	1,136,842	1.22
	+ Reinhard Kandera	57,292	0.08	681,706	738,152	0.79
Non-officer employees[98]		**127,007**	**0.17**	**2,097,129**	**2,223,806**	**2.39**
Other private individual shareholders		**1,548,609**	**2.04**	**134,018**	**1,681,126**	**1.81**
Of which private individual shareholders of the Groupe Grimaud Family and Financière Grand Champ SAS[96&99]		874,903	1.15	36,000	910,903	0.98
Of which investors		172,277	0.23	0	172,277	0.19
Of which independent members of the Supervisory Board[100]	+ Alain MUNOZ	41,800	0.06	19,500	61,300	0.07
	+ Michel GRECO	618	0.00	19,754	20,340	0.02
	+ James SULAT	17,867	0.02	19,500	37,367	0.04
	+ Alexander VON GABAIN	39,687	0.05	31,066	69,284	0.07
Other private individual shareholders with shares in registered form		401,457	0.53	8,198	409,655	0.44
Other bearer ordinary shares		**52,804,261**	**69.58**	**0**	**52,804,261**	**56.82**
Other preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15		**1,186,748**	**1.56**	**9,338,503**	**9,338,503**	**10.05**
Equity warrants (BSA) held by the members of the Supervisory Board, non-shareholders		**n.a.**	**n.a.**	**39,000**	**39,000**	**0.04**
+ Anne-Marie Graffin		n.a.	n.a.	19,500	19,500	0.02
+ Hans Wigzell		n.a.	n.a.	19,500	19,500	0.02
Equity warrants (*Bons d'émission d'actions*) not yet exercised		**n.a.**	**n.a.**	**4,223,349**	**4,223,349**	**4.54**
TOTAL		**75,888,288**	**100**	**18,234,445**	**92,932,544**	**100**

[94] To the Company's knowledge.

[95] This rate is calculated in reference to a share capital totaling 75,888,288 Valneva shares, divided into (a) 74,698,099 ordinary shares with a nominal value of €0.15 each, (b) 17,836,719 preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each.

[96] The "**Groupe Grimaud Family**" is comprised of the company "Groupe Grimaud La Corbière", the private shareholders of the Groupe Grimaud Family, and the company "Financière Grand Champ SAS".

[97] Securities mentioned in the column "Shares held" with respect to the Management Board members include preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each, and with respect to Messrs. Thomas Lingelbach and Reinhard Kandera, Valneva's bearer shares as well as preferred shares of the Company with a nominal value of €0.01 each, written down to a nominal value of €0.15.

[98] Securities mentioned in the column "Shares held" include preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each.

[99] Securities mentioned in the column "Shares held" include Valneva's bearer shares.

[100] Securities mentioned in the column "Shares held" with respect to Messrs. Michel Greco and Alexander Von Gabain, members of the Supervisory Board, include preferred shares of the Company with a nominal value of €0.01 each, written down to a nominal value of €0.15, as well as Valneva's bearer shares.

Structure of the Company's share capital at April 30, 2016 after exercise of dilutive instruments[101]

		Shares held	%[102]	Dilutive instruments	Shareholding structure after exercise of dilutive instruments	%
Groupe Grimaud La Corbière[103]		**12,104,830**	**15.95**	**0**	**12,104,830**	**13.04**
Bpifrance Participations SA		**7,456,785**	**9.83**	**0**	**7,456,785**	**8.03**
Management Board members	**Total Management Board members**[104]	**660,048**	**0.87**	**2,371,105**	**3,029,543**	**3.25**
	+ Franck Grimaud	478,005	0.63	676,762	1,154,549	1.24
	+ Thomas Lingelbach	124,751	0.16	1,012,637	1,136,842	1.22
	+ Reinhard Kandera	57,292	0.08	681,706	738,152	0.79
Non-officer employees[105]		**127,017**	**0.17**	**2,058,377**	**2,185,054**	**2.35**
Other private individual shareholders		**1,545,262**	**2.03**	**134,044**	**1,677,802**	**1.81**
Of which private individual shareholders of the Groupe Grimaud Family and Financière Grand Champ SAS[103&106]		874,903	1.15	36,000	910,903	0.98
Of which investors		172,277	0.23	0	172,277	0.19
Of which independent members of the Supervisory Board[107]	+ Alain MUNOZ	41,800	0.06	19,500	61,300	0.07
	+ Michel GRECO	618	0.00	19,754	20,340	0.02
	+ James SULAT	17,867	0.02	19,500	37,367	0.04
	+ Alexander VON GABAIN	39,687	0.05	31,066	69,284	0.07
Other private individual shareholders with shares in registered form[108]		398,110	0.52	8,224	406,331	0.44
Other bearer ordinary shares		**52,807,611**	**69.59**	**0**	**52,807,611**	**56.87**
Other preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15		**1,186,735**	**1.56**	**9,338,393**	**9,338,393**	**10.06**
Equity warrants (BSA) held by the members of the Supervisory Board, non-shareholders		**n.a.**	**n.a.**	**39,000**	**39,000**	**0.04**
+ Anne-Marie Graffin		n.a.	n.a.	19,500	19,500	0.02
+ Hans Wigzell		n.a.	n.a.	19,500	19,500	0.02
Equity warrants (*Bons d'émission d'actions*) not yet exercised		**n.a.**	**n.a.**	**4,223,349**	**4,223,349**	**4.55**
TOTAL		**75,888,288**	**100**	**18,164,268**	**92,862,367**	**100**

[101] To the Company's knowledge.

[102] Rate calculated in reference to a share capital totaling 75,888,288 Valneva shares, divided into (a) 74,698,099 ordinary shares with a nominal value of €0.15 each, (b) 17,836,719 preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each.

[103] The "**Groupe Grimaud Family**" is comprised of the company "Groupe Grimaud La Corbière", the private shareholders of the Groupe Grimaud Family, and the company "Financière Grand Champ SAS".

[104] Securities mentioned in the column "Shares held" with respect to the Management Board members include preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each, and with respect to Messrs. Thomas Lingelbach and Reinhard Kandera, Valneva's bearer shares as well as preferred shares of the Company with a nominal value of €0.01 each, written down to a nominal value of €0.15.

[105] Securities mentioned in the column "Shares held" include preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each, as well as preferred shares of the Company with a nominal value of €0.01 each, written down to a nominal value of €0.15.

[106] Securities mentioned in the column "Shares held" include Valneva's bearer shares.

[107] Securities mentioned in the column "Shares held" with respect to Messrs. Michel Greco and Alexander Von Gabain, members of the Supervisory Board, include preferred shares of the Company with a nominal value of €0.01 each, written down to a nominal value of €0.15, as well as Valneva's bearer shares.

[108] Securities mentioned in the column "Shares held" include preferred shares of the Company with a nominal value of €0.01 each, written down to a nominal value of €0.15.

5.1.5 Authorized share capital

(a) Current delegations in connection with stock option and free shares

Combined General Meeting held on June 26, 2014

Resolution	Nature of the delegation	Duration of the delegation	Authorized amount	Uses during fiscal year 2015
20	**Issuance of stock option – Grant of authority to the Management Board for this purpose**	38 months, i.e. until August 26, 2017	The maximal total number of stock options to be granted under this resolution shall represent a maximum of shares to be subscribed of 4 % of the share capital of the Company at the date of the allocation of options.	Delegation used during the fiscal year ended December 31, 2015, in the context of the new stock option plan of the Company (Plan No. 8 – Tranche 1), set on July 28, 2015, for 712,000 stock option giving right to the grant of 712,000 ordinary shares of the Company (see Section 5.1.4 (a) of this Registration Document).
21	**Issuance of free shares, repurchase by the Company of its own shares on the market for this purpose – Corresponding grant of authority to the Management Board**	38 months, i.e. until August 26, 2017	The total number of ordinary shares that may be freely granted under this authorization may not exceed more than 2% of the share capital of the Company on the date of the allocation of the free shares.	Delegation not used during the fiscal year ended December 31, 2015.

(b) Other current delegations

Combined General Meeting held on June 25, 2015

Resolution	Nature of the delegation	Duration of the delegation	Authorized amount	Uses during fiscal year 2015
8	**Issuance of equity warrants**	18 months, i.e. until December 25, 2016	Authorization for the issuance of 250,000 equity warrants of the Company "BSA 26", each giving right to the grant of one new ordinary share of the Company.	Delegation not used during the fiscal year ended December 31, 2015.
10	**Grant of authority to the Management Board to increase the share capital by issuing ordinary shares or any securities giving access to the capital while maintaining the preferential subscription right**	26 months, i.e. until August 25, 2017	Nominal amount of the share capital increases: maximum four million five hundred thousand euros (€4,500,000). The issued securities giving access to shares in the Company may consist of debt securities or be linked to the issuing of such securities, or enable the issue thereof as intermediate securities. Maximal nominal amount of the debt securities: maximum one hundred twenty-five million euros (€125,000,000).	Delegation not used during the fiscal year ended December 31, 2015.

11	**Grant of authority to the to the Management Board to increase the capital by issuing ordinary shares or all securities conferring rights to the capital, through a public offering, canceling preferential subscription rights, while including an option for a priority period**	26 months, i.e. until August 25, 2017	Nominal amount of the share capital increases: maximum four million five hundred thousand euros (€4,500,000). The issued securities giving access to shares in the Company may consist of debt securities or be linked to the issuing of such securities, or enable the issue thereof as intermediate securities. Maximal nominal amount of the debt securities: maximum one hundred twenty-five million euros (€125,000,000).	Delegation not used during the fiscal year ended December 31, 2015.
12	**Grant of authority to the Management Board in order to increase the share capital through the capitalization of reserves, earnings or premium**	26 months, i.e. until August 25, 2017	Nominal amount of the share capital increases: maximum four million five hundred thousand euros (€4,500,000).	Delegation used during the fiscal year ended December 31, 2015, in the context of final grant of free shares upon Management Board decisions dated July 24, 2015 and September 7, 2015, for a total amount of €5,250 (see Section 5.1.4 (b) of this Registration Document).
13	**Grant of authority to the Management Board to increase the share capital by issuing shares and/or securities giving present and/or future access to the Company's share capital through private placement, with cancellation of preferential subscription rights**	26 months, i.e. until August 25, 2017	Total amount of the share capital increases: maximum 20% of the share capital of the Company per year. The issued securities giving access to shares in the Company may consist of debt securities or be linked to the issuing of such securities, or enable the issue thereof as intermediate securities. Maximal nominal amount of the debt securities: maximum one hundred twenty-five million euros (€125,000,000).	Delegation not used during the fiscal year ended December 31, 2015.
14	**Grant of authority to the Management Board in order to implement the issue of Company ordinary shares and/or securities giving immediate and/or later access to the capital of the Company with cancellation of preferential subscription rights, and to set the issue price in accordance with the rules set by the General Meeting up to a limit of 10% of the share capital per year**	26 months, i.e. until August 25, 2017	Nominal amount of the share capital increases: maximum 10% of the share capital of the Company, (this limit being determined on the date of the Combined General Meeting held on June 25, 2015), within the limit of the maximum increase in capital provided for under resolution eleven, or according to the case, resolution thirteen of the Combined General Meeting held on June 25, 2015, and the maximum capital increase provided for by resolution sixteen from which it is deducted.	Delegation not used during the fiscal year ended December 31, 2015.
15	**Grant of authority to the Management Board to increase the share capital by issuing shares and/or securities giving immediate and/or future access to the capital of the Company, in consideration for contributions in kind for equity securities or other securities giving access to the capital, with cancellation of preferential subscription rights**	26 months, i.e. until August 25, 2017	Share capital increases authorized within the limit of 10% of the share capital of the Company.	Delegation not used during the fiscal year ended December 31, 2015.
16	**Maximum aggregate amount of capital increases**	The maximum aggregate amount of capital increases that may be carried out, with immediate effect or in the future, under resolutions ten to fifteen of the Combined General Meeting held on June 25, 2015, may not exceed four million five hundred thousand euros (€4,500,000), 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 other rights giving immediate and/or future access to the capital of the Company		

17	**Creation of a new class of preferred shares into ordinary shares following a period of 4 years**			
18	**Grant of authority to the Management Board in order to increase the share capital by issuing preferred shares convertible into ordinary shares, and canceling the preferential subscription rights for the benefit of a defined category of persons**	18 months, i.e. until December 25, 2016	The maximum number of convertible preferred shares that may be issued based on this delegation of power is 2,000[109]. The maximum number of ordinary shares that may be created if the convertible preferred shares are converted amounts to 200,000, or a maximum capital increase of €30,000, these limits being set without taking into account the legal, regulatory or contractual adjustments required to preserve the rights of beneficiaries of convertible preferred shares.	Delegation used during the fiscal year ended December 31, 2015 (Management Board held on July 28, 2015) in the context of the subscription, for consideration, of 1,074 convertible preferred shares (i) giving right to the grant of 107,400 ordinary shares of the Company at maximum, and (ii) which gave the right to the grant of free preferred shares convertible into Valneva's ordinary shares (see Section 2.2.2 (f) of this Registration Document).
20	**Authorization for the Management Board to grant free convertible preferred shares of the Company for the benefit of employees and/or corporate officers of the Company and its subsidiaries, entailing waiver by shareholders of their preferential subscription right**	38 months, i.e., until August 25, 2018	The total number of convertible preferred shares that may be freely granted based on this resolution may not represent more than 5.5%[110] of the Company's share capital on the date of the Management Board's grant decision. The maximum number of ordinary shares that may be created if these convertible preferred shares are converted is four million, or a maximum capital increase of €600,000, it being specified that these limits are set without taking into account the legal, regulatory or contractual adjustments required to preserve the rights of beneficiaries of convertible preferred shares.	Delegation used during the fiscal year ended December 31, 2015, in the context of the grant of 26,850 free convertible preferred shares, declared by the Management Board on July 28, 2015, giving right, at maximum, to the grant of 2,685,000 ordinary shares of the Company (see Section 2.2.2 (f) of this Registration Document).

[109] It being understood that in any case, the total number of issued convertible preferred shares (SPS and FCPS) cannot at any time represent together more than 6% of the share capital of the Company.

[110] Idem.

5.1.6 Share capital changes

Date	Nature of the share capital change	Shares composing the share capital	Share capital after the capital change
17.01.2013	**Capital increase by way of cash contribution** + **Issuance of 119,772 Valneva ordinary shares** with a nominal value of €0.15 each + **Total amount paid to the Company: €215,589.60** (including €17, 965.80 in nominal value and €197,623.80 as issue premium)	**21,462,529 Valneva ordinary shares** with a nominal value of €0.15 each	**€3,219,379.35**
17.01.2013	**Capital increase through incorporation of issue premium** + **Issuance of 33,333 Valneva ordinary shares** with a nominal value of €0.15 each + **Nominal value of the share capital increase: €4,999.95**	**21,495,862 Valneva ordinary shares** with a nominal value of €0.15 each	**€3,224,379.30**
28.05.2013	**Merger** + **Issuance of 17,836,719 Valneva ordinary shares** with a nominal value of €0.15 each and **17,836,719 Valneva preferred shares** with a nominal value of €0.01 each + **Total amount paid to the Company: €135,000,000** (including €2,675,507.85 and €178,367.19 in nominal value regarding, respectively, the ordinary and preferred shares, and €132,146,125 as issue premium (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)	**40,521,696 Valneva shares** Including: + 39,332,581 ordinary shares with a nominal value of €0.15 each + 17,836,719 preferred shares with a nominal value of €0.01 each	**€6,078,254.34**
07.06.2013	**Capital increase by way of cash contribution** + **Issuance of 96,984 Valneva ordinary shares** with a nominal value of €0.15 each + **Total amount paid to the Company: €174,571.20** (including €14,547.60 in nominal value and €160,023.60 as issue premium)	**40,618,680 Valneva shares** Including : + 39,429,565 ordinary shares with a nominal value of €0.15 each + 17,836,719 preferred shares with a nominal value of €0.01 each	**€6,092,801.94**
05.07.2013	**Capital increase by way of cash contribution** + **Issuance of 15,165,215 Valneva ordinary shares** with a nominal value of €0.15 each + **Total amount paid to the Company: €40,187,819.75** (including €2,274,782.25 in nominal value and €37,913,037.50 as issue premium)	**55,783,895 Valneva shares** Including : + 54,594,780 ordinary shares with a nominal value of €0.15 each + 17,836,719 preferred shares with a nominal value of €0.01 each	**€8,367,584.19**
24.07.2013	**Capital increase through incorporation of issue premium** + **Issuance of 10,500 Valneva ordinary shares** with a nominal value of €0.15 each + **Nominal value of the share capital increase: €1,575**	**55,794,395 Valneva shares** Including: + 54,605,280 ordinary shares with a nominal value of €0.15 each + 17,836,719 preferred shares with a nominal value of €0.01 each	**€8,369,159.19**
09.10.2013	**Capital increase through incorporation of issue premium** + **Issuance of 10,000 Valneva ordinary shares** with a nominal value of €0.15 each + **Nominal value of the share capital increase: € 1,500**	**55,804,395 Valneva shares** Including : + 54,615,280 ordinary shares with a nominal value of €0.15 each + 17,836,719 preferred shares with a nominal value of €0.01 each	**€8,370,659.19**
21.01.2014	**Capital increase by way of cash contribution** + **Issuance of 93,720 Valneva ordinary shares** with a nominal value of €0.15 each + **Total amount paid to the Company: €168,696** (including €14,058 in nominal value and €154,638 as issue premium)	**55,898,115 Valneva shares** Including: + 54,709,000 ordinary shares with a nominal value of €0.15 each + 17,836,719 preferred shares with a nominal value of €0.01 each	**€8,384,717.19**
21.01.2014	**Capital increase through incorporation of issue premium** + **Issuance of 33,333 Valneva ordinary shares** with a nominal value of €0.15 each + **Nominal value of the share capital increase: €4,999.95**	**55,931,448 Valneva shares** Including: + 54,742,333 ordinary shares with a nominal value of €0.15 each + 17,836,719 preferred shares with a nominal value of €0.01 each	**€8,389,717.14**

03.03.2014	**Capital increase through incorporation of issue premium** + **Issuance of 4,000 Valneva ordinary shares** with a nominal value of €0.15 each + **Nominal value of the share capital increase: € 600**	**55,935,448 Valneva shares** Including: + 54,746,333 ordinary shares with a nominal value of €0.15 each + 17,836,719 preferred shares with a nominal value of €0.01 each	**€8,390,317.14**
21.05.2014	**Capital increase by way of cash contribution** + **Issuance of 500,000 Valneva ordinary shares** with a nominal value of €0.15 each + **Total amount paid to the Company: €2,770,000** (including €75,000 in nominal value and €2,695,000 as issue premium)	**56,435,448 Valneva shares** Including: + 55,246,333 ordinary shares with a nominal value of €0.15 each + 17,836,719 preferred shares with a nominal value of €0.01 each	**€8,465,317.14**
03.06.2014	**Capital increase by way of cash contribution** + **Issuance of 600,000 Valneva ordinary shares** with a nominal value of €0.15 each + **Total amount paid to the Company: €3,486,000** (including €90,000 in nominal value and €3,396,000 as issue premium)	**57,035,448 Valneva shares** Including: + 55,846,333 ordinary shares with a nominal value of €0.15 each + 17,836,719 preferred shares with a nominal value of €0.01 each	**€8,555,317.14**
25.06.2014	**Capital increase by way of cash contribution** + **Issuance of 500,000 Valneva ordinary shares** with a nominal value of €0.15 each + **Total amount paid to the Company: €2,700,000** (including €75,000 in nominal value and €2,625,000 as issue premium)	**57,535,448 Valneva shares** Including: + 56,346,333 ordinary shares with a nominal value of €0.15 each + 17,836,719 preferred shares with a nominal value of €0.01 each	**€8,630,317.14**
02.10.2014	**Capital increase through incorporation of issue premium** + **Issuance of 5,500 Valneva ordinary shares** with a nominal value of €0.15 each + **Nominal value of the share capital increase: €825**	**57,540,948 Valneva shares** Including: + 56,351,833 ordinary shares with a nominal value of €0.15 each + 17,836,719 preferred shares with a nominal value of €0.01 each	**€8,631,142.14**
06.02.2015	**Capital increase by way of cash contribution** + **Issuance of 18,231,466 Valneva ordinary shares** with a nominal value of €0.15 each + **Total amount paid to the Company: €45,031,721.02** (including €2,734,719.90 in nominal value and €42,297,001.12 as issue premium)	**75,772,414 Valneva shares** Including: + 74,583,299 ordinary shares with a nominal value of €0.15 each + 17,836,719 preferred shares with a nominal value of €0.01 each	**€11,365,862.04**
30.04.2015	**Capital increase by way of cash contribution** + **Issuance of 79,800 Valneva ordinary shares** with a nominal value of €0.15 each + **Total amount paid to the Company: €143,640** (including €11,970 in nominal value and €131,670 as issue premium)	**75,852,214 Valneva shares** Including: + 74,663,099 ordinary shares with a nominal value of €0.15 each + 17,836,719 preferred shares with a nominal value of €0.01 each	**€11,377,832.04**
24.07.2015	**Capital increase through incorporation of issue premium** + **Issuance of 30,500 Valneva ordinary shares** with a nominal value of €0.15 each + **Nominal value of the share capital increase: € 4,575**	**75,882,714 Valneva shares** Including: + 74,693,599 ordinary shares with a nominal value of €0.15 each + 17,836,719 preferred shares with a nominal value of €0.01 each	**€11,382,407.04**
28.07.2015	**Capital increase by way of cash contribution** + **Issuance of 1,074 preferred shares convertible into Valneva ordinary shares** with a nominal value of €0.15 each + **Total amount paid to the Company: €172,914** (including €161.10 in nominal value and €172,752.90 as issue premium)	**75,883,788 Valneva shares** Including: + 74,693,599 ordinary shares with a nominal value of €0.15 each + 17,836,719 preferred shares with a nominal value of €0.01 each + 1,074 convertible preferred shares with a nominal value of €0.15 each	**€11,382,568.14**
07.09.2015	**Capital increase through incorporation of issue premium** + **Issuance of 4,500 Valneva ordinary shares** with a nominal value of €0.15 each + **Nominal value of the share capital increase: €675**	**75,888,288 Valneva shares** Including: + 74,698,099 ordinary shares with a nominal value of €0.15 each + 17,836,719 preferred shares with a nominal value of €0.01 each + 1,074 convertible preferred shares with a nominal value of €0.15 each	**€11,383,243.14**

5.1.7 Pledged share capital

Shareholders owning pledged shares	Beneficiary of the pledge	Number of pledged Valneva ordinary shares	Starting date of the pledge / Release date	Date of maturity of the pledge	Condition for the release of pledge	% of Valneva SE share capital pledged[111]
Groupe Grimaud La Corbière SA	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
		- 5,398,458 (Release of pledged shares)	30.06.2015			- 7.11
		7,389,162	30.06.2015			9.74
		167,513	17.08.2015			0.22
		640,046	08.09.2015			0.84
		1,178,279	08.10.2015			1.55
		- 1,155,822 (Release of pledged shares)	15.12.2015			- 1.52
		983,276	11.02.2016			1.30
TOTAL		**9,202,454**				**12.13**

5.1.8 Adjustments involving capital securities or securities giving access to the Company's share capital

In connection with the capital increase with preferential subscription rights carried out by the Company on February 6, 2015, for a total amount of €45,031,721.02 (breaking down into a nominal amount of €2,734,719.90 and a share premium of €42,297,001.12), by the issuance of 18,231,466 new shares at a price of €2.47 per share (including a share premium of €2.32), the rights of holders of capital securities or securities giving access to the Company's share capital was adjusted 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)

[111] Rate calculated in reference to a share capital totaling 75,888,288 Valneva shares, divided into (a) 74,698,099 ordinary shares with a nominal value of €0.15 each, (b) 17,836,719 preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each.

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.228-91 of the French Commercial Code, as well as with the provisions of the rules applying to the stock option plans hereinafter mentioned, the rights of beneficiaries of stock 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 option
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, as well as with the conditions provided for by the issuance contract related to the BSA 23 warrants granted to the benefit of two members of the Supervisory Board (Management Board meeting of September 6, 2011), the right to shares resulting from the exercise of these BSA 23 warrants has been adjusted as follows:

- Former grant right: 1.05 share per 1 BSA 23 warrant
- New grant right: 1.15 share per 1 BSA 23 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.

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, as well as with the provisions of article 4.4.7.2 of the issuance agreement dated May 12, 2014 related to 5,474,633 share issue warrants, the right to shares resulting from the exercise of these warrants has been adjusted 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.

Adjustment with respect to the preferred shares

In accordance with articles L. 228-99 and R. 228-91 of the French Commercial code, a as well as with the provisions of article 13.3 of the Company's Articles of Association, the conversion ratio for the preferred shares has been adjusted as follows:

- Former conversion ratio: 0.4810 share for 1 preferred share
- Adjusted conversion ratio: 0.5246 share for 1 preferred share

When 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. In such an event, 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 (see article 13.3 of the Company's Articles of Association (www.valneva.com – under the heading "About - Governance").

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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, 2015, end of business day) is provided by the table included on next page.

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

Following the merger, and in accordance with the Merger Agreement in its version dated December 16, 2012, 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 right would be effective again two years after the merger. Consequently, double voting rights have been reinstated as from May 28, 2015.

Article 13.2, 3° of the Articles of Association stipulates that "Ordinary Shares fully paid up for which it is evidenced that they have been held in registered form in the name of the same shareholder for at least two years from the registration of the Company as a European company, carry a double voting right in respect to that granted to other ordinary shares [of the Company], according to the portion of share capital they represent. This double voting right is also conferred, upon the issue of shares during a share capital increase by capitalization of reserves, profits or issue premiums, to the registered Ordinary Shares granted free of consideration to a shareholder for previous Ordinary Shares already carrying this double voting right."

For information, the number of registered shares having an associated double voting right on April 30, 2016, amounts to 19,196,897, or 25.30% of the current share capital[112]. Consequently, the total number of voting rights resulting from the registered shares entitled to a double voting right is of 38,393,794, or 40.89% of the total voting rights on even date[113].

[112] Rate calculated in reference to a share capital totaling 75,888,288 Valneva shares, divided into (a) 74,698,099 ordinary shares with a nominal value of €0.15 each, (b) 17,836,719 preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each.

[113] This rate is calculated by reference to a share capital of 75,888,288 Valneva shares, representing 93,894,996 voting rights (gross or theoretical) at April 30, 2016.

Structure of the Company's share capital at December 31, 2015[114]

		Shares held	%[115]	Number of theoretical voting rights (including suspended voting rights and double voting rights)	%
Groupe Grimaud La Corbière[116]		**12,104,830**	**15.95**	**23,948,157**	**25.52**
Bpifrance Participations SA		**7,456,785**	**9.83**	**12,956,648**	**13.81**
Management Board members	**Total Management Board members**[117]	**660,048**	**0.87**	**1,018,083**	**1.08**
	Franck Grimaud	478,005	0.63	837,432	0.89
	Thomas Lingelbach	124,751	0.16	124,205	0.13
	Reinhard Kandera	57,292	0.08	56,446	0.06
Non-officer employees[118]		**127,007**	**0.17**	**226,907**	**0.24**
Other private individual shareholders		**1,548,609**	**2.04**	**2,890,684**	**3.08**
Of which private individual shareholders of the Groupe Grimaud Family and Financière Grand Champ SAS[116 & 119]		874,903	1.15	1,655,260	1.76
Of which investors		172,277	0.23	344,528	0.37
Of which independent members of the Supervisory Board[120]	Alain Munoz	41,800	0.06	83,600	0.09
	Michel Greco	618	0.00	686	0.00
	James Sulat	17,867	0.02	31,367	0.03
	Alexander Von Gabain	39,687	0.05	38,218	0.04
Other private individual shareholders with shares in registered form		401,457	0.53	737,025	0.79
Other ordinary bearer shares		**52,804,261**	**69.58**	**52,804,261**	**56.27**
Other preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15		**1,186,748**	**1.56**	**0**	**0.00**
TOTAL		**75,888,288**	**100**	**93,844,740**	**100**

[114] To the Company's knowledge.

[115] This rate is calculated in reference to a share capital totaling 75,888,288 Valneva shares, divided into (a) 74,698,099 ordinary shares with a nominal value of €0.15 each, (b) 17,836,719 preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each.

[116] The "**Groupe Grimaud Family**" is comprised of the company "Groupe Grimaud La Corbière", the private shareholders of the Groupe Grimaud Family, and the company "Financière Grand Champ SAS".

[117] Securities mentioned in the column "Shares held" with respect to the Management Board members include preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each, and with respect to Messrs. Thomas Lingelbach and Reinhard Kandera, Valneva's bearer shares as well as preferred shares of the Company with a nominal value of €0.01 each, written down to a nominal value of €0.15.

[118] Securities mentioned in the column "Shares held" include preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each.

[119] Securities mentioned in the column "Shares held" include Valneva's bearer shares.

[120] Securities mentioned in the column "Shares held" with respect to Messrs. Michel Greco and Alexander Von Gabain, members of the Supervisory Board, include preferred shares of the Company with a nominal value of €0.01 each, written down to a nominal value of €0.15, as well as Valneva's bearer shares.

Structure of the Company's share capital at April 30, 2016[121]

		Shares held	%[122]	Number of theoretical voting rights (including suspended voting rights and double voting rights)	%
Groupe Grimaud La Corbière[123]		**12,104,830**	**15.95**	**23,948,157**	**25.51**
Bpifrance Participations SA		**7,456,785**	**9.83**	**12,956,648**	**13.80**
Management Board members	**Total Management Board members**[124]	**660,048**	**0.87**	**1,033,578**	**1.10**
	Franck Grimaud	478,005	0.63	852,927	0.91
	Thomas Lingelbach	124,751	0.16	124,205	0.13
	Reinhard Kandera	57,292	0.08	56,446	0.06
Non-officer employees[125]		**127,017**	**0.17**	**229,407**	**0.24**
Other private individual shareholders		**1,545,262**	**2.03**	**2,919,595**	**3.11**
Of which private individual shareholders of the Groupe Grimaud Family and Financière Grand Champ SAS[123 & 126]		874,903	1.15	1,655,260	1.76
Of which investors		172,277	0.23	344,528	0.37
Of which independent members of the Supervisory Board[127]	Alain Munoz	41,800	0.06	83,600	0.09
	Michel Greco	618	0.00	686	0.00
	James Sulat	17,867	0.02	31,367	0.03
	Alexander Von Gabain	39,687	0.05	38,218	0.04
Other private individual shareholders with shares in registered form[128]		398,110	0.52	765,936	0.82
Other ordinary bearer shares		**52,807,611**	**69.59**	**52,807,611**	**56.24**
Other preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15		**1,186,735**	**1.56**	**0**	**0.00**
TOTAL		**75,888,288**	**100**	**93,894,996**	**100**

[121] To the Company's knowledge.

[122] This rate is calculated in reference to a share capital totaling 75,888,288 Valneva shares, divided into (a) 74,698,099 ordinary shares with a nominal value of €0.15 each, (b) 17,836,719 preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each.

[123] The "**Groupe Grimaud Family**" is comprised of the company "Groupe Grimaud La Corbière", the private shareholders of the Groupe Grimaud Family, and the company "Financière Grand Champ SAS".

[124] Securities mentioned in the column "Shares held" with respect to the Management Board members include preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each, and with respect to Messrs. Thomas Lingelbach and Reinhard Kandera, Valneva's bearer shares as well as preferred shares of the Company with a nominal value of €0.01 each, written down to a nominal value of €0.15.

[125] Securities mentioned in the column "Shares held" include preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each, as well as preferred shares of the Company with a nominal value of €0.01 each, written down to a nominal value of €0.15.

[126] Securities mentioned in the column "Shares held" include Valneva's bearer shares.

[127] Securities mentioned in the column "Shares held" with respect to Messrs. Michel Greco and Alexander Von Gabain, members of the Supervisory Board, include preferred shares of the Company with a nominal value of €0.01 each, written down to a nominal value of €0.15, as well as Valneva's bearer shares.

[128] Securities mentioned in the column "Shares held" include preferred shares of the Company with a nominal value of €0.01 each, written down to a nominal value of €0.15.

5.2.2 Direct or indirect shareholdings in the share capital of the Company, of which the Company has been informed in accordance with articles L. 233-7 and L. 233-12 of the French Commercial code

In accordance with the Articles of Association of Valneva SE, in addition to the legal disclosure obligation to inform the Company of ownership of certain percentages 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 2%, or any multiple of this percentage, is obliged to inform the Company thereof within four trading days of the crossing of one of these thresholds, stating the total number of shares, the corresponding voting rights and the number of securities giving access to the capital that he/she/it owns individually or in concert.

During the fiscal year ended December 31, 2015, the Company has been informed of the threshold crossings hereinafter described.

(a) Declarations of the Groupe Grimaud Family

Declaration of threshold crossings received pursuant to the share capital increase resulting from the 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 (see Section 1.1.2 (a) of this Registration Document)

The company Financière Grand Champ SAS declared, for regularization purposes, for itself and for the following concert parties:

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

(together referred to as the "**Groupe Grimaud Family** ")

that on February 6, 2015, it has crossed below the legal threshold of 20% of the share capital and voting rights, as well as the statutory thresholds between 22% and 18%, as a consequence of the share capital increase with preferential subscription rights opened for subscription from January 15 to January 28, 2015, as described in the prospectus duly approved by the French Financial Markets Authority on January 12, 2015, under Visa No. 15-020.

The Groupe Grimaud Family stake was reduced, pursuant to this transaction, to 17.14% of the share capital and 17.42%[129] of the voting rights of the Company:

[129] Rates calculated in reference to a share capital totaling 75,772,414 Valneva shares (divided into 74,583,299 ordinary shares with a nominal value of €0.15 each, and 17,836,719 preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15), representing 74,583,299 voting rights of the Company.

	Shares held	% of the share capital	Voting rights	% of the voting rights
Groupe Grimaud La Corbière	12,104,830	15.98	12,104,830	16.23
Financière Grand Champ	334,977	0.44	334,977	0.45
Frédéric Grimaud	257,996	0.34	257,996	0.35
Joseph Grimaud	157,835	0.21	157,835	0.21
Marie-Thérèse Grimaud	69,230	0.09	69,230	0.09
Renée Grimaud	64,135	0.08	64,135	0.09
Agnès Grimaud	1,022	ns	1,022	ns
Anne Marie Grimaud	480	ns	480	ns
Thomas Grimaud	100	ns	100	ns
Odile Grimaud Chateigner	62	ns	62	ns
Bruno Grimaud	66	ns	66	ns
TOTAL Groupe Grimaud Family	**12,990,733**	**17.14**	**12,990,733**	**17.42**

On this occasion, the company Groupe Grimaud La Corbière declared that it has individually crossed below the same thresholds.

Declaration of threshold crossings pursuant to the grant of double voting rights, and declaration of intent

The company Financière Grand Champ SAS declared, for itself and for the other members of the Groupe Grimaud Family with which it is acting in concert, that on May 28, 2015, it has crossed above the legal thresholds of 20% and 25% of the voting rights of the Company, as well as the statutory[130] thresholds between 18% and 28% of such voting rights, pursuant to the grant of double voting rights in accordance with the provision of article 13.2.3 of the Articles of Association of Valneva SE.

The Groupe Grimaud Family stake has been increased to 28.13%[131] of the voting rights of the Company:

	Actions	% du capital	Droits de vote	% des droits de vote
Groupe Grimaud La Corbière	12 104 830	15,96	22 990 110	26,43
Financière Grand Champ	334 977	0,44	563 149	0,65
Frédéric GRIMAUD	257 996	0,34	457 996	0,53
Joseph GRIMAUD	157 835	0,21	234 765	0,27
Marie-Thérèse GRIMAUD	69 230	0,09	119 230	0,14
Agnès GRIMAUD	1 022	ns	1 022	ns
Anne Marie GRIMAUD	480	ns	480	ns
Thomas GRIMAUD	100	ns	200	ns
Odile GRIMAUD CHATEIGNER	62	ns	62	ns
Bruno GRIMAUD	66	ns	66	ns
TOTAL Groupe Familial Grimaud	**12 990 733**	**17,13**	**24 466 215**	**28,13**

[130] Meaning herein the thresholds defined under the Company's Articles of Association.

[131] Rates calculated in reference to a share capital totaling 75,852,214 Valneva shares (divided into 74,663,099 ordinary shares with a nominal value of €0.15 each, and 17,836,719 preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15), representing 86,980,615 voting rights of the Company.

On this occasion, the company Groupe Grimaud La Corbière declared that it has individually crossed upwards the same thresholds.

In addition, in accordance with the provisions of article L. 233-7, VII of the French Commercial code, and after the Groupe Grimaud Family has crossed above, on May 28, 2015, the thresholds of 20% and 25% of the share capital and voting rights of the Company Valneva SE, the Groupe Grimaud Family declared that:

- the thresholds crossings of 20% and 25% of the voting rights results from the grant of 11,475,482 double voting rights, on May 28, 2015, in accordance with the provisions of article 13.2.3 of the Articles of Association of the Company Valneva SE;
- it is acting in concert with the following persons:
    + Groupe Grimaud La Corbière, its subsidiary over which it exercises control and with which it is considered to be acting in concert in accordance with article L. 233-10, II, 2° of the French Commercial code;
    + Mr. Frédéric Grimaud, Chairman of the company Groupe Grimaud La Corbière, deemed to be acting in concert in accordance with article L. 233-10, II, 1° of the French Commercial code;
    + Mr. Joseph Grimaud, Mrs. Marie-Thérèse Grimaud, Mrs. Renée Grimaud, Mr. Thomas Grimaud, Mrs. Odile Grimaud Chateigner, Mrs. Agnès Grimaud, Mrs. Anne Marie Grimaud, Mr. Bruno Grimaud, associates of the company Financière Grand Champ, deemed to be acting in concert in accordance with article L. 233-10, II, 4° of the French Commercial code;
- the company is not considering further purchases, nor acquiring the control of the Company Valneva SE, nor engaging in any particular strategy *vis-à-vis* the issuer;
- none of the transactions provided by article 223-17, I, 6° of the General Regulations of the French Financial Markets Authority is being considered;
- it does not hold any of the instruments or agreements listed in article L. 233-9, I, 4° and 4° bis of the French Commercial code;
- it has not concluded any temporary sale agreement concerning the shares or voting rights of the Company Valneva SE;
- it does not plan to ask for the appointment of Management Board or Supervisory Board members of Valneva SE, knowing that Mr. Frédéric Grimaud, Chairman of the company Groupe Grimaud La Corbière, is already Chairman of the Supervisory Board of the Company.

(b) Declaration of thresholds crossings of Novartis AG pursuant to the sale of Valneva shares to the company Glaxo Group Limited and to various Company's share capital increases

i) Novartis AG, acting in its name and on its behalf, as well as in the name and on behalf of the companies Novartis Pharma AG ("**Novartis Pharma**") and Novartis Vaccines and Diagnostics Inc. ("**NVD Inc.**" and, together with Novartis AG and Novartis Pharma, the "**Novartis Group**"), declared, for regularization purposes, that it has passively crossed below certain legal and statutory thresholds of the share capital and voting rights of the Company, following various Company's share capital increases. Novartis AG also declared, in its name and on its behalf, as well as in the name and on behalf of the other companies within the Novartis Group, that it has actively crossed below certain legal and statutory thresholds of the share capital and voting rights of the Company, following the Sale (as defined hereinafter):

Date of the threshold(s) crossing(s)	Description of the trigger event	% of the share capital of the Company			% of the voting rights of the Company			Description of the crossed threshold(s)
		Novartis Pharma	NVD Inc.	Novartis Group	Novartis Pharma	NVD Inc.	Novartis Group	
March 3, 2015	**Sale**	**0**	**0**	**0**	**0**	**0**	**0**	**Novartis AG has indirectly and actively crossed below:** + **the statutory thresholds of 2% of the share capital** + **the statutory threshold of 2% of the voting rights** **Novartis Pharma has directly and actively crossed below:** + **the statutory thresholds of 2% of the share capital** + **the statutory threshold of 2% of the voting rights**
February 6, 2015	**Company's share capital increase**	**2.66**	**1.10**	**3.76**	**2.54**	**1.04**	**3.58**	**Novartis AG has indirectly and passively crossed below:** + **the statutory thresholds of 4% of the share capital** + **the statutory threshold of 4% of the voting rights**
June 25, 2014	**Company's share capital increase**	**3.51**	**1.45**	**4.96**	**3.39**	**1.38**	**4.78**	**Novartis AG has indirectly and passively crossed below:** + **the legal thresholds of 5% of the share capital**
July 5, 2013	**Company's share capital increase**	**3,62**	**1.49**	**5.11**	**3.47**	**1.43**	**4.90**	**Novartis AG has indirectly and passively crossed below:** + **the legal thresholds of 5% of the voting rights** + **the statutory thresholds of 6% of the share capital** + **the statutory threshold of 6% of the voting rights** **Novartis Pharma has directly and passively crossed below:** + **the statutory thresholds of 4% of the share capital** + **the statutory threshold of 4% of the voting rights** **NVD Inc. has directly and passively crossed below:** + **the statutory thresholds of 2% of the share capital**

ii) It has been specified, in accordance with article 12 of the Articles of Association of the Company, that:

+ all the shares and voting rights held by the Novartis Group in the capital of the Company have been granted to the Novartis Group in the context of the merger between the companies Intercell AG and Vivalis SA (now Valneva SE) of May 28, 2013; and
+ since May 28, 2013, and until the closing of the Sale (as defined below):
  - the Novartis Group did not sell or acquire shares or voting rights of the Company, nor subscribe to a share capital increase of the Company; and
  - the number of ordinary shares and preferred shares held by the Novartis Group remains unchanged, i.e.:

	Share capital		Voting rights
	Ordinary shares	**Preferred shares**	
Novartis Pharma	1,894,024 i.e. 3,788,048	1,894,024	1,894,024
NVD Inc.	780,000 i.e. 1,560,000	780,000	780,000
Novartis Group	**2,674,024** **i.e. 5,348,048**	**2,674,024**	**2,674,024**

- with the exception of the above-mentioned shares and voting rights, the Novartis Group does not hold, and never held, securities giving access to the share capital and/or voting rights of the Company.

iii) In addition, on March 3, 2015, the ownership of all shares and voting rights held in the share capital of the Company by Novartis Pharma and NVD Inc. has been transferred to the benefit of the company Glaxo Group Limited (the "**Sale**"). Consequently, on even date, the Novartis Group did not hold shares or voting rights of Valneva SE anymore.

(c) Declaration of threshold crossing of the group Glaxo SmithKline ("GSK Group") pursuant to the acquisition of Valneva shares held by companies of the Novartis group

On March 2, 2015, the company Glaxo Smith Kline Limited, a subsidiary of the GSK Group, acquired the Valneva shares held by Novartis Pharma and Novartis Vaccines and Diagnostics Inc. (see Section 5.2.2 (b) of this Registration Document). In addition, GSK Biologicals SA, a subsidiary of the GSK Group, was holding shares of the Company on even date. This acquisition, added to this pre-existing stake in the Company's share capital, led to the GSK Group's crossing above the threshold of 2% of the share capital and voting rights of Valneva SE.

Consequently, the GSK Group, acting in the name and on behalf of its subsidiaries, GSK Biologicals SA and Glaxo Group Limited, declared that on March 2, 2015, it was holding:

+ 2,966,524 ordinary shares of the Company; and
+ 2,674,024 preferred shares of the Company;

i.e.

+ 4.15% of the share capital of the Company; and
+ 3.97% of the voting rights of the Company[132].

(d) Declarations of the EPIC BPI-Groupe

Declaration of thresholds crossings pursuant to the grant of double voting rights, and declaration of intent

The EPIC BPI-Groupe declared that, on July 25, 2015, it has crossed above, indirectly through Bpifrance Participations SA over which it exercises control with the meaning of article L. 233-3 of the French Commercial code, the following thresholds:

- the legal threshold of 10% of the voting rights of the Company;

[132] Rates calculated in reference to a share capital totaling 75,852,214 Valneva shares (divided into 74,663,099 ordinary shares with a nominal value of €0.15 each, and 17,836,719 preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15), representing 74,663,099 voting rights of the Company.

- the statutory thresholds of 10%, 12% and 14% of the voting rights of the Company.

These thresholds crossings result from the grant of 5,499,863 double voting rights to Bpifrance Participations, increasing the EPIC BPI-Groupe stake at 7,456,785 ordinary shares and 12,956,648 voting rights of the Company, representing 9.83% of the share capital and 14.01%[133] of the voting rights issued in Valneva SE:

	Shares held	% of the share capital	Voting rights	% of the voting rights
EPIC BPI-Groupe (directly)	0	0	0	0
EPIC BPI-Groupe (indirectly, through Bpifrance Participations)	7,456,785	9.83	12,956,648	14.01
TOTAL EPIC BPI-Groupe	**7,456,785**	**9.83**	**12,956,648**	**14.01**

In addition, in accordance with article L. 233-7, VII of the French Commercial code, the EPIC BPI-Groupe declared that for the six coming months, the intents of Bpifrance Participations, company over which it indirectly exercises control through the company BPI-Groupe SA, are the following:

- Bpifrance Participations crossed above the threshold of 10% of the voting rights of the Company, as a result of the grant, to its benefit, of 5,499,863 double voting rights, and therefore, has not resorted to any form of financing;
- Bpifrance Participations is acting alone;
- Bpifrance Participations does not intend to proceed with purchases on the market;
- Bpifrance Participations does not intend to obtain control over the Company;
- Bpifrance Participations intends to support the development of Valneva SE, but though has no plans to carry out transactions referred to by article 223-17, I, 6° of the General Regulations of the French Financial Markets Authority;
- Bpifrance Participations does not hold any of the instruments or agreements listed in article L. 233-9, I, 4° and 4° bis of the French Commercial code;
- Bpifrance Participations has not concluded any temporary sale agreement concerning the shares or voting rights of the Company Valneva SE.
- Bpifrance Participations does not intend to ask for […] the appointment of board members.

Declaration of threshold crossing pursuant to issuance of new shares and new double voting rights

The EPIC-BPI Groupe declared that on August 4, 2015, it has passively crossed below, through Bpifrance Participations SA, the statutory threshold of 14% of the voting rights of the Company.

This threshold crossing results from the issuance of new Valneva shares and new double voting rights; the EPIC-BPI-Groupe stake, amounting to 7,456,785 ordinary shares and 12,956,648 voting rights of the Company, is now representing 9.82% of the share capital and 13.82% of the voting rights issued in Valneva SE.

(e) Declaration of thresholds crossings of the Caisse des Dépôts et Consignations ("CDC") pursuant to the grant of double voting rights, and declaration of intent

On July 25, 2015, the CDC, through Bpifrance Participations, crossed above the following thresholds:

[133] Rates calculated in reference to a share capital totaling 75,852,214 Valneva shares, representing 92,479,478 voting rights of the Company.

- the legal threshold of 15% of the voting rights of the Company;
- the statutory thresholds of 12% and 14% of the voting rights of the Company.

These thresholds crossings result from the grant of 5,499,863 double voting rights to Bpifrance Participations.

Consequently, the CDC holds, indirectly through Bpifrance Participations and CDC Entreprises Valeurs Moyennes ("**CDC EVM**"), 8,810,485 ordinary shares and 14,310,348 voting rights of the Company, representing 11.61% of the share capital and 15.47%[134] of the voting rights issued by Valneva SE:

	Shares held	% of the share capital	Voting rights	% of the voting rights
CDC	0	0	0	0
CDC Entreprises Valeurs Moyennes	1,353,700	1.78	1,353,700	1.46
Bpifrance Participations SA	7,456,785	9.83	12,956,648	14.01
TOTAL CDC	**8,810,485**	**11.61**	**14,310,348**	**15.47**

In addition, in accordance with article L. 233-7, VII of the French Commercial code, the Caisse des Dépôts et Consignations declared that, for the coming six months, the intents of CDC EVM and Bpifrance Participations, company over which it indirectly exercises control through the company BPI-Groupe SA, are the following:

- the threshold crossing is passive and linked to the grant of double voting rights. As such, no financing was required;
- CDC EVM and Bpifrance Participations are acting alone;
- Bpifrance Participations does not intend to purchase shares in the coming months;
- CDC EVM intends to purchase non-significant amounts of shares in the coming months;
- neither CDC EVM nor Bpifrance Participations intend to obtain control over the Company;
- CDC EVM and Bpifrance Participations intend to support the development of Valneva SE, but though have no plans to carry the transactions referred to in article 223-17, I, 6° of the General Regulations of the French Financial Markets Authority;
- neither CDC EVM, nor Bpifrance Participations, holds any of the instruments or agreements listed in article L. 233-9, I, 4° and 4° bis of the French Commercial code;
- neither CDC EVM, nor Bpifrance Participations, concluded any temporary sale agreement concerning the shares or voting rights of the Company Valneva SE;
- neither CDC EVM, nor Bpifrance Participations, intends to ask for […] the appointment of board members.

[134] Rates calculated in reference to a share capital totaling 75,852,214 Valneva shares, representing 92,479,478 voting rights of the Company.

5.2.3 Shareholding evolution over the past three financial years[135]

Structure of the Company's share capital at December 31, 2015

		Shares held	%[136]	Number of theoretical voting rights (including suspended voting rights and double voting rights)	%
Groupe Grimaud La Corbière[137]		**12,104,830**	**15.95**	**23,948,157**	**25.52**
Bpifrance Participations SA		**7,456,785**	**9.83**	**12,956,648**	**13.81**
Management Board members	**Total Management Board members**[138]	**660,048**	**0.87**	**1,018,083**	**1.08**
	Franck Grimaud	478,005	0.63	837,432	0.89
	Thomas Lingelbach	124,751	0.16	124,205	0.13
	Reinhard Kandera	57,292	0.08	56,446	0.06
Non-officer employees[139]		**127,007**	**0.17**	**226,907**	**0.24**
Other private individual shareholders		**1,548,609**	**2.04**	**2,890,684**	**3.08**
Of which private individual shareholders of the Groupe Grimaud Family and Financière Grand Champ SAS[137 & 140]		874,903	1.15	1,655,260	1.76
Of which investors		172,277	0.23	344,528	0.37
Of which independent members of the Supervisory Board[141]	Alain Munoz	41,800	0.06	83,600	0.09
	Michel Greco	618	0.00	686	0.00
	James Sulat	17,867	0.02	31,367	0.03
	Alexander Von Gabain	39,687	0.05	38,218	0.04
Other private individual shareholders with shares in registered form		401,457	0.53	737,025	0.79
Other ordinary bearer shares		**52,804,261**	**69.58**	**52,804,261**	**56.27**
Other preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15		**1,186,748**	**1.56**	**0**	**0.00**
TOTAL		**75,888,288**	**100**	**93,844,740**	**100**

[135] To the Company's knowledge.

[136] This rate is calculated in reference to a share capital totaling 75,888,288 Valneva shares, divided into (a) 74,698,099 ordinary shares with a nominal value of €0.15 each, (b) 17,836,719 preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each.

[137] The "**Groupe Grimaud Family**" is comprised of the company "Groupe Grimaud La Corbière", the private shareholders of the Groupe Grimaud Family, and the company "Financière Grand Champ SAS".

[138] Securities mentioned in the column "Shares held" with respect to the Management Board members include preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each, and with respect to Messrs. Thomas Lingelbach and Reinhard Kandera, Valneva's bearer shares as well as preferred shares of the Company with a nominal value of €0.01 each, written down to a nominal value of €0.15.

[139] Securities mentioned in the column "Shares held" include preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each.

[140] Securities mentioned in the column "Shares held" include Valneva's bearer shares.

[141] Securities mentioned in the column "Shares held" with respect to Messrs. Michel Greco and Alexander Von Gabain, members of the Supervisory Board, include preferred shares of the Company with a nominal value of €0.01 each, written down to a nominal value of €0.15, as well as Valneva's bearer shares.

Structure of the Company's share capital at December 31, 2014

		Shares held	%[142]	Number of theoretical voting rights (including suspended voting rights)	%
Groupe Grimaud La Corbière[143]		**11,843,327**	**20.58**	**11,843,327**	**21.02**
Bpifrance Participations SA		**5,499,863**	**9.56**	**5,499,863**	**9.76**
Management Board members	**Total Management Board members**[144]	**524,746**	**0.91**	**523,880**	**0.93**
	Franck Grimaud	375,140	0.65	375,140	0.67
	Thomas Lingelbach	98,978	0.17	98,740	0.18
	Reinhard Kandera	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 Groupe Grimaud Family and Financière Grand Champ SAS[143 & 145]		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[146]	Alain Munoz	41,800	0.07	41,800	0.07
	Michel Greco	618	0.00	586	0.00
	James Sulat	13,500	0.02	13,500	0.02
	Alexander Von Gabain	23,517	0.04	22,048	0.04
Other private individual shareholders with shares in registered form		369,679	0.64	369,679	0.66
Other ordinary bearer shares		**36,896,657**	**64.12**	**36,896,657**	**65.48**
Other preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15		**1,186,748**	**2.06**	**0**	**0**
TOTAL		**57,540,948**	**100**	**56,351,833**	**100**

[142] This rate is calculated in reference to a share capital totaling 57,540,948 Valneva shares, divided into (a) 56,351,833 ordinary shares with a nominal value of €0.15 each, (b) 17,836,719 preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15.

[143] The "**Groupe Grimaud Family**" is comprised of the company "Groupe Grimaud La Corbière", the private shareholders of the Groupe Grimaud Family, and the company "Financière Grand Champ SAS".

[144] Securities mentioned in the column "Shares held" include, with respect to Messrs. Thomas Lingelbach and Reinhard Kandera, Valneva's bearer shares as well as preferred shares of the Company with a nominal value of €0.01 each, written down to a nominal value of €0.15.

[145] Securities mentioned in the column "Shares held" include Valneva's bearer shares.

[146] Securities mentioned in the column "Shares held" with respect to Messrs. Michel Greco and Alexander Von Gabain, members of the Supervisory Board, include preferred shares of the Company with a nominal value of €0.01 each, written down to a nominal value of €0.15, as well as Valneva's bearer shares.

Structure of the Company's share capital at December 31, 2013

		Shares held	%[147]	Number of theoretical voting rights (including suspended voting rights)	%
Groupe Grimaud La Corbière[148]		**11,843,327**	**21.19**	**11,843,327**	**21.65**
Bpifrance Participations SA		**5,499,863**	**9.84**	**5,499,863**	**10.05**
Management Board members	**Total Management Board members**[149]	**524,746**	**0.94**	**523,880**	**0.96**
	Franck Grimaud	375,140	0.67	375,140	0.69
	Thomas Lingelbach	98,978	0.18	98,740	0.18
	Reinhard Kandera	50,628	0.09	50,000	0.09
Non-officer employees		**158,290**	**0.28**	**158,290**	**0.29**
Other private individual shareholders		**1,767,578**	**3.16**	**1,766,077**	**3.23**
Of which private individual shareholders of the Groupe Grimaud Family and Financière Grand Champ SAS[148 & 150]		884,070	1.58	884,070	1.62
Of which investors		392,323	0.70	392,323	0.72
Of which independent members of the Supervisory Board[151]	Alain Munoz	41,800	0.07	41,800	0.08
	Michel Greco	618	0.00	586	0.00
	James Sulat	13,500	0.02	13,500	0.02
	Alexander Von Gabain	23,517	0.04	22,048	0.04
Other private individual shareholders with shares in registered form		411,750	0.74	411,750	0.75
Other ordinary bearer shares		**34,917,563**	**62.47**	**34,917,563**	**63.82**
Other preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15		**1,186,748**	**2.12**	**0**	**0**
TOTAL		**55,898,115**	**100**	**54,709,000**	**100**

[147] This rate is calculated in reference to a share capital totaling 55,898,115 Valneva shares, divided into (a) 54,709,000 ordinary shares with a nominal value of €0.15 each, (b) 17,836,719 preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15.

[148] The "**Groupe Grimaud Family**" is comprised of the company "Groupe Grimaud La Corbière", the private shareholders of the Groupe Grimaud Family, and the company "Financière Grand Champ SAS".

[149] Securities mentioned in the column "Shares held" include, with respect to Messrs. Thomas Lingelbach and Reinhard Kandera, Valneva's bearer shares as well as preferred shares of the Company with a nominal value of €0.01 each, written down to a nominal value of €0.15.

[150] Securities mentioned in the column "Shares held" include Valneva's bearer shares.

[151] Securities mentioned in the column "Shares held" with respect to Messrs. Michel Greco and Alexander Von Gabain, members of the Supervisory Board, include preferred shares of the Company with a nominal value of €0.01 each, written down to a nominal value of €0.15, as well as Valneva's bearer shares.

5.2.4 Shareholders agreement

A shareholders agreement was executed on July 5, 2013, between the company Groupe Grimaud La Corbière ("**GGLC**"), France's Strategic Investment Fund (Fonds Stratégique d'Investissement, renamed "Bpifrance Participations"), Messrs. Franck Grimaud, Majid Mehtali, Thomas Lingelbach and Reinhard Kandera.

The shareholders agreement was executed in connection with the capital increase with preferential subscription rights of Valneva SE, amounting approximately to €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 the Company from the merger of Vivalis SA and Intercell AG.

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 SE. In particular, by entering into this shareholders agreement, Bpifrance Participations wishes to maintain its financial interests in the Company.

Governance

Composition of the Supervisory Board

+ The shareholder agreement notes that Vivalis SA's General Meeting convened on March 7, 2013 to approve the merger and capital increase, appointed the following individuals as initial members of the Supervisory Board for a 3-year term: (i) three candidates put forth by GGLC (Messrs. Frédéric Grimaud, Michel Greco and Alain Munoz), whose terms took effect at the date of the merger between Vivalis SA and Intercell AG, (ii) three candidates put forth by Intercell AG (Messrs. James Sulat, Alexander Von Gabain and Hans Wigzell), whose terms took effect at the date of the merger between Vivalis SA and Intercell AG, and (iii) one candidate put forth by Bpifrance Participations (Mrs. Anne-Marie Graffin), whose term took effect at the date of settlement and delivery of the capital increase;
+ The Supervisory Board member appointed by Bpifrance Participations also sits on the Compensation and Appointments Committee;
+ Throughout the term of the shareholders agreement, GGLC and Bpifrance Participations will make every effort to abide by these principles for allocating seats in the Supervisory Board;
+ Bpifrance Participations will also be appointed as a Non-Voting Observer (*Censeur*) of 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 out of 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 SE's registered offices or of an R&D center operated by Valneva SE 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 SA and Intercell AG, are (i) two candidates put forth by GGLC (Messrs. Franck Grimaud and Majid Mehtali) and (ii) two candidates put forth by the Intercell AG Supervisory Board (Messrs. 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 Management 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 shareholders 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 GGLC or Bpifrance Participations (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 SE 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 the shareholders agreement

The shareholders 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 2015 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 share 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 above), 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 above).

Beside, regarding the existence of special control rights on Valneva securities, please refer to Section 5.2.7 of this Registration Document.

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 above;
- limitation on the voting rights set at 29.9% for any holder (acting alone or in concert) of ordinary shares, as described in Section 5.3.3 (b) of this Registration Document;
- as mentioned in the Note 5.2 of the statutory financial statements for the fiscal year 2015, a USD 41 million loan was granted to Valneva Austria GmbH, 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, other than the double voting rights allocated to all fully paid-up shares which have been registered in the name of the same shareholder for more than two years (see Section 5.2.1 of this Registration Document).

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 of the Company

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, realization or development.

5.3.2 Corporate Governance

(a) 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 meeting (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 authorization 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 authorization 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 authorized 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 authorized 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 authorize 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 realizing 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.

(b) 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 initialed 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 authorize the following agreements and operations, prior to their conclusion:

1. 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 the 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.

2. 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 €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 €1.5 million;
   - (xi) implementation of any capital expenditure for an amount exceeding €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 €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 €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 €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 €500,000, provided that any settlement or compromise relating to a litigation of an amount exceeding €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 center(s) operated by the Company in France shall be subject, as from the date hereof, to the prior authorization 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 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 the 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)

(a) Rights and obligations common to the 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 the Articles of Association.

Shareholders shall only bear losses up to the limit of their contributions.

Subject to the provisions of the law and of the 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 the 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.

(b) 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, amortized and unamortized, 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.

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 French Commercial code, the voting rights of such shareholders to be aggregated for this purpose. If the cap is to apply to one or more shareholders, the quorum and majority rules shall be determined for each General Meeting by taking into account the number of voting rights that could be validly exercised by the relevant shareholders. This cap shall apply for a period of five (5) years from the registration of the Company as a European Company with the trade and companies register.

(c) Stipulations specific to the 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 the 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 the 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) Condition for conversion of 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 authorization in the United States of America or in Europe (on the basis of a centralized 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 realization 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 the Preferred Shares into Ordinary Shares shall be carried out pursuant to a conversion ratio of 0.5246 Ordinary Share for 1 Preferred Share (the ***Conversion Ratio***), if necessary adjusted in accordance with provisions of paragraph " (*iii) Protection of the individual rights of holders of the Preferred Shares"* below.

Conversion procedures for Preferred Shares

The conversion of Preferred Shares into Ordinary Shares shall not require either instructions or payment by the holders of the Preferred Shares.

The nominal value of each of the Ordinary Shares 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 registration in the shareholders' accounts of the Company resulting from the same shall take place ipso jure within 10 days of the realization of the Condition.

All Preferred Shares converted into Ordinary Shares shall definitively be considered as Ordinary Shares on the date of their conversion.

The Management Board shall be entitled to carry out 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 the 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.

When 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. In such an event, 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 and, as the case may be, from any available reserve accounts.

(iii) Protection of the individual rights of holders of the Preferred Shares

Amortization of the share capital – Modification of profit-sharing –Issuance of preferred shares

The Company shall have the right to amortize its share capital, to modify the rules for sharing of its profits or the issuance of preferred shares, provided that, for as long as Preferred Shares are in circulation, it has taken the necessary measures to preserve the rights of the holders of the Preferred Shares, pursuant to the stipulations of the paragraph "*Financial Operations of the Company*" below.

Capital reduction due to losses

In the event of reduction of the share capital of the Company 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 the 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. amortization of the share capital;

which the Company could realize starting from the date of issuance of the Preferred Shares, the maintenance of rights of holders of the Preferred Shares shall be ensured by carrying out an adjustment of the Conversion Ratio, pursuant to the following procedures (the ***Adjusted Conversion Ratio***).

This adjustment shall be carried out in such a way that it equalizes 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 realization of one of the above-mentioned operations, and the value of Ordinary Shares that would be obtained in case of conversion of Preferred Shares immediately after said 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 partial Shares being specified in the paragraph "*Payment of partial 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 average of the first market prices on NYSE Euronext Paris exchange (or in the absence of a market price on NYSE Euronext Paris exchange, on another regulated or similar market on which the share and the subscription right are both listed) for all of the trading days included in the subscription period.

2. In the event of attribution of free Shares, as well as in the event of 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/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/financial instruments is subject to a listing on NYSE Euronext Paris exchange (or in the absence of a listing on 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 exchange (or in the absence of a price on 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 stock exchange trading sessions, starting on 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 stock exchange 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/financial instruments is not listed on the NYSE Euronext Paris exchange (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 in question 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 the NYSE Euronext Paris exchange (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 on 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 the said financial securities observed on the said market for the first three stock exchange trading sessions included in this period during which the said financial securities are listed. If the said attributed financial securities are not listed for at least each of these three stock exchange trading sessions, the per 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 division, 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 for 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 amortization of the share capital, the Adjusted Conversion Ratio shall be equal to the product of the Conversion Ratio in effect before the amortization and the following ratio:

$$\frac{\text{Value of the Ordinary Share before the amortization}}{\text{Value of the Ordinary Share before the amortization – amount of the amortization per Ordinary Share}}$$

To calculate this ratio, the value of the Ordinary Share before the amortization shall mean the average weighted by the volumes of the market prices quoted on the NYSE Euronext Paris exchange (or in the absence of a price on the NYSE Euronext Paris exchange, on another regulated or similar market) for the last three stock exchange trading sessions preceding the day on which the Ordinary Shares are listed ex-amortization.

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 the NYSE Euronext Paris exchange (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-line on the Company's website and shall proceed, as the case may be, 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 realization of the Condition, the realization 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 realization 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 of the Conversion Ratio, the new Conversion Ratio within five (5) working days following the adjustment date of the Conversion Ratio;

- after the expiry of the 7 years delay within which the Condition is to be met, and if such Condition is not satisfied, the procedure to buy back the Preferred Shares.

4. Repurchase of the Preferred Shares

The Company shall buy-back:

- the Preferred Shares that were not allotted to the shareholders of Intercell AG, according to the conditions of 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 realized, for a price equal to their nominal value and payable within a ten (10) working day-period 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 a lower number of Ordinary Shares than the existing number of Preferred Shares as at the date of the completion of the Condition;
- the Preferred Shares bought back by the Company in one of the cases set out in paragraph 4 above.

The Management Board is hereby granted all powers to carry out the cancellation of the Preferred Shares and the subsequent amendment of the Articles of Association.

Provisions of paragraphs 4 and 5 above are applicable without prejudice of the ability for the Company to buy back, and if applicable, to cancel the Preferred Shares, in all other hypothesis under conditions set forth by laws and regulations.

(d) Special provisions applicable to the Convertible Preferred Shares

Rights attached to the Convertible Preferred Shares

The Convertible Preferred Shares will not be entitled to the distribution of dividends.

The Convertible Preferred Share does not carry voting rights in General Meeting. In accordance with the provisions set by statute and article 32 of the Articles of Association, it confers a right to participate and vote in special shareholders meetings for holders of Convertible Preferred.

The Convertible Preferred Shares do not carry preferential subscription rights to capital increases or any other corporate action with preferential subscription rights to Ordinary Shares and will not benefit from capital increases by free grants of new shares or by increasing the nominal amount of existing ordinary shares or through the capitalization of reserves, earnings or other items that may be capitalized, or through free grants of securities giving access to shares for the benefit of holders of ordinary shares.

The Convertible Preferred Shares are non-transferable.

Right to convert Convertible Preferred Shares into Ordinary Shares subject to conditions

(i) Conditions for converting Convertible Preferred Shares into Ordinary Shares

The Convertible Preferred Shares may be converted into Ordinary Shares at the end of four (4) years from their issuance date or their allocation date (the **Conversion Date**), according to a conversion ratio determined in the conditions described hereunder (the **Conditions of Convertible Preferred Shares**):

The number of Ordinary Shares that may result from the conversion will be calculated according to a conversion ratio determined by the Management Board based on the volume weighted average price of the Company's share for a period defined by the Management Board (**Volume Weighted Average Price**) on the Conversion Date (the **Conversion Ratio**). It being stipulated that the Management Board will determine for this purpose on the date the Convertible Preferred Shares are issued or awarded:

- the Volume Weighted Average Price from which the Convertible Preferred Shares may confer a right of conversion (the **Floor Price**) that may not, in any case be less than EUR 4;
- the target price on the Conversion Date above which the Ordinary Shares issued from the conversion will not increase (the **Ceiling Price**).

The Convertible Preferred Shares may not represent more than 6% of the share capital.

(ii) Procedures for conversion of Preferred Shares into Ordinary Shares

Subject to fulfillment of the Conditions of the Convertible Preferred Shares, the Convertible Preferred Shares will, on the Date of Conversion, be converted by the Company into Ordinary Shares at the request of the holder as from the Conversion Date and up to the cut-off date determined by the Management Board after which the Convertible Preferred Shares will automatically be converted if the holder has not requested conversion during this period.

The conversion of Convertible Preferred Shares into Ordinary Shares shall not require any payment by the holders of the Convertible Preferred Shares.

The nominal value of each of the Ordinary Shares 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 Convertible Preferred Shares into Ordinary Shares will constitute de facto waiver by shareholders of their preferential subscription rights resulting from new ordinary shares that will be, as applicable, issued pursuant to this conversion.

The Ordinary Shares resulting from the conversion of Convertible Preferred Shares will be definitively fungible with existing ordinary shares of the company as from the conversion date.

When the total number of Ordinary Shares to be received by a holder of Convertible Preferred Shares by applying the Conversion Ratio to the number of Convertible Preferred Shares held is not a whole number, said holder will receive the next lowest number of Ordinary Shares.

The Management Board must note for the record, as applicable, the number of Ordinary Shares resulting from the conversion of Convertible Preferred Shares, and make the necessary modifications to the bylaws, in particular with respect to the allocation of Shares per class and record the capital increase as required by law.

On conversion of the Convertible Preferred Shares, every holder of Convertible Preferred Shares may obtain a number of Ordinary Shares calculated with regard to the number of Convertible Preferred Shares which it holds on the basis of the Conversion Ratio in effect.

When 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. In such an event, the holder of Convertible 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 and, as the case may be, from any available reserve accounts.

(iii) Protection of the individual rights of holders of Convertible Preferred Shares

The provisions of article 13.3 "Special provisions applying to Preferred Shares", section 3 "Right to convert Preferred Shares into Ordinary Shares subject to conditions", subsection (iii) "Protection of the individual rights of holders of Preferred Shares", will also apply to Convertible Preferred Shares, subject to the characteristics of these securities.

(iv) Repurchase of Convertible Preferred Shares

If the functions of a holder of Convertible Preferred Shares within the Company or its subsidiaries are terminated for one of the following reasons:

- dismissal or gross or willful misconduct or the removal or non-renewal as corporate officer or employee of the Company or one of its subsidiaries in similar circumstances;
- voluntary early retirement with full pension benefits, in the absence of prior written approval from the Company;
- resignation in the absence of prior written approval from the Company,

the Company will buy back the Convertible Preferred Shares for the purpose of their cancellation.

The Convertible Preferred Shares will be repurchased at a price corresponding to their nominal value per share.

The Company will inform the holder of Convertible Preferred Shares concerned of the repurchase to be carried out by any means before the actual date of the repurchase.

All Convertible Preferred Shares repurchased on this basis will be definitively canceled as from that repurchase date and the capital of the company will be reduced by the corresponding amount, with the creditors possessing a right of objection.

The Management Board must note for the record, as applicable, the number of Convertible Preferred Shares repurchased and canceled by the company and make the necessary modifications to the articles of association with respect to the share capital and the number of shares making up the capital.

5.3.4 Amendment to 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

(a) 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 authorize 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 the Articles of Association.

The resolutions of the General Meetings shall oblige all of the shareholders, even if absent, dissenting or incapable.

(b) 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 realized by the inclusion in a newspaper authorized 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.

(c) 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.

(d) Admission to General Meetings – Powers (article 27 of the Articles of Association)

All of the shareholders shall be entitled to take part in the Meetings on providing proof of their identity, though subject to compliance with the following provisions:

- for holders of registered shares, their registration in the registered share account maintained by the Company no later than the second day preceding the Meeting date;
- for holders of ordinary bearer shares, issuance of a certificate of participation (attestation de participation) by an authorized intermediary confirming they are registered in a securities account no later than the second day preceding the Meeting date.

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 French 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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 the Articles of Association shall not be subject to the approval of the special meeting of Preferred Shareholders.

(j) 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

Please 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 regularization 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

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: 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 in particular 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 (b), 1.3.1, 1.3.2 (a) and 1.4.4 of this Registration Document.

5.5 Information on shareholdings

Please refer to Section 1.2.2 (b) of this Registration Document, as well as Note 5.1.2 to the consolidated financial statements for fiscal year 2015 (see Section 4.1 of this Registration Document).

5.6 Regulated agreements and commitments

5.6.1 List of regulated agreement and commitments

AGREEMENTS AUTHORIZED BY THE SUPERVISORY BOARD DURING THE PREVIOUS FISCAL YEAR

Co-contractor	Date of the Supervisory Board meeting or General Meeting having authorized the agreement	Contract	Contract matter	Charges and/or incomes booked during FY 2015 (in euros) [1]	Encashments and/or payments (in euros) [1]
Franck GRIMAUD, Management Board member Deputy CEO	June 25, 2015	Management Agreement executed with Valneva SE	This Agreement has been concluded in order to state the compensation conditions for Mr. Franck Grimaud in his capacity as Management Board member and Managing Director as from the end of the General Meeting to be held on 2016 and called to rule on the accounts for the fiscal year ended December 31, 2015. The execution of this agreement (together with the simultaneous renewal of office for Mr. Grimaud by the Supervisory Board) is aiming at ensuring a long-term stability of the Company's management, by limiting the costs.	0	0

[1] Charges and payments are between brackets.

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AGREEMENTS AND COMMITMENTS WHICH CONTINUED DURING THE PAST FISCAL YEAR

Co-contractor	Date of the Supervisory Board meeting or General Meeting having authorized the agreement	Contract	Contract matter	Charges and/or incomes booked during FY 2015 (in euros) [1]	Encashments and/or payments (in euros) [1]
Franck GRIMAUD, Management Board member Deputy CEO	May 31, 2013	Management Agreement executed with Valneva SE	This Agreement has been concluded in order to state the compensation conditions for Mr. Franck Grimaud in his capacity as Management Board member and Managing Director as from the registration of Valneva in the Lyon Trade and Companies Register as European company (i.e. as from May 28, 2013). This Agreement expires at the end of the General Meeting to be held on 2016 and called to rule on the accounts for the fiscal year ended December 31, 2015.	(559,201.24)	(624,323.57)
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.	(1,759.33)	(1,759.33)
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.	(3,382.18)	(3,382.18)
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.	(407.03)	(407.03)

COMMITMENTS AUTHORIZED BY THE SUPERVISORY BOARD DURING THE PREVIOUS FISCAL YEAR

Please refer to Section 2.2.2 (g), subsections "*Management Agreements entered into force on June 25, 2015 between Valneva Austria GmbH and Mr. Thomas Lingelbach or Mr. Reinhard Kandera*" and "*Management Agreement to be executed between the Company and M. Franck GRIMAUD as from the General Meeting of Valneva SE which will consider Valneva SE's annual financial statements for fiscal year 2015, intended to take place in June 2016*", of this Registration Document.

Commitments taken for Messrs. Lingelbach, Grimaud and Kandera in accordance with their respective Management Agreements reflect the intent of the Company to provide equitable solution for each of the corporate officers in case of end of office of change in their office. These commitments are aiming at:

- limiting the costs resulting from a termination of the Management Agreements;
- improving predictability of costs; and
- limiting the risk of litigation.

For the sake of equal treatment, Messrs. Lingelbach, Grimaud and Kandera are beneficiaries of similar provisions in this matter.

5.6.2 Special Auditor's report on regulated agreements and commitments

PricewaterhouseCoopers Audit

63, rue de Villiers
92208 Neuilly-sur-Seine
France

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' special report on related-party agreements and commitments

Annual General Meeting for the approval of the financial statements for the year ended December 31, 2015

PricewaterhouseCoopers Audit

63, rue de Villiers
92208 Neuilly-sur-Seine
France

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' special report on related-party agreements and commitments

Annual General Meeting for the approval of the financial statements for the year ended December 31, 2015

This is a free translation into English of the Statutory Auditors' special report on related party agreements and commitments issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of Valneva, we hereby report to you on related-party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of, as well as the reasons provided for, the 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 the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with 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 Annual General Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

Agreements and commitments to be submitted for the approval of the Annual General Meeting

Agreements and commitments authorised during the year

In accordance with Article L. 225-88 of the French Commercial Code, we have been informed of the following agreements and commitments previously authorized by the Supervisory Board.

Agreement with Franck Grimaud, member of the Management Board and Deputy Chief Executive Officer

- Nature and purpose: the Management Agreement, authorized by the Supervisory Board on 25 June 2015, specifies the compensation and benefits to be received by Mr. Franck Grimaud from the end of the Annual General Meeting called in 2016, for the purpose of approving the financial statements for the year ended 31 December 2015.

- Terms and conditions: the expense recognized in 2015 by your company in relation to this agreement amounts to €0 and the amount paid to €0.

- Reason provided by the Company: this agreement will help to ensure the long-term stability of the company's Management Board while keeping costs under control.

Commitments authorized in relation to Franck Grimaud, member of the Management Board and Deputy Chief Executive Officer, regarding compensation and benefits to be paid by Valneva SE in the event of termination of his contract or change of position

- Nature and purpose: the Management Agreement, authorized by the Supervisory Board on 25 June 2015, specifies the compensation and benefits to be received by Mr. Franck Grimaud from the end of the Annual General Meeting called in 2016, for the purpose of approving the financial statements for the year ended 31 December 2015.

- Terms and conditions:

1. In the event of Mr. Grimaud's incapacity to work due to illness or accident, Valneva SE must pay an amount of compensation which, when added to national health insurance benefits, would enable Mr. Grimaud to receive the equivalent of 100% of the compensation outlined in Section 6.1 of the Management Agreement (i.e. €245,792.40 gross annual salary as of 1 January 2016) for a period of three months, and 49% thereafter for an additional maximum three-month period. The limit for a two-year term of office is 100% compensation up to a maximum of six months, and 49% for a further maximum of six months. All payments would cease upon termination of the Management Agreement.

2. In the event of termination of the Management Agreement by means other than (i) removal by Valneva SE of Mr. Grimaud on reasonable grounds, or (ii) at Mr. Grimaud's initiative (excluding in circumstances leading to an effective reduction in responsibilities assigned to Mr. Grimaud in relation to one of his management roles) and in accordance with non-competition obligations (Section 10.1 of the Management Agreement), Valneva SE will pay full compensation for the duration of these obligations (i.e. one year from termination of the Management Agreement).

3. In the event of removal of Mr. Grimaud from his position as member of the Management Board and termination of the Management Agreement (after a two-month notice period ending on the last day of the current month), Valneva SE will pay compensation as outlined in Section 6.1 of the Management Agreement up to the expiry date of said Management Agreement (i.e. on the earlier of (i) the date of the Annual General Meeting of Valneva SE held to approve the 2018 financial statements, and (ii) 30 June 2019), provided that Mr. Grimaud meets, where applicable, the targets set by the Supervisory Board in accordance with Article L. 225-90-1 of the French Commercial Code. Up to the end of the notice period, Valneva SE will (i) pay a bonus as outlined in Section 6.3 of the Management Agreement on a pro rata basis (the bonus may not exceed 50% of the gross annual compensation stipulated in Section 6.1 of the Management Agreement), (ii) pay insurance premiums as outlined in Section 6.5 of the Management Agreement (Executive Insurance Policy), (iii) reimburse expenses as outlined in Section 7 of the Management Agreement (including out-of-pocket expenses) and (iv) provide benefits-in-kind as outlined in Section 8 of the Management Agreement (including the rental of a company car for up to €1,000 a month, car insurance and company car tax).

4. In the event of Mr. Grimaud's resignation and termination of the Management Agreement (after a two-month notice period ending on the last day of the

current month), and if Valneva SE fails to give notice of its decision to waive application of the non-competition obligations outlined in Section 10.1 of the Management Agreement, Valneva SE will pay Mr. Grimaud compensation as outlined in Section 6.1 of said Management Agreement and a bonus as outlined in Section 6.3 of said Management Agreement on a pro rata basis. In any event, these payments will be due for the duration of the non-competition obligations in accordance with Section 10.1 of the Management Agreement, provided that Mr. Grimaud meets, where applicable, the targets set by the Supervisory Board in accordance with Article L. 225-90-1 of the French Commercial Code. If Valneva SE waives its rights relating to the non-competition clause (Section 10.1 of the Management Agreement) or does not state that it will offer full compensation for the duration of these obligations, Mr. Grimaud will not be entitled to any further compensation upon expiry of the notice period.

5. If one of Mr. Grimaud's management positions within the Valneva Group ("Valneva SE management positions") is terminated by Mr. Grimaud himself or by the relevant Company before expiry of the Management Agreement due to circumstances leading to an effective reduction in the responsibilities assigned to Mr. Grimaud in relation to such position (including for legal reasons or as a result of the Group's operating structure), and subject to the provisions set out in paragraph 3 above, Mr. Grimaud may resign from the Management Board of Valneva SE and receive compensation as outlined in Section 6.1 of the Management Agreement as well as a bonus as outlined in Section 6.3 of the Management Agreement on a pro rata basis. These payments would be made up to expiry of the Management Agreement, provided that Mr. Grimaud, where applicable, meets the targets set by the Supervisory Board in accordance with Article L. 225-90-1 of the French Commercial Code. Total allowances received by Mr. Grimaud under the Executive Insurance Policy must be deducted for the period during which compensation is paid (payments in 2016 by the company under this Policy totalled €7,514).

- Reason provided by the Company: the aforementioned rules on compensation have been drawn up to ensure that all company officers are treated fairly and equally upon termination of their term of office. They are also designed to limit the cost of terminating the Management Agreement, make it easier to forecast costs and limit the risk of legal disputes.

Commitments authorized in relation to Thomas Lingelbach, Chairman of the Management Board, regarding compensation and benefits to be paid by Valneva Austria GmbH in the event of termination of his contract or change of position

- Nature and purpose: the Management Agreement, authorized by the Supervisory Board on 25 June 2015 and signed by Valneva Austria GmbH, specifies the compensation and benefits to be received by Mr. Thomas Lingelbach.

- Terms and conditions:
  1. In the event of Mr. Lingelbach's incapacity to work due to illness or accident, Valneva Austria GmbH must pay an amount of compensation equivalent to 100% of the compensation outlined in Section 6.1 of the Management Agreement (i.e. €327,723.20 gross annual salary as of 1 January 2016) for a period of three months, and 49% thereafter for an additional maximum three-month period. The limit for a two-year term of office is 100% compensation up to a maximum of six months, and 49% for a further maximum of six months. All payments would cease upon termination of the Management Agreement.

  2. If Valneva Austria GmbH states that it will comply with the provisions relating to non-competition obligations (Section 10.2 of the Management Agreement), and after it sends prior written notice of termination, Valneva Austria GmbH must pay full compensation to Mr. Lingelbach for the duration of the aforementioned obligations (i.e. one year upon termination of the Management Agreement).

  3. In the event of termination by Mr. Lingelbach of the Management Agreement for justified reasons, and in compliance with Section 26 of the Austrian White Collar Workers Act (subject to Mr. Lingelbach's resignation as legal manager of Valneva Austria GmbH and as a member of the Valneva SE Management Board within a reasonable time limit), the company will pay Mr. Lingelbach compensation as outlined in Section 6.1 of the Management Agreement and a bonus as outlined in Section 6.3 of the Management Agreement on a pro rata basis (the bonus may not exceed 60% of the gross annual salary outlined in Section 6.1 of the Management Agreement). These payments would be made up to expiry of the Management Agreement (i.e. on the earlier of (i) the date of the Annual General Meeting of Valneva SE held to approve the 2018 financial statements, and (ii) 30 June 2019) and after deduction of the amount saved by Mr. Lingelbach as a result of services not rendered or any amounts earned for any other type of work performed, or intentional loss of earnings (Section 29 of the Austrian White Collar Workers Act).

  4. In the event of removal by Valneva Austria GmbH of Mr. Lingelbach as legal manager and termination of the Management Agreement following prior notice as stipulated in Section 20 of the Austrian White Collar Workers Act (notice period ending on the last day of the current month), the company will pay Mr. Lingelbach compensation as outlined in Section 6.1 of the Management Agreement up to expiry of the Management Agreement and up to expiry of the notice period, as well as i) a bonus as outlined in Section 6.3 of the Management Agreement on a pro rata basis, ii) insurance premiums as outlined

in Section 6.5 of the Management Agreement (life/death insurance – current premium of €1,000 a month), iii) reimbursement of expenses as provided for in Section 7 of the Management Agreement (including out-of-pocket expenses and travel expenses) and iv) benefits-in-kind as outlined in Section 8 of the Management Agreement (including the rental of a company car for up to €1,000 a month, car insurance and other related expenses).

5. In the event of termination by Mr. Lingelbach of the Management Agreement subject to a notice period in line with that required by Valneva Austria GmbH in compliance with Section 20 of the Austrian White Collar Workers Act (notice period ending on the last day of the current month), the company will pay Mr. Lingelbach compensation as outlined in Section 6.1 of the Management Agreement and a bonus as outlined in Section 6.3 of the Management Agreement on a pro rata basis. These payments would be made for the duration of the non-competition obligations as outlined in Section 10.2 of the Management Agreement, i.e. one year upon termination of the Management Agreement. The aforementioned does not apply if Valneva Austria GmbH gives notice of its decision to waive application of the non-competition obligations during the notice period. In this event, Mr. Lingelbach may not lay claim to any further compensation upon expiry of the notice period.

6. If one of Mr. Lingelbach's Valneva SE management positions is terminated by Mr. Lingelbach himself or by the relevant Company before expiry of the Management Agreement due to circumstances leading to an effective reduction in the responsibilities assigned to Mr. Lingelbach in relation to such management position (including for legal reasons or as a result of the Group's operating structure), Mr. Lingelbach may resign as legal manager of Valneva Austria GmbH and receive compensation as outlined in Section 6.1 of the Management Agreement as well as a bonus as outlined in Section 6.3 of the Management Agreement on a pro rata basis. These payments would be made up to expiry of the Management Agreement.

- Reason provided by the Company: the aforementioned rules on compensation have been drawn up to ensure that all company officers are treated fairly and equally upon termination of their term of office. They are also designed to limit the cost of terminating the Management Agreement, make it easier to forecast costs and limit the risk of legal disputes.

Commitments authorized in relation to Mr. Reinhard Kandera, member of the Management Board, regarding compensation and benefits to be paid by Valneva Austria GmbH in the event of termination of his contract or change of position

- Nature and purpose: the Management Agreement, authorized by the Supervisory Board on 25 June 2015 and signed by Valneva Austria GmbH, specifies the compensation and benefits to be received by Mr. Reinhard Kandera.

- Terms and conditions:

1. In the event of Mr. Kandera's incapacity to work due to illness or accident, Valneva Austria GmbH must pay an amount of compensation equivalent to 100% of the compensation outlined in Section 6.1 of the Management Agreement (i.e. €245,792.40 gross annual salary as of 1 January 2016), and 49% thereafter for an additional maximum three-month period. The limit for a two-year term of office is 100% compensation up to a maximum of six months, and 49% for a further maximum of six months. All payments would cease upon termination of the Management Agreement.

2. If Valneva Austria GmbH states that it will comply with the provisions relating to the non-competition obligations (Section 10.2 of the Management Agreement), and after it sends prior written notice of termination, Valneva Austria GmbH must pay Mr. Kandera full compensation for the duration of the aforementioned obligations (i.e. one year upon termination of the Management Agreement).

3. In the event of termination by Mr. Kandera of the Management Agreement for justified reasons, and in compliance with Section 26 of the Austrian White Collar Workers Act (subject to Mr. Kandera's resignation as legal manager of Valneva Austria GmbH and as a member of the Valneva SE Management Board within a reasonable time limit), the company will pay Mr. Kandera compensation as outlined in Section 6.1 of the Management Agreement and a bonus as outlined in Section 6.3 of the Management Agreement on a pro rata basis (the bonus may not exceed 60% of the gross annual salary stipulated in Section 6.1 of the Management Agreement, or 50% from 1 January 2016 onwards). These payments would be made i) up to expiry of the Management Agreement (i.e. on the earlier of (i) the date of the Annual General Meeting of Valneva SE held to approve the 2018 financial statements, and (ii) 30 June 2019) and ii) after deduction of the amount saved by Mr. Kandera as a result of services not rendered or any amounts earned for any other type of work performed, or intentional loss of earnings (Section 29 of the Austrian White Collar Workers Act).

4. In the event of removal by Valneva Austria GmbH of Mr. Kandera as legal manager and termination of the Management Agreement following prior notice as stipulated in Section 20 of the Austrian White Collar Workers Act (notice period ending on the last day of the current month), the company will pay

Mr. Kandera compensation as outlined in Section 6.1 of the Management Agreement up to expiry of the Management Agreement and the notice period, as well as i) a bonus as outlined in Section 6.3 of the Management Agreement on a pro rata basis, ii) insurance premiums as outlined in Section 6.5 of the Management Agreement (life/death insurance – current premium of €1,000 a month), iii) reimbursement of expenses as provided for in Section 7 of the Management Agreement (including out-of-pocket expenses) and iv) benefits-in-kind as outlined in Section 8 of the Management Agreement (including the rental of a company car for up to €1,000 a month, car insurance and other related expenses).

5. In the event of termination by Mr. Kandera of the Management Agreement subject to a notice period in line with that required by Valneva Austria GmbH in compliance with Section 20 of the Austrian White Collar Workers Act (notice period ending on the last day of the current month), the company will pay Mr. Kandera compensation as outlined in Section 6.1 of the Management Agreement and a bonus as outlined in Section 6.3 of the Management Agreement on a pro rata basis. These payments would be made for the duration of the non-competition obligations as outlined in Section 10.2 of the Management Agreement, i.e. one year upon termination of the Management Agreement. The aforementioned does not apply if Valneva Austria GmbH gives notice of its decision to waive application of the non-competition obligations during the notice period. In this event, Mr. Kandera may not lay claim to any further compensation upon expiry of the notice period.

6. If Mr. Kandera or Valneva SE terminates one of his management positions before expiry of the Management Agreement due to circumstances leading to an effective reduction in the responsibilities assigned to Mr. Kandera in relation to his role on the Management Board (including for legal reasons or as a result of the Group's operating structure), Mr. Kandera may resign as legal manager of Valneva Austria GmbH and receive i) compensation as outlined in Section 6.1 of the Management Agreement and ii) a bonus as outlined in Section 6.3 of the Management Agreement on a pro rata basis. In any event, these payments must be made up to expiry of the Management Agreement.

- Reason provided by the Company: the aforementioned rules on compensation have been drawn up to ensure that all company officers are treated fairly and equally upon termination of their term of office. They are also designed to limit the cost of terminating the Management Agreement, make it easier to forecast costs and limit the risk of legal disputes.

Agreements and commitments approved in previous years

In accordance with article R.225-57 of the French Commercial Code, we were informed that the following agreements and commitments, approved by the Annual General Meeting in previous years, remained in force during the year ended 31 December 2015.

Agreement with Franck Grimaud, member of the Management Board and Deputy Chief Executive Officer

- Nature and purpose: the Management Agreement, previously authorized by the Supervisory Board on 31 May 2013 and approved by the Annual General Meeting on 26 June 2014, specifies the compensation and benefits to be received by Mr. Franck GRIMAUD from 28 May 2013, the date of Valneva's registration in the Lyon Trade and Companies Register as a European company.
- Terms and conditions: the expense recognized in 2015 by your company in relation to this agreement amounts to €559,201.24 and the amount paid to €624,323.57.

Agreements with Groupe Grimaud La Corbière SA, a shareholder with more than 10% of the voting rights

- Person concerned: Franck Grimaud, member of the Management Board and Deputy Chief Executive Officer of Valneva, and Chairman of the Management Board of Groupe Grimaud La Corbière SA

- Terms and conditions:

  1. The guarantee provided by Groupe Grimaud La Corbière for the loan taken out by your company for a total of €500,000 with Caisse d'Epargne Pays de Loire remains in force. The expense recognized in 2015 by your company with respect to this guarantee totalled €1,759.33 and the amount paid €1,759.33.

  2. The guarantee provided by Groupe Grimaud La Corbière for the loans taken out by your company for a total of €1,500,000 with Crédit Mutuel and LCL remains in force. The rate of remuneration for the guarantee provided by Groupe Grimaud La Corbière is 0.75% of outstanding amounts. The expense recognized in 2015 by your company with respect to this guarantee is €3,382.18 and the amount paid €3,382.18.

  3. The guarantee provided by Groupe Grimaud La Corbière for the loan taken out by your company for a total of €1,200,000 with Crédit Mutuel remains in force. The rate of remuneration for the guarantee provided by Groupe Grimaud La Corbière is 0.75% of the outstanding amounts guaranteed. The expense recognized in 2015 by your company with respect to this guarantee is €407.03 and the amount paid €407.03.

In accordance with French law, we inform you that the Supervisory Board did not perform an annual review of these agreements entered into and approved during previous years with Groupe Grimaud La Corbière SA and which remained in force during the year, as required by Article L.225-88-1 of the French Commercial Code.

Neuilly-sur-Seine and Marseille, 18 March 2016

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Thierry Charron	Vincent Gros

5.6.3 Related-party transactions

Please refer to information provided pursuant to IAS 24 norm in connection with related-party transactions in the Notes to the consolidated financial statements for fiscal year 2015 (see Note 5.3.2 - Section 4.1 of this Registration Document).

5.6.4 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 benefits to Mr. Thomas Lingelbach in his capacity as Managing Director 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 (*Societa Europaea*), i.e. May 28, 2013. Detailed information on some of the terms of this agreement is provided in this Registration Document (Section 2.2.2).
Reinhard Kandera	**Employment and Management Agreement** entered into with Valneva Austria GmbH on December 16, 2012	This agreement provides the payment of remuneration and benefits to Mr. Reinhard Kandera in his capacity as Managing Director 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 (*Societa Europaea*), i.e. May 28, 2013. Detailed information on some of the terms of this agreement is provided in this Registration Document (Section 2.2.2).
Thomas Lingelbach	**Management Agreement** entered into with Valneva Austria GmbH on June 25, 2015	This agreement provides for the payment of remuneration and benefits to Mr. Thomas Lingelbach in his capacity as Managing Director and employee of Valneva Austria GmbH. This agreement supersedes the Employment and Management Agreement dated December 16, 2012, as from June 25, 2015. Detailed information on some of the terms of this agreement is provided in this Registration Document (Section 2.2.2).
Reinhard Kandera	**Management Agreement** entered into with Valneva Austria GmbH on June 25, 2015	This agreement provides for the payment of remuneration and benefits to Mr. Reinhard Kandera in his capacity as Managing Director and employee of Valneva Austria GmbH. This agreement supersedes the Employment and Management Agreement dated December 16, 2012, as from June 25, 2015. Detailed information on some of the terms of this agreement is provided in this Registration Document (Section 2.2.2).

5.7 Employees

5.7.1 Employees' shareholding in the share capital of the Company

At December 31, 2015 (end of business day), total employee stock ownership (shares in registered form, excluding corporate officers) amounted to 127,007 shares (including 330 preferred shares convertible into Valneva's ordinary shares[152]), or 0.17%[153] of the Company's share capital.

For a detailed description, as of December 31, 2015, of the stock option plans (for subscription or purchase of shares) and of the free share plans, to which employees are beneficiaries, please refer to Sections 2.2.2 (e) and 2.2.2 (f) of this Registration Document.

(a) Options to subscribe for or purchase shares

Options to subscribe for or purchase shares granted in 2015 to non-officer employees of the Valneva Group

Stock option plan 2015 ("ESOP 2015")

General Meeting date	June 26, 2014
Date of the Management Board	July 28, 2015
Number of stock option granted	612,000
Strike price (in euros)	Each new ordinary share will be issued at a strike price of €3.92 per unit
Beneficiaries	The options have been proposed to all employees of the Company and its subsidiaries Valneva Austria GmbH and Valneva Scotland Ltd. (other than Executive Committee members) that are not corporate officers.
Exercise window	Until July 28, 2025. 50% of the stock option can be exercised from July 28, 2017, and the remaining 50% from July 28, 2019

Options to subscribe for or purchase shares exercised by non-officer employees of Valneva Group in 2015

None of the non-officer employees of the Valneva Group exercised stock options to subscribe for or purchase shares in 2015.

[152] See Section 2.2.2 (f) of this Registration Document.

[153] This rate is calculated in reference to a share capital totaling 75,888,288 Valneva shares, divided into (a) 74,698,099 ordinary shares with a nominal value of €0.15 each, (b) 17,836,719 preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each.

Options to subscribe for or purchase shares granted in 2015 to the ten non-officer employees of the Group having the highest number of stock options so granted - Stock options exercised in 2015 by the ten non-officer employees of the Group having exercised the highest number of stock options

Options to subscribe for or purchase shares granted in 2015 to the ten non-officer employees of the Group having the highest number of stock options so granted	Total number of granted stock options	Weighted average price (in euros)
Stock option plan 2015 ("ESOP 2015")	**86,000**[154]&[155]	**3.92**
Stock options exercised in 2015 by the ten non-officer employees of the Group having exercised the highest number of stock options	**Total number of exercised stock options**	**Weighted average price (in euros)**
	0	**n.a.**

(b) Free shares

Free Valneva ordinary shares

Free Valneva's ordinary shares granted in 2015 to the non-officer employees

No free Valneva's ordinary share was granted in 2015 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.

Free Valneva's ordinary shares fully vested in and delivered to the non-officer employees

In fiscal year 2015, 35,000 free shares were transferred to the beneficiaries of the free share plans of September 6, 2011 and July 24, 2013, in the form of new Valneva's ordinary shares.

Reference and date of the plan	Date on which the shares were fully vested	Number of fully-vested shares	Value of the share on the date the shares were fully vested (in euros)
Plan No. 2 – Tranche 6, dated September 6, 2011	By decision of the Management Board on September 7, 2015	4,500	3.57
Plan No. 3 – Tranche 2, dated July 24, 2013	By decision of the Management Board on July 24, 2015	30,500	4.09
TOTAL		**35,000**	

Free Valneva's ordinary shares granted in 2015 to the ten non-officer employees of the Group having the highest number of free Valneva's ordinary shares so granted - Free Valneva's ordinary shares fully vested in and delivered in 2015 to the ten non-officer employees of the Group having the highest number of free Valneva's ordinary shares transferred to them

Free Valneva's ordinary shares granted in 2015 to the ten non-officer employees of the Group having the highest number of free Valneva's ordinary shares so granted	Total number of free Valneva's ordinary shares granted	Weighted average price (in euros)
	0	**n.a.**
Free Valneva's ordinary shares fully vested in and delivered in 2015 to the ten non-officer employees of the Group having the highest number of free Valneva's ordinary shares transferred to them[156]&[157]	**Total number of free Valneva's ordinary shares fully vested in and delivered**	**Weighted average price (in euros)**
	30,000	**4.02**

[154] Eight employees having being granted 8,000 stock options each during the fiscal year 2015 were not included in this value.

[155] The minimum number of stock options to be taken into account for each employee for calculating this value is 8,000.

[156] Ten employees having been granted 500 free shares each for no consideration in 2015 are not included in this value.

[157] The minimum number of restricted shares to be taken into account for each employee for calculating this value is 500.

Free preferred shares convertible into Valneva's ordinary shares

FCPS granted by the Company in 2015, to the non-officer employees

	Reference and date of the plan	Number of FCPS granted during the fiscal year	Value of the share on the grant date (in euros)
Executive Committee members, non-officer employees (in total)	Free convertible preferred share plan 2015-2019, dated July 28, 2015	8,250	3,97

Please refer to Section 2.2.2 (f) of this Registration Document for a detailed description of the free convertible preferred share plan 2015-2019.

FCPS fully vested in and delivered to the non-officer employees

No FCPS has been fully vested in 2015 by the non-officer employees.

FCPS granted in 2015 to the ten non-officer employees of the Group having the highest number of FCPS so granted - FCPS fully vested in and delivered in 2015 to the ten non-officer employees of the Group having the highest number of FCPS transferred to them

FCPS granted in 2015 to the ten non-officer employees of the Group having the highest number of FCPS so granted[158]	**Total number of FCPS granted**	**Weighted average price (in euros)**
	8,250	**3.97**
FCPS fully vested in and delivered in 2015 to the ten non-officer employees of the Group having the highest number of FCPS transferred to them	**Total number of FCPS fully vested in and delivered**	**Weighted average price (in euros)**
	0	**n.a.**

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.

[158] FCPS have been granted to five non-officer employees only.

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' 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), include 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 accounts of the Group, reported on pages 265 to 267 of the 2014 Registration Document of the Company (filed with the AMF on June 16, 2015 and registered under No. D.15-0614), 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.

The Auditors' report drafted on the 2014 statutory accounts of the Company, reported on pages 332 to 334 of the 2014 Registration Document of the Company, includes an observation linked with the acquisition of the company Crucell Sweden AB on February 9, 2015.

Auditors' report on the 2015 consolidated accounts, reported in Section 4.2 of this Registration Document, includes an observation calling the shareholders' attention to the fact that the financial years 2014 and 2015 cannot be compared because of the acquisition of the company Crucell Sweden AB on February 9, 2015 and the subsequent impact on the consolidated statements of the Group.

Thomas Lingelbach

Chairman of the Management Board

Franck Grimaud

Deputy CEO

6.1.2 Person responsible for financial information

Mr. 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

(a) Statutory Auditors

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.

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.

(b) Fees paid by the Group to the Statutory Auditors and members of their networks

Please refer to Note 5.6 to the consolidated financial statements for fiscal year 2015 (see Section 4.1 of this Registration Document) and to Note 5.1.4 to the statutory financial statements for the fiscal year 2015 (see Section 4.3 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, 44800 Saint-Herblain – 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 Tables 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
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
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
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

Required disclosures		Section(s) of the Registration Document
5.1.5.	Significant events in the development of the Group's business.	1.2.1 (b) (with cross-references to Sections 1.1.2 and 1.1.3) Note 34 to the Group's consolidated financial statements for the fiscal year 2015 (see Section 4.1) 5.4 (with cross-references to Sections 1.1.2, 1.1.3, 1.2.2 (b), 1.3.1, 1.3.2 (a) and 1.4.4)
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 (a), (b) and (c)
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 (d)
5.2.3.	Information concerning the issuer's principal future investments on which its management bodies have already made firm commitments.	1.3.4 (d)
6. BUSINESS OVERVIEW		
6.1. Principal activities		
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 (a)

Required disclosures		Section(s) of the Registration Document
6.3	Exceptional events with respect to 6.1 and 6.2.	1.2.1 (b) (with cross-references to Sections 1.1.2 and 1.1.3) Note 34 to the Group's consolidated financial statements for the fiscal year 2015 (see Section 4.1) 5.4 (with cross-references to Sections 1.1.2, 1.1.3, 1.2.2 (b), 1.3.1, 1.3.2 (a) and 1.4.4)
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 (c) (with cross-references to Sections 1.5.1 (j), 1.5.1 (n) and 1.5.2 (b), paragraphs "Risks related to patents and similar rights", "Dependence on third parties and access to certain technologies", "Specific risks related to third-party patents and intellectual property rights" and "Risks related to potential conflicts with licensees, partners and distributors", of this Registration Document)
6.5.	The basis for any statements made by the issuer regarding its competitive position.	1.3.2 (a)
7. ORGANISATIONAL STRUCTURE		
7.1.	Summarized description of the Group.	1.2.2
7.2	Significant subsidiaries.	1.2.2 (a) 5.5 (with cross-references to Section 1.2.2 (b) and Note 5.1.2 to the consolidated financial statements for the fiscal year 2015 (see Section 4.1))

Required disclosures		Section(s) of the Registration Document
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
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 (a) (with cross-references to Notes 5.22 and 5.25 to the consolidated financial statements for the fiscal year 2015 (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 (b) (with a cross-reference to Note 5.29 to the consolidated financial statements for the fiscal year 2015 (see Section 4.1))

Required disclosures		Section(s) of the Registration Document
10.3.	Information on the borrowing requirements and funding structure of the issuer.	1.4.5 (a) and (c) (with cross-references to Notes 5.22 and 5.25 to the consolidated financial statements for the fiscal year 2015 (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 (a)
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 (c)
11. RESEARCH & DEVELOPMENT, PATENTS AND LICENSES Description of the Research & 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 (c)
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 (c)
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 (c)

Required disclosures		Section(s) of the Registration Document
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
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 (b)
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 (d)
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 (with a cross-reference 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)
16.4.	Statement of compliance with the applicable incorporation corporate governance regime.	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 (e) and 2.2.2 (f))
17.3.	Description of any arrangement involving the employees in the capital of the issuer.	5.7.2
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

Required disclosures		Section(s) of the Registration Document
18.3.	Whether the issuer's major shareholders have different voting rights.	1.5.2 (b) ("Risks associated with concentration of ownership") 5.2.1
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
20.2.	Pro forma financial information.	4.5 (with cross-references Sections 1.1.1 (d), 1.4.1 (a), 1.4.3 (c), and to Note 5.33 to the consolidated financial statements for the fiscal year 2015 (see Section 4.1))
20.3.	Financial statements.	4.1 4.3
20.4.	Auditing of historical annual financial information.	1.4.1 (c) 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. (see Section 1.4.9)
20.7.1.	Dividend per share.	n.a. (see Section 1.4.9)

Required disclosures		Section(s) of the Registration Document
20.8.	Information on any governmental, legal or arbitration proceedings.	1.5.4 (with cross-references to Section 1.5.2 (b))
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 1.4.4 (a) Note 5.1 to the Group's consolidated financial statements for the fiscal year 2015 (see Section 4.1) Note 5.33 to the Group's consolidated financial statements for the fiscal year 2015 (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 (e) and 2.2.2 (f))
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 (e) et 2.2.2 (f)) 5.1.5
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 (a) (with a cross-reference to Section 2.2.2 (e))
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
21.1.8	Share capital subject to pledges.	5.1.7

Required disclosures		Section(s) of the Registration Document
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		
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 (b) 5.2.2 5.5 (with cross-references to Section 1.2.2 (b) and Note 5.1.2 to the consolidated financial statements for the fiscal year 2015 – see Section 4.1)

6.4.2 Table of cross-references 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 (b) 1.4.4 (c)
• 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
• 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 1.4.4 (a) Note 5.34 to the Group's consolidated financial statements for the fiscal year 2015 (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 (a) 1.5.2 (c)

Headings	Information for	Section(s) of the Registration Document
• 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 (with cross-references to Section 1.2.2 (b) and to the Note 5.1.2 to the Group's consolidated financial statements for the fiscal year 2015 (see Section 4.1))
• 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.
• 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 (e) and 2.2.2 (f))

Headings	Information for	Section(s) of the Registration Document
• 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 5.2.1) ii. 5.2.1; 5.2.6 (in particular, with a cross-reference 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 (a) and 5.3.8 viii. 5.1.3 and 5.1.5 ix. 5.2.6 (with a cross-reference to Section 1.4.2 (g)) x. 2.2.2 (g) 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
• 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

Headings	Information for	Section(s) of the Registration Document
• 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 (g)
• 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 (f)

Headings	Information for	Section(s) of the Registration Document
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
4. Statement of natural persons assuming responsibility for the Annual Financial Report	**Annual Financial Report**	6.1.1
5. Statutory Auditors' report on the separate parent company financial statements	**Annual Financial Report**	4.4
6. Statutory Auditors' report on the consolidated financial statements	**Annual Financial Report**	4.2

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