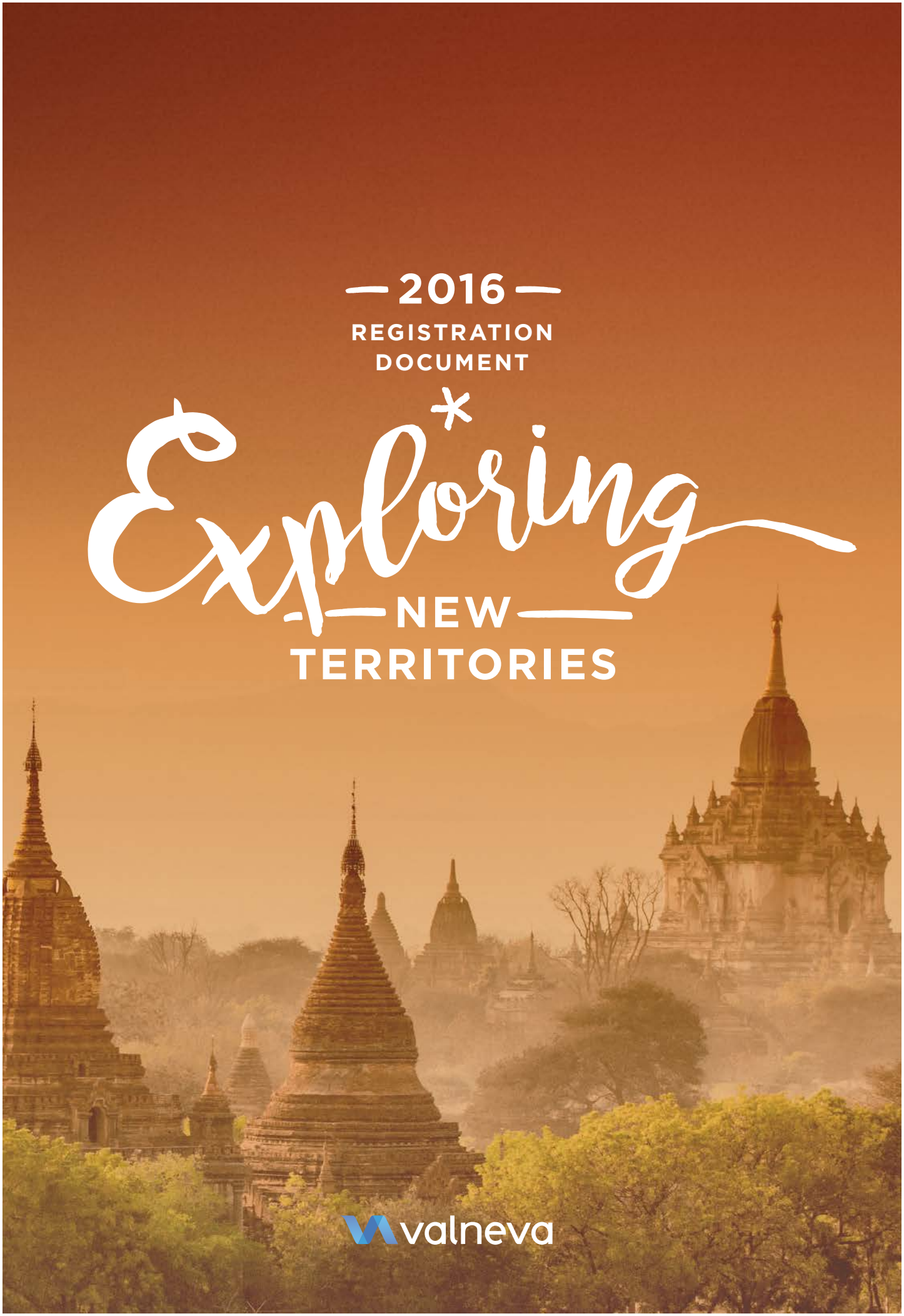

2016
REGISTRATION
DOCUMENT
Exploring
NEW
TERRITORIES
valneva

Valneva

Registration Document

(Including the Annual Financial Report 2016)

A European Company (*Societas Europaea*) with a Management and a Supervisory Board
Registered Office: World Trade Center Lyon - Tour Oxygène
10-12 boulevard Marius Vivier Merle, 69003 Lyon - France
Lyon Companies Register (RCS) No. 422 497 560

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Registration Document was filed with the French Financial Markets Authority (*Autorité des Marchés Financiers* or "**AMF**") on March 22, 2017, 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 2015, the Registration Document of Valneva filed with the AMF on May 11, 2016 (No. D.16-0473) includes: the historical consolidated and separate accounts, the Statutory Auditors' reports, the Annual Management Report and the financial highlights (in particular in Section 1.4.3 of said Registration Document);
+ 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 and separate accounts, the Statutory Auditors' reports, the Annual Management Report and the financial highlights (in particular in Section 1.4.3 of said Registration Document).

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[1]. 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 this Registration Document[2]. Furthermore, attainment of the targets and forecasts implies the success of the Group's strategy, also presented in this Registration Document[3].

The Company makes no representations, warranties, or other commitments as to attainment of the targets and forecasts shown in this Registration Document. Investors are invited to carefully consider all risks 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 effect, 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, 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 this Registration Document.

[1] See in particular Section A.4.4 (b).
[2] See Section A.5.
[3] See Section A.3.2 (b).

INDICATIVE FINANCIAL REPORTING TIMETABLE

Preliminary 2016 Results (Revenues & Cash balance)

February 23, 2017

2016 Financial statements

March 23, 2017

Q1 2017 Interim Results

May 11, 2017

Annual General Meeting - Record Date

June 26, 2017 (according to French corporate law)

Annual General Meeting 2017

July 29, 2017

H1 2017 Financial Statements

August 31, 2017

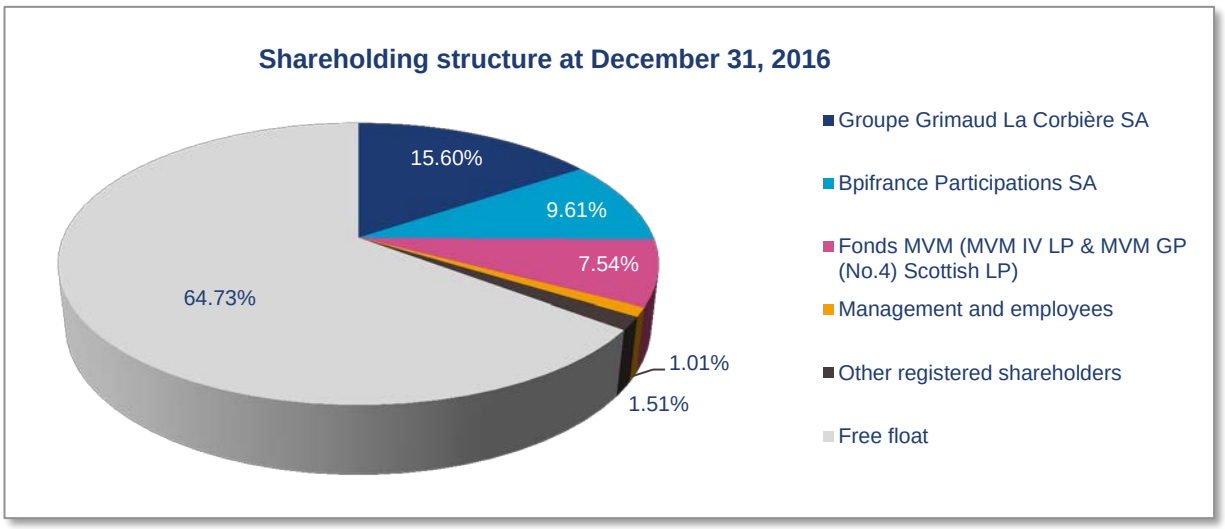
Q3 2017 Interim Results

November 9, 2017

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

COMPANY STOCK MARKET AND SHAREHOLDING INFORMATION

The Valneva SE 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 SE 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 77,582,714 Valneva SE ordinary shares with a nominal value of €0.15 each. Valneva SE 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, 2016.

VLA.PA and VALNEVA SE ST share price trends and trading activity in 2016



At December 31, 2016, the Company had a market capitalization on Euronext Paris of approximately €240 million.

A. PRESENTATION OF THE GROUP AND ITS BUSINESS

A.1. Selected financial information

A.1.1. Financial data and key figures

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

Consolidated income statement

AMOUNTS IN € THOUSAND (EXCEPT PER SHARE AMOUNTS)	YEAR ENDED DECEMBER 31,		
	2016	**2015**	**2014**
Product sales	80,428	61,545	28,124
Revenues from collaborations, licensing and services	13,634	16,814	8,799
REVENUES	**94,062**	**78,360**	**36,922**
Grant income	3,830	4,975	5,506
REVENUES AND GRANTS	**97,892**	**83,335**	**42,429**
Cost of goods and services	(43,076)	(46,961)	(17,144)
Research & Development expenses	(24,589)	(25,367)	(22,242)
Marketing and distribution expenses	(16,639)	(9,121)	(2,065)
General and administrative expenses	(14,412)	(14,394)	(12,077)
Other net income and expense, net	(498)	(152)	(395)
Amortization and impairment of fixed assets/intangibles	(41,246)	(7,273)	(12,323)
Gain on bargain purchase	-	13,183	-
OPERATING LOSS	**(42,568)**	**(6,751)**	**(23,817)**
Financial income	290	5,073	2,273
Financial expense	(6,550)	(9,716)	(4,394)
Result from investments in affiliates	-	(8,999)	-
LOSS BEFORE INCOME TAX	**(48,828)**	**(20,393)**	**(25,938)**
Income tax	(356)	(224)	(334)
LOSS FROM CONTINUING OPERATIONS	**(49,184)**	**(20,617)**	**(26,272)**
Loss from discontinued operations	-	-	-
LOSS FOR THE YEAR	**(49,184)**	**(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)	**(0.66)**	**(0.28)**	**(0.47)**

***Source**: Audited annual consolidated financial statements of Valneva SE for the years ended December 31, 2014, 2015 and 2016.*

Consolidated balance sheet

AMOUNTS IN € THOUSAND	YEAR ENDED DECEMBER 31,		
	2016	**2015**	**2014**
ASSETS			
Non-current assets	115,686	158,804	166,567
Current assets	91,197	116,383	52,967
Assets held for sale	-	-	7,982
TOTAL ASSETS	**206,883**	**275,187**	**227,517**
SHAREHOLDERS' EQUITY			
Capital and reserves attributable to the Company's equity holders	**100,051**	**144,335**	**124,444**
LIABILITIES			
Non-current liabilities	67,941	84,489	75,704
Current liabilities	38,891	46,363	26,387
Liabilities held for sale	-	-	982
TOTAL LIABILITIES	**106,832**	**130,852**	**103,073**
TOTAL EQUITY AND LIABILITIES	**206,883**	**275,187**	**227,517**

***Source**: Audited annual consolidated financial statements of Valneva SE for the years ended December 31, 2014, 2015 and 2016.*

Consolidated cash flow statement

AMOUNTS IN € THOUSAND	YEAR ENDED DECEMBER 31,		
	2016	**2015**	**2014**
Net cash generated from/(used in) operating activities	6,505	(19,828)	(12,718)
Net cash generated from/(used in) investing activities	14,888	(26,565)	1,993
Net cash generated from/(used in) financing activities	(26,792)	59,689	3,048
Net change in cash and cash equivalents	(5,399)	13,296	(7,677)
Cash at end of the year	35,267	41,907	28,857
CASH, CASH EQUIVALENTS, AND FINANCIAL ASSETS AT END OF THE YEAR	**42,180**	**42,567**	**29,468**

***Source**: Audited annual consolidated financial statements of Valneva SE for the years ended December 31, 2014, 2015 and 2016.*

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)
Marketing and distribution 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)
Gain on bargain purchase	13,183	13,183
OPERATING LOSS	**(6,751)**	**(5,054)**
Financial income	5,073	5,073
Financial expense	(9,716)	(9,716)
Result from investments in affiliates	(8,999)	(8,999)
LOSS BEFORE INCOME TAX	**(20,393)**	**(18,696)**
Income tax	(224)	(645)
LOSS FROM CONTINUING OPERATIONS	**(20,617)**	**(19,341)**

On February 9, 2015, the Group completed the acquisition of the company Crucell Sweden AB, including all assets, licenses and privileges related to the vaccine DUKORAL®, as well as a vaccine distribution business in the Nordics[4].

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 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.

Additional information on the acquisition is provided in the Notes to the consolidated financial statement for the fiscal year 2016[5].

[4] See Sections A.2.2 (b) and A.3.1 (b) of this Registration Document.
[5] See Note 5.30, in Section D.1 of this Registration Document.

A.1.2. Annual operating highlights

Operating highlights for the Group in 2016 included:

- Approval of Valneva's Japanese encephalitis vaccine through commercial partner Adimmune in Taiwan;
- Successful establishment of Valneva's global marketing and distribution network;
- Signature of a $42 million IXIARO® supply contract with US Government;
- Positive vaccine effect of Valneva's *Pseudomonas aeruginosa* candidate not confirmed in Phase II/III;
- First sales of influenza vaccines produced on Valneva's EB66® cell line;
- Appointment of two leading pharma executives to the Company's Supervisory Board;
- Successful generation of a highly-purified Zika vaccine candidate, using Valneva's approved Japanese encephalitis platform already approved by the US Food & Drug Administration ("**FDA**") and the European Medicines Agency ("**EMA**");
- Grant by the European Investment Bank of a €25 million loan, to fund Valneva R&D activities;
- Positive Phase II results of Valneva's *Clostridium difficile* vaccine candidate;
- Signing of marketing & distribution agreement for Seqirus' influenza vaccines SANDOVAC® and FLUAD® in Austria;
- Delivery by the companies GE Healthcare and Valneva of an optimized cell culture medium for vaccine production;
- Acquisition through leading healthcare investor, MVM Life Science Partners, of 7.5% shareholding in the Company;
- Receipt by Valneva of US (FDA) and European (Belgium) approvals to start clinical testing of Lyme disease vaccine candidate.

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

On January 11, 2016, Valneva SE announced that vaccine manufacturer Adimmune was granted, by the Taiwanese Food & Drug Administration, marketing approval for Valneva's vaccine against Japanese encephalitis, a deadly infectious disease. 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[6].

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 Valneva's global marketing and distribution network

On January 26, 2016, Valneva SE 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 acquired a sales and marketing team in the Nordic countries in 2015. In addition, the Group established two new dedicated sales and marketing organizations with offices in Montreal (Canada) and London (in the United Kingdom), and created a new commercial organization in Vienna (Austria).

[6] http://www.valneva.com/en/investors-media/news/2014 - Please refer to the Press release dated April 10, 2014.

Marketing and distribution teams focus on developing the sales of the Group's travel vaccines, IXIARO® and DUKORAL®, and of third party products[7]. In the United States, Valneva will now distribute IXIARO® directly to the US Military, the Group's largest customer for this vaccine.

In order to complement its own commercial sales infrastructure, Valneva has entered into a number of country-specific marketing & 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 previous global marketing & distribution agreement with GlaxoSmithKline ("**GSK**") related to IXIARO®. Initially signed in 2006 with Novartis Vaccines, this agreement was terminated by the Group in June 2015[8]. GSK, however, will continue to be responsible for the marketing and distribution of IXIARO® and DUKORAL® in Germany.

VaxServe, Inc., a Sanofi Pasteur company, will market and distribute IXIARO® exclusively in the US private market, while US company PaxVax, who was already commercializing DUKORAL® in Italy, Spain and Portugal, will now market and distribute 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 are covered by agreements existing between the Group and Biological E. and Adimmune.

Valneva has also partnered with a number of local companies in smaller markets, such as Imed Poland for the marketing and distribution in 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) Signing of a $42 million IXIARO® supply contract with US government

On March 16, 2016, Valneva SE announced the signing of a $42 million contract with the US 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 $42 million over a two-year period (one base year and one option year). First deliveries started end of March 2016.

Since 2010, the US Department of Defense has been using IXIARO® to protect the near 360,000 US military and civilian personnel, as well as their families, working and living in endemic countries.

(d) Positive vaccine effect of Valneva's Pseudomonas aeruginosa candidate not confirmed in Phase II/III

On June 2, 2016, Valneva SE announced Phase II/III results for its vaccine candidate against *Pseudomonas aeruginosa*, a pathogen responsible for nosocomial infections.

The Phase II/III study was a randomized, placebo-controlled, double-blind study. It was conducted in 800 mechanically ventilated Intensive Care Unit ("**ICU**") patients, at 52 trial sites, in 6 European countries. Patients were vaccinated twice with either the *Pseudomonas aeruginosa* vaccine candidate or a placebo at a 7-day interval, in conjunction with standard of care treatments for ICU patients.

While the trial confirmed good immunogenicity and an acceptable safety profile of the vaccine candidate, the primary endpoint of the Phase II/III trial was not met. Findings from a previous Phase II study, that had shown a strong reduction in all-cause mortality, were therefore not confirmed.

Overall survival, a secondary endpoint in the study, also did not differ between the vaccine candidate treatment group and the placebo group.

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[7] See for example Section A.1.2 (j) of this Registration Document, regarding the distribution of SANDOVAC® and FLUAD® by the Austrian commercial organization.

[8] http://www.valneva.com/en/investors-media/news/2015 - Please refer to the Press release dated June 22, 2015.

GSK did not exercise the option it had on the program until December 15, 2016, in the context of the Strategic Alliance Agreement signed with the Group.

Valneva SE preferred shares (ISIN FR0011472943), which were issued in the 2013 merger with Intercell AG, are expected to be redeemed at their nominal value of €0.01 per preferred share in June 2020, as the Group no longer expects approval of the *Pseudomonas* vaccine within the seven-year term initially set. Indeed, such approval would have led to conversion into Valneva SE ordinary shares at the end of this term.

(e) First sales of influenza vaccines produced on Valneva's EB66® cell line

On June 13, 2013, Valneva SE announced that GSK, in collaboration with one of its partners, has for the first time supplied pre-pandemic influenza vaccines based on EB66® cell line.

Valneva SE granted an exclusive commercial license to GSK in 2007, to develop and market worldwide pandemic and seasonal human influenza vaccines using Valneva's EB66® technology. GSK is developing EB66® cell based influenza vaccines through its own program and in collaboration with partners.

(f) Appointment of two leading pharma executives to the Company's Supervisory Board

On July 1, 2016, Valneva SE announced the appointment, to its Supervisory Board, of Dr. Ralf Clemens, former Head of Global Vaccine Development at Novartis Vaccines & Diagnostics amongst other leading positions, and Ms. Louisa Shaw-Marotto, former Head of Global Commercial Services at Merck Inc. Dr. Clemens and Ms. Shaw-Marotto each bring decades of strategic, operational and management experience in the pharmaceutical industry to the Company's Supervisory Board and, in particular, strong expertise in infectious diseases, vaccine development and marketing. Dr. Clemens and Ms. Shaw-Marotto replace current Supervisory Board members, Messrs. Michel Greco and Hans Wigzell, whose term of office expired at the end of the Combined General Meeting of the Company, held on June 30, 2016.

Bpifrance Participations SA, the investment arm of French state-owned bank BPI France SA, and currently Valneva SE's second largest shareholder, was also appointed as a member of the Company's Supervisory Board during this Combined General Meeting. Bpifrance Participations SA had been serving as an observer on Valneva SE's Supervisory Board since 2013.

(g) Successful generation of a highly-purified Zika vaccine candidate, using Valneva's approved Japanese encephalitis platform already approved by the US Food & Drug Administration ("FDA") and the European Medicines Agency ("EMA")

On July 7, 2016, Valneva SE announced that it successfully generated a highly purified inactivated vaccine candidate against the Zika virus, using the same manufacturing platform as the Group's Japanese encephalitis vaccine, also a purified inactivated vaccine, which has already been approved by the American (FDA, Health Canada), European (EMA) and other regulatory agencies, and which is today commercialized in the US, Europe, Canada, and other territories under the tradenames IXIARO®/JESPECT®.

In response to the international health emergency, Valneva SE had actually announced on February 2, 2016, the commencement of research work on Zika based on the Group´s Japanese encephalitis vaccine (as the Zika and Japanese encephalitis viruses are both flavivirus transmitted through mosquito bites).

Generated on the IXIARO® (JESPECT®) platform, Valneva's Zika vaccine candidate demonstrated excellent purity and overall had a biological, chemical and physical profile comparable to the commercially produced Japanese encephalitis vaccine.

By working on a type of vaccine that the regulatory agencies have seen and licensed before, Valneva believes that regulatory risk can be mitigated, thus ensuring the most efficient path to market.

Given the manufacturing process proximity, Valneva´s Zika vaccine candidate could be produced rapidly and at attractive costs in the clinical and commercial Japanese encephalitis vaccine facilities.

Originally seen as a mild risk to humans, the virus has since grown rapidly to a public-health threat of "alarming proportions", according to the World Health Organization. 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.

(h) Grant by the European Investment Bank of a €25 million loan, to fund Valneva Research & Development activities

On July 12, 2016, Valneva SE and the European Investment Bank ("**EIB**"), the world's largest multilateral bank, announced that the EIB granted the Company a €25 million loan facility. Valneva plans to use the EIB financing to support the Research & Development ("**R&D**") of vaccines, including its Lyme borreliosis vaccine candidate (the only active development program for Lyme disease in the vaccine industry), and amongst others, further pre-clinical R&D on Zika virus.

This agreement may be utilized by the Company in one or several tranches within a 24-month period. Each credit tranche is repayable at the end of a five-year period starting from the drawing date. The loan is secured by collateral over Company's material subsidiaries, including security ranking behind those granted in connection with existing asset-based financing to the investment fund managed by Pharmakon Advisors as part of the loan agreement referred to in this Registration Document[9].

Valneva expects to receive a first tranche of €5 million at the beginning of April 2017. Indeed, the Company submitted a drawdown request under this loan in March 2017, following the satisfaction of all material conditions precedent. Drawings in excess of €15 million will be subject, for their part, to certain financial performance parameters which the Company expects to fulfill in 2017.

(i) Positive Phase II results of Valneva's *Clostridium difficile* vaccine candidate

On July 25, 2016, Valneva SE announced the successful completion of its Phase II study for its prophylactic vaccine candidate targeting primary prevention of *Clostridium difficile* infection, which is emerging as a leading cause of life-threatening, healthcare-associated infections worldwide.

The Company previously announced positive top-line data from the Phase II study at the end of 2015[10]. The vaccine candidate was immunogenic at all doses and formulations tested, in that IgG and functional (neutralizing) antibody responses were observed. The study met its primary endpoint in terms of identifying the dose/formulation with the highest seroconversion[11] rate against both toxins A and B, and confirmed the favorable safety profile observed in Phase I.

Final Phase II results included the follow-up of study participants until Day 210. This long-term data confirmed the optimal vaccine dose and formulation that had been previously identified (high-dose formulation without adjuvant), with an immunogenicity profile at Day 210 in line with expectations. Long-term safety concerns were not seen in any of the different vaccine doses tested.

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

[9] See Section E.2.6.

[10] http://www.valneva.com/en/investors-media/news/2015 - Please refer to the Press release dated November 30, 2015.

[11] A level of antibodies in the blood directed against the two *C. difficile* toxins A and B that is at least 4 times higher after vaccination than before vaccination.

proposed doses of immunizations in two different age groups (50 to 64 years of age and 65 years of age and older). The trial was conducted in Germany and the United States under an Investigational New Drug application and enrolled 500 volunteers who were randomized in several study groups: low-dose vaccine without adjuvant, high-dose vaccine with or without adjuvant (Aluminium hydroxide), or placebo.

Valneva confirmed Phase III readiness through an independent Scientific Advisory Board.

(j) Signing of marketing & distribution agreement for Seqirus' influenza vaccines SANDOVAC® and FLUAD® in Austria

On August 25, 2016, Valneva SE announced the signing of an agreement with Seqirus, the second largest flu vaccines company in the world, for the marketing and distribution of Seqirus' seasonal influenza vaccines SANDOVAC® and FLUAD® in the Austrian market. Seqirus is a global company created in July 2015 from the combined strength and expertise of bioCSL Inc. and the influenza vaccine business formerly owned by Novartis AG. In accordance with the terms of the agreement, Valneva started distributing the SANDOVAC® and FLUAD® vaccines to the Austrian market on September 1, 2016.

The SANDOVAC® vaccine is licensed in Europe for the prevention of influenza infections in individuals 6 months of age and older, while the FLUAD® vaccine is approved for active immunization against influenza disease for use in persons 65 years of age and older in more than 30 countries.

(k) Delivery by GE Healthcare and Valneva of an optimized cell culture medium for vaccines production

On November 2, 2016, GE Healthcare's Life Sciences business and the Company presented the results of a successful collaboration to optimize virus productivity in Valneva's EB66® cell line, for the purpose of vaccines production. Viral production in EB66® cells encompasses secreted viruses, such as measles, alphaviruses, influenza A and B strains and intracellular viruses (like the modified vaccinia virus *Ankara* ("**MVA**")).

The collaboration between the two companies has resulted in the creation of a commercial cell culture medium, HyClone™ CDM4Avian, developed specifically to address the challenges of media variability. The new medium supports efficient and predictable virus production for manufacturers utilizing EB66® cells, helping to increase production reliability and improve end-product quality. Suitable for use throughout the entire cell-growth process, CDM4Avian is chemically-defined and free from animal-derived components, which improves product consistency and simplifies the regulatory processes for new products developed in EB66® cells.

Until now, only inactivated vaccines could be developed in EB66® cells in Europe. The European Medicines Agency recently decided to issue new guidelines on vaccine production in immortal cell lines, now allowing Valneva's partners to utilize the EB66® cell line to develop and manufacture live-attenuated vaccines, including MVA-based vaccines, measles and oncolytic vaccines.

(l) Acquisition through leading healthcare investor, MVM Life Science Partners, of 7.5% shareholding in the Company

On December 1, 2016, Valneva SE announced that funds of MVM Life Science Partners LLP ("**MVM**"), a specialist healthcare investor based in London and Boston, with more than $700 million under management, have acquired a 7.5% shareholding in the Company. MVM will be entitled to an investor director representative, to be appointed to Valneva SE's Supervisory Board by the next Annual General Meeting of the Company.

The investment by MVM is being made by means of a combined private placement and share purchase.

The transaction related to the private placement was effective on December 14, 2016.

The issuance of 2,884,615 new Valneva SE ordinary shares resulted in proceeds of €7.5 million for the Company and brought Valneva SE's total number of ordinary shares to 77,582,714, with a dilution effect of 3.9% of the Company's ordinary share capital.

Together with the purchase of a further tranche of shares from undisclosed shareholders of the Company, MVM now owns, through its two funds MVM IV LP and MVM GP (No.4) Scottish LP, 7.5% of Valneva SE's ordinary shares.

Valneva SE's current shareholders, Groupe Grimaud La Corbière SA and Bpifrance Participations SA, did not participate in the transaction through any sale or purchase of shares and still owned 15.6% and 9.6%, respectively, of the Company's ordinary share capital after the transaction. Both shareholders have committed to vote for the appointment of Dr. Bali Muralidhar as a new member of Valneva SE's Supervisory Board in the next Annual General Meeting of the Company, expected to take place in June 2017. In the meantime, Dr. Muralidhar joined the Supervisory Board as an observer.

Valneva intends to use the net proceeds of the private placement to fund the development of its clinical stage vaccine products and to accelerate worldwide commercialization activities.

(m) Receipt by Valneva of US (FDA) and European (Belgium) approvals to start clinical testing of Lyme disease vaccine candidate

On December 9, 2016, Valneva SE announced that its vaccine candidate against Lyme disease is now progressing into clinical testing (Phase I) following the Investigational New Drug application clearance from the US Food & Drug Administration and the approval of the Clinical Trial Application in Europe (Belgium).

Currently, there is no licensed vaccine available to protect humans against Lyme disease, a multi systemic tick-transmitted infection that can cause serious health problems and disabilities.

Valneva developed a new hexavalent, protein subunit-based vaccine targeting the OspA, one of the most dominant proteins expressed by the bacteria when present in a tick. Pre-clinical data showed that the vaccine candidate can provide protection against the majority of *Borrelia* species pathogenic for humans[12].

Valneva´s Phase I trial will be conducted at two sites - one in the US and one in Europe (Belgium) - and will enroll 180 subjects, aged 18-40 years. The primary objective of the single-blind, partially randomized, dose escalation study will be to evaluate the product candidate´s 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.

A.1.3. Recent events

At the time of reporting its preliminary results for the fiscal year 2016, the Company announced, on February 23, 2017, the resignation of Valneva's CFO, Mr. Reinhard Kandera. Mr. Kandera will leave the Group at the end of March 2017, after the publication of the consolidated results of the Group for the fiscal year 2016. Valneva has initiated a process with Korn-Ferry to recruit a new CFO. In the interim, Mr. Manfred Tiefenbacher, VP Finance, manages operational finance matters. In addition, on March 21, 2017, Valneva's Supervisory Board decided to appoint Mr. Frédéric Jacotot, General Counsel, on the Company's Management Board, with effect on April 1, 2017.

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

A.2. Overview of the Group and its development

A.2.1. Business overview

(a) About Valneva

Valneva is a fully integrated, commercial stage biotech company focused on developing innovative lifesaving vaccines.

Valneva seeks financial returns through focused Research & Development 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:

- IXIARO®/JESPECT®, indicated for the prevention of Japanese encephalitis; and
- DUKORAL®, indicated for the prevention of cholera and, in some countries, prevention of diarrhea caused by *Enterotoxigenic escherichia coli*.

The Group has proprietary vaccines in development including candidates against *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, Great Britain, Sweden, Canada and the US, with over 400 employees. More information is available at www.valneva.com.

Group's vision and mission

Vision

Valneva's vision is to contribute to a world where no one dies or suffers from a vaccine-preventable disease. Valneva aims to grow into a major and self-sustainable vaccine company, by complementing profitable organic growth with value-creating mergers and acquisitions.

Mission

Valneva's mission is to advance vaccines to protect lives. Valneva is a fully integrated, commercial stage biotech company focused on developing innovative lifesaving vaccines.

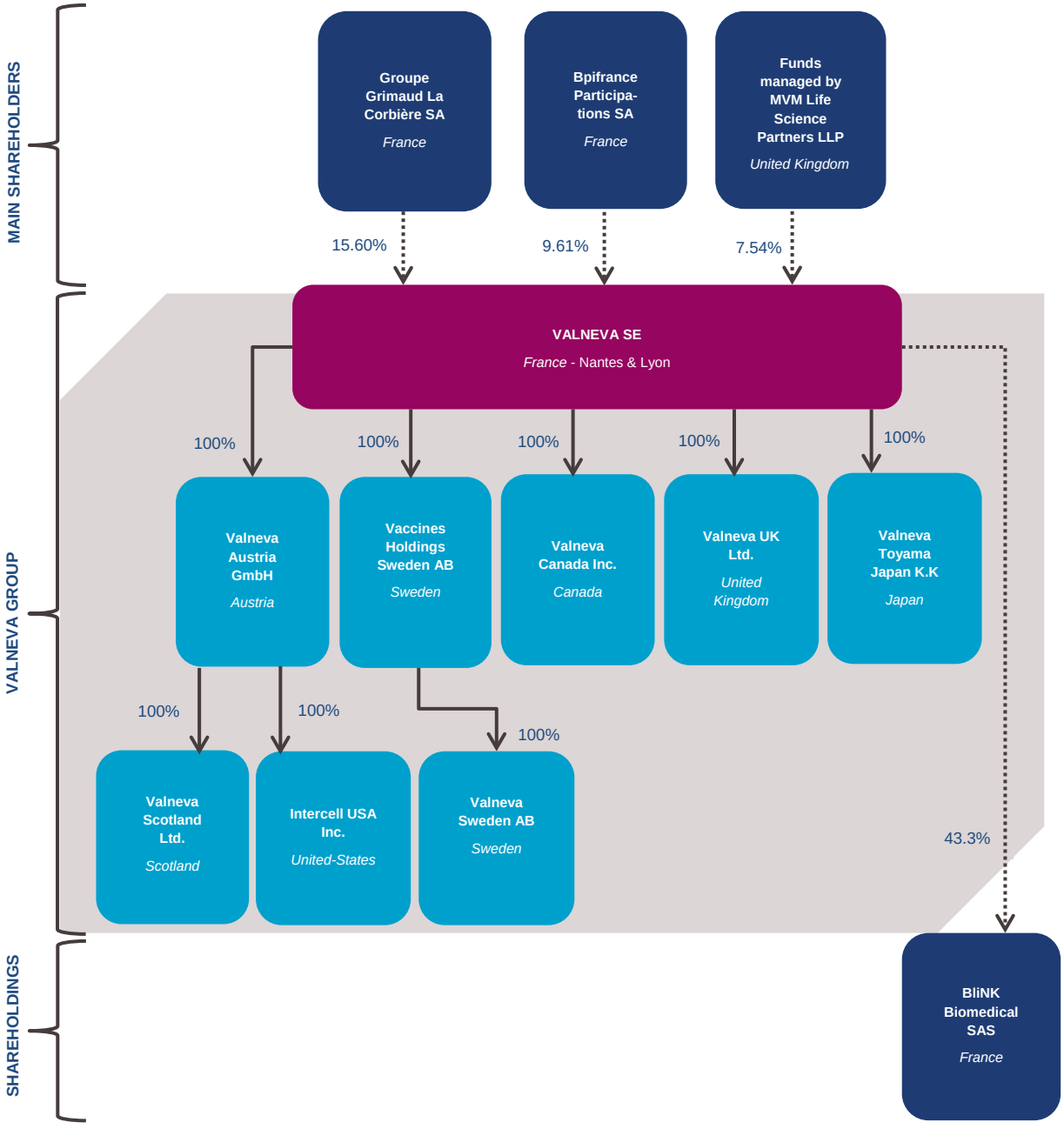
(b) Significant events in the development of the Group's activities

Certain significant events have impacted the Company's organizational structure and commercial operations both during fiscal year 2016 and after the annual financial closing[13].

[13] For a detailed description of these items, please refer to Sections A.1.2 and A.1.3 of this Registration Document.

A.2.2. Organization of the Group

(a) Organization at December 31, 2016



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

The subsidiaries and shareholdings of the Company only concern companies that are member of the consolidation scope of the Group[14]. The financial impacts of the companies that are members of the consolidation scope of the Group are included in the Notes to the consolidated financial statements for the fiscal year 2016[15].

[14] Please refer to the Note 5.1 to the consolidated financial statements for the fiscal year 2016, in Section D.1 of this Registration Document.

[15] See Section D.1 of this Registration Document.

Additional financial information is also provided in the separate financial statements for the fiscal year 2016[16].

(b) Description of Valneva SE's subsidiaries

Valneva Austria GmbH

Valneva Austria GmbH is a fully-owned research subsidiary of Valneva SE, focusing on vaccines and pre-clinical and clinical development activities. The site is located at the Campus Vienna Biocenter, a melting pot of biotechnology and life sciences in Vienna. The facilities accommodate departments for vaccine research, (technical/clinical) product development, quality and regulatory affairs, as well as general and administrative functions.

In addition to using its latest-stage laboratory facilities for R&D activities, the site holds a certificate of Good Manufacturing Practice 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.

At December 31, 2016, the team was composed of 145 employees mainly focusing on R&D and supporting commercialization of Valneva's vaccine against Japanese encephalitis, as well as DUKORAL®, VIVOTIF®, FLUAD™, SANDOVAC™/AGGRIPAL™[17].

The financial highlights of the subsidiary at December 31, 2016 are:

- Shareholders' equity: €220,648,089.29
- Operating result: minus €30,342,087.50
- Net result: minus €35,362,026.25
- Total balance sheet: €330,858,728.13

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not available at the filing date of this Registration Document)

Valneva Austria GmbH currently owns two fully-owned subsidiaries:

Valneva Scotland Ltd.: the subsidiary is primarily involved in the production of Valneva's Japanese encephalitis vaccine, IXIARO®/JESPECT®.

At December 31, 2016, the team was composed of 92 employees.

The financial highlights of the subsidiary at December 31, 2016 are:

- Shareholders' equity: GBP 9,098,494.52
- Operating result: GBP 993,069.58
- Net result: GBP 917,249.61
- Total balance sheet: GBP 19,861,846.26

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not available at the filing date of this Registration Document)

Intercell USA, Inc.: the team in Gaithersburg (United States) is focusing on marketing and sales of Valneva's Japanese encephalitis vaccine to the US military, the US private market, and on international sales through distribution partners.

At December 31, 2016, the team was composed of 4 employees.

The financial highlights of the subsidiary, at December 31, 2016, are:

- Shareholders' equity: minus USD 33,700,753.47
- Operating result: USD 1,062,597.95

[16] See in particular Note 5.4, in Section D.3 of this Registration Document.
[17] See Section E.2.6 of this Registration Document.

- Net result: USD 330,879.40
- Total balance sheet: USD 11,533,681.28

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not available at the filing date of this Registration Document)

***

Vaccines Holdings Sweden AB (formerly Goldcup 10618 AB)

Vaccines Holdings Sweden AB is a fully-owned subsidiary of Valneva SE, created in December 2014 in connection with the Crucell Sweden AB acquisition[18]. The financial highlights of the subsidiary, at December 31, 2016, are:

- Shareholders' equity: SEK 236,797,754.33
- Operating result: SEK 1,420,136.71
- Net result: SEK 2,989,535.27
- Total balance sheet: SEK 236,799,939.59

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not available at the filing date of this Registration Document)

Vaccines Holdings Sweden AB owns a fully-owned subsidiary acquired in February 2015 and named **Valneva Sweden AB** (formerly Crucell Sweden AB). Based in Solna (Sweden), Valneva Sweden AB 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, 2016, the team was composed of 131 employees.

The financial highlights of the subsidiary, at December 31, 2016, are:

- Shareholders' equity: SEK 177,196,948.19
- Operating result: minus SEK 3,236,670.32
- Net result: minus SEK 582,606.64
- Total balance sheet: SEK 246,375,874.86

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not available at the filing date of this Registration Document)

***

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 headquartered in Montreal (Quebec), and performs marketing and sales activities in Canada in relation to the VIVOTIF®, IXIARO® and DUKORAL® vaccines.
At December 31, 2016, the team was composed of 7 employees.

The financial highlights of the subsidiary, at December 31, 2016, are:

- Shareholders' equity: CAD 676,817.37
- Operating result: CAD 974,108.32
- Net result: CAD 630,619.10
- Total balance sheet: CAD 11,183,908.66

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not available at the filing date of this Registration Document)

[18] See the paragraph focusing on Valneva Sweden AB in this Section.

Valneva UK Ltd.

Valneva UK Ltd. is a fully-owned subsidiary of Valneva SE, created in October 2015 following the Company's decision to take direct control over the marketing and distribution of the IXIARO® vaccine, and to terminate the marketing & distribution agreement with GSK[19]. Valneva UK Ltd. sells DUKORAL® and IXIARO® in the United Kingdom, as well as MOSKITO GUARD® products.

At December 31, 2016, the team was composed of 3 employees.

The financial highlights of the subsidiary, at December 31, 2016, are:

- Shareholders' equity: GBP 82,565.19
- Operating result: GBP 115,991.00
- Net result: GBP 288,921.74
- Total balance sheet: GBP 3,656,777.84

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not available at the filing date of this Registration Document)

***

Valneva Toyama Japan K.K.

Valneva 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[20].

At December 31, 2016, 1 part-time employee remained with responsibility for business development operations.

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

- Shareholders' equity: JPY 6,483,748
- Operating result: JPY 1,380,099
- Net result: JPY 1,376,512
- Total balance sheet: JPY 25,834,807

(c) Description of Valneva SE's shareholdings

On December 11, 2014, Valneva SE and UK company BliNK Therapeutics Ltd. ("**BliNK Therapeutics**") announced the creation of a private company named **BliNK Biomedical SAS**.

Headquartered in Lyon (France), BliNK Biomedical SAS specializes in the discovery and development of first or best-in-class antibody-based therapeutics for life threatening diseases such as cancer with a focus on immuno-oncology disease targets. Its lead program is a monoclonal antibody that targets an immune checkpoint to cause an immune switch that renders tumors susceptible to the body's immune system. BliNK Biomedical SAS' other programs address a number of attractive, novel immuno-oncology and immune-checkpoint targets, some of which are unique to the company's approach. BliNK Biomedical SAS' technology results from the combination of the BliNK Therapeutics' « IVV » platform and the VIVA|Screen® platform contributed by Valneva SE.

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[19] See Section A.1.2 (b) of this Registration Document.
[20] See Section A.2.2 (c) of this Registration Document.

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 43.3%; and
- the historic investors of BliNK Therapeutics:
  - Kurma Biofund I, a professional investment fund;
  - different investment funds managed by the company Idinvest Partners;
  - the company Cancer Research Technology; and
  - the funders of BliNK Therapeutics,

  together, for approximately 56.7%.

BliNK Biomedical SAS' Board of Directors includes a representative of Kurma Biofund I's management company (Kurma Partners), as well as a representative of the company Cancer Research Technology. In addition, one of the funders of BliNK Therapeutics is currently member of BliNK Biomedical SAS' Scientific Advisory Board.

Note: in connection with the foundation of BliNK Biomedical SAS, Valneva SE 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, the Company guarantees to pay up to an amount of €300,000[21]*.*

A.2.3. Property, plant and equipment

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), used as laboratories and offices;
- a 3,347 m² plant located in Livingston, Scotland, United Kingdom, breaking down as follows:
  - Manufacturing and cleanrooms: 706 m²;
  - 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;
  - Supply Chaim Management and boiler house: 181 m².

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 801 m² of laboratories 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;
- 2 offices for a total surface of about 38.5 m² located at World Trade Center Lyon - Tour Oxygène, 10-12 boulevard Marius Vivier Merle, 69003 Lyon (France), dedicated to sales and marketing activities. These premises also house the Company's registered office;
- 352 m² of offices in Gaithersburg, Maryland (United States);
- 12,349 m² located at sis Gunnar Asplunds allé 16, SE-171 63, in Solna (Sweden), breaking down as follows:

[21] See Note 5.29 to the consolidated financial statements for the fiscal year 2016, in Section D.1 of this Registration Document.

- Manufacturing: 3,538 m² for production activities and also housing laboratories, engineering and offices;
- Inactivated poliovirus vaccine: 823 m² of space for the development and manufacture of components for the IPV vaccine candidate in addition to laboratories and office space;
- Distribution: 1,039 m² for pick and pack activities in addition to office space;
- Quality control: 1,415 m² of laboratories and offices;
- 2,061 m² of office space subleased to third parties;
- 3,473 m² of administrative premises and common areas.

+ about 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 Valneva of its intangible assets, please refer to the Company's CSR Report[22].

[22] See Section C of this Registration Document.

A.3. Description of the Group's activities

A.3.1. Products and technologies of the Group

(a) IXIARO®/JESPECT®

Active substance and indications

Valneva Group's Japanese encephalitis vaccine is a purified, inactivated vaccine, administered in a convenient two-dose schedule. Each dose of IXIARO®/JESPECT® contains approximately 6 mcg of purified and inactivated proteins of the Japanese encephalitis vaccine 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, 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 & Development

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

In June 2012, the Group submitted applications for the pediatric indication of the vaccine to the European Medicines Agency 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 7-year orphan drug market exclusivity for the pediatric indication in October 2013[23].

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 & distribution agreement which had been signed with Novartis in 2006, and transferred to GSK in 2015 following an asset swap between Novartis and GSK. The Group 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 ensure broad geographic availability of its products, Valneva entered into a number of country-specific marketing and distribution agreements with leading local distribution partners; among them, VaxServe, Inc., a Sanofi Pasteur company (for the US private market) and GSK (for Germany and France)[24].

In 2016, the revenues for the sale of IXIARO®/JESPECT® represented 66% of the Group's consolidated revenues and grants.

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[23] http://www.valneva.com/en/investisseurs-media/news/2013 - See Press release dated May 21, 2013.

[24] For further description of the distribution agreements related to the Japanese encephalitis vaccine, please refer to Section A.4.2 (b) of this Registration Document.

Intellectual property

Please refer to "Patent applications and patents for the main products, technologies and product candidates", in this Registration Document[25].

(b) DUKORAL®

In February 2015, Valneva acquired the DUKORAL® vaccine, together with the associated production assets and a vaccine distribution business in the Nordic countries.

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 *Enterotoxigenic escherichia coli* ("**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 Vibrio 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 & 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 currently 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).

[25] See Section A.3.3 (b).

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 GSK in Germany.

Valneva's 2016 DUKORAL® product sales reached €25.1 million.

Intellectual property

Please refer to "Patent applications and patents for the main products, technologies and product candidates", in this Registration Document[26].

(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[27].

To date, Valneva has around 30 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 vaccine candidate is currently used to treat human patients in Europe through the advanced therapy medicinal products (ATMP) pathway[28].

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 live veterinary vaccine was approved for the prevention of Muscovy duck parvovirus. A third EB66®-based veterinary vaccine was also approved in 2014 in South America for the prevention of Inclusion Body Hepatitis virus. 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 GSK, for a pandemic H5N1 influenza vaccine[29].

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[30].

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[26] See Section A.3.3 (b).

[27] 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

[28] 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

[29] http://www.valneva.com/en/investisseurs-media/news/2014 - See Press releases dated March 13, March 24, May 19 and November 17, 2014.

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 €500 000, annual maintenance fees and 50% of the total revenues payable to Jianshun Biosciences Ltd. from its sub-licensees[31].

On January 5, 2017, Valneva SE announced that it has signed a research license agreement with MSD Animal Health, known as Merck Animal Health in the United States and Canada. The agreement grants MSD Animal Health the rights to research new vaccine candidates using Valneva's EB66® technology[32].

Current EB66® licenses represent potential milestone payments totaling approximately €80 million, and potential royalties on sales of 3 to 6% for human vaccines, and 1.5 to 6% for veterinary vaccines. To date, milestone payments already received by the Company for the licensing of its EB66® platform amount to approximately €37 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, milestone payments and royalties.

Intellectual property

Please refer to "Patent applications and patents for the main products, technologies and product candidates", in this Registration Document[33].

(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[34].

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[35].

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. on a 72 patients group 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.

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[30] http://www.valneva.com/en/investisseurs-media/news/2015 - See Press release dated March 26, 2015.
[31] http://www.valneva.com/en/investisseurs-media/news/2015 - See Press release dated March 17, 2015.
[32] See Section A.4.2 (c) of this Registration Document.
[33] See Section A.3.3 (b).
[34] Reither et al. 2014. PLoS One 9:e114602.
[35] http://www.valneva.com/en/investisseurs-media/news/2015 - See Press release dated January 29, 2015.

Intellectual property

Please refer to "Patent applications and patents for the main products, technologies and product candidates", in this Registration Document[36].

A.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 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.

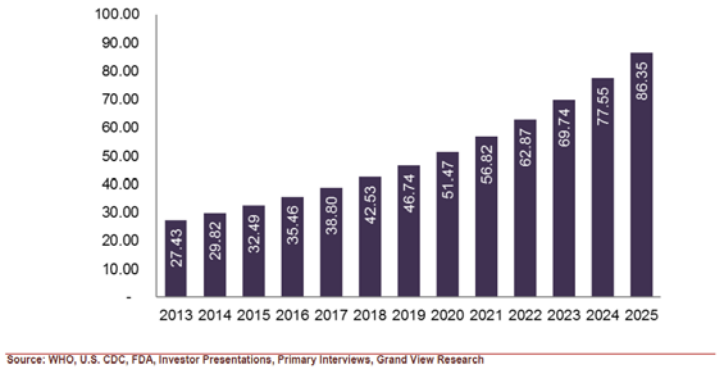
The Group's strategy is to focus its Research & Development program on the development of new products for unmet medical needs and where the health economic benefits are self-evident.

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 $32.49 billion in revenues in 2015 to $86.35 billion by 2025.



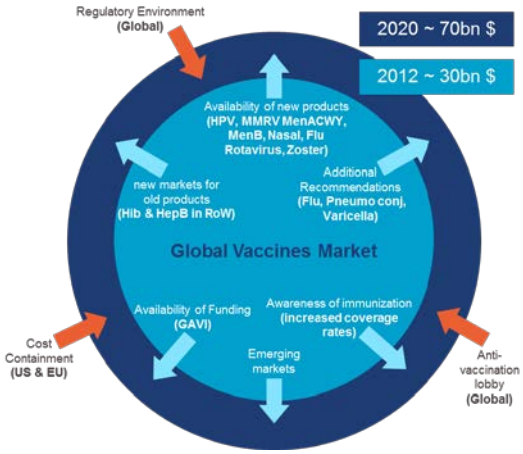
***Source**: Vaccines Market Analysis and Segment Forecasts To 2025, Grand View Research, 2016, p.26.*

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.

[36] See Section A.3.3 (b).

The opportunities clearly outweigh the threats within this market:



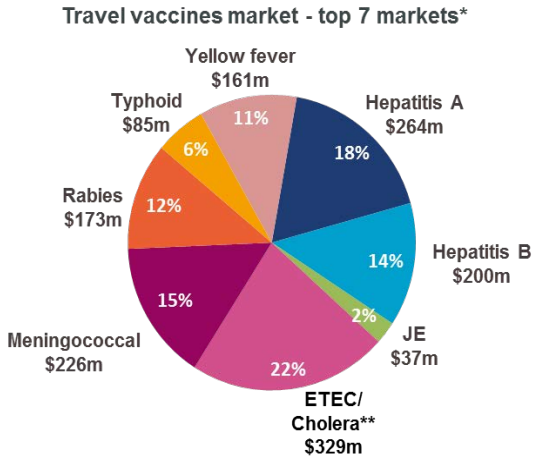
***Source**: Valneva*

Travel vaccine market

$2.224 billion of revenues are expected between now and 2019 in the seven main countries active in this market[37].

Key growth drivers in the market are anticipated to be:

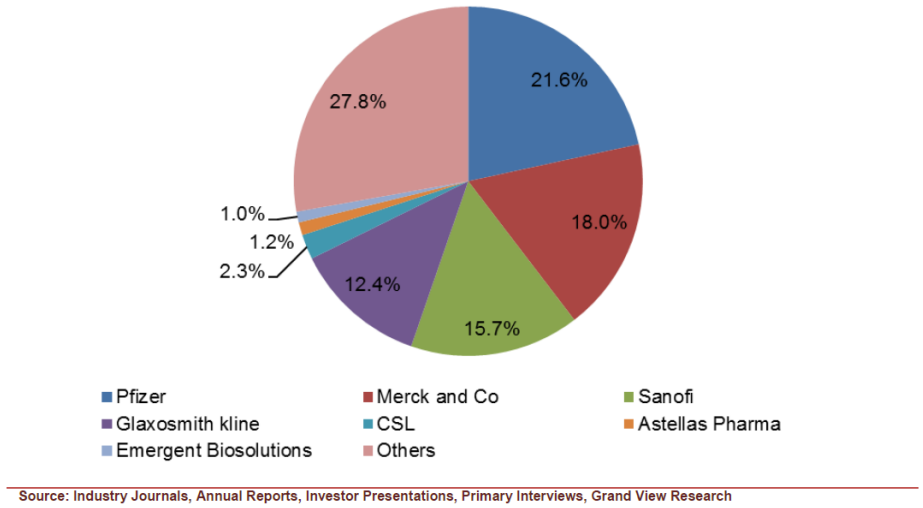
- a growth in the number of travelers, including for selected population segments (older persons);
- an increase in the vaccination rate in response to improved awareness about the illness and up-to-date recommendations;
- the availability of more effective and safer vaccines;
- expanded indications, 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.).



***Source**: GBI Research Travel Vaccine Market to 2019 - May 2013*
** United States, UK, Spain, Italy, France, Germany, Japan (not included for Japanese encephalitis)*
*** ETEC/Cholera = global predicted demand, source: PATH /bvgh The Case for Investment in ETEC vaccines, March 2011*

[37] http://www.gbiresearch.com/report-store/market-reports/therapy-analysis/travel-vaccines-market-to-2019-hepatitis-a-japanese-encephalitis-and-meningococcal-vaccine-segments-to-drive-growth

Since the GSK/Novartis swap agreement in early 2015, the worldwide vaccine market is now dominated by four major players (Pfizer, Merck, Sanofi, GSK), accounting by themselves for nearly 70% of revenues.



***Source**: Vaccines Market Analysis and Segment Forecasts To 2025, Grand View Research, 2016, p.35.*

The global vaccine market is projected to rise to $42.53 billion by 2018, growing at a Compound Annual Growth Rate ("**CAGR**") of 10.40%[38].

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 disease).

Veterinary vaccine market

The global veterinary vaccine market was estimated at $5.4 billion in 2012 and may reach $8.6 billion in 2018, representing a CAGR of 8.1% between 2013 and 2018[39].

The main players in this market today include Zoetis, Merck Animal Health, Sanofi Aventis (ex Merial), Bayer Healthcare and Virbac[40].

Japanese encephalitis vaccines - Cholera and diarrhea vaccines - Travel vaccines

Japanese encephalitis market revenues were $234 million in the top 7 countries in 2012[41].

The increase in revenues can be attributed to an increase in outbound travel, increased vaccination coverage in travelers 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, the local incidence rates range from 1 to 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

[38] Vaccines Market Analysis and Segment Forecasts To 2025, Grand View Research, 2016, p.26.
[39] Markets and Markets, Animal/Veterinary Vaccines Market, Global Forecast to 2018.
[40] *Ibid*.
[41] GBI Research, Travel Vaccines Market to 2019, April 2013.

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 travelers going to Japanese encephalitis-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 Japanese encephalitis vaccines are on the market. Several second generation Japanese encephalitis 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 Yellow Fever 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 Japanese encephalitis vaccine (JESPECT®) is in direct competition, Valneva has approximately a 30% market share (in volume).

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 60% 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[42];
- 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 travelers' 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 diarrhea in Canada, in conjunction with educational and 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, a frozen oral cholera vaccine that was granted a license in the United States in 2016. 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.

[42] UNWTO Tourism Highlights 2014.

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 +	18 to 64 years	1 +	1 +	1 +	2 +
Schedule	2 doses 1 week apart	A single dose at least 10 days before the risk of exposure	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 in 2016	South Korea	Vietnam	India	China Philippines
WHO prequalified WHO	Yes	-	Yes	-	Yes	-
Price	-	-	$1.85	$1.85	-	-

Clostridium difficile

The incidence of *C. difficile* infections has been increasing over recent years, felling 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 United Kingdom, where government mandated infection control efforts have been successful.

US incidence rates are currently about 3 to 4 times higher than in all other markets including the United Kingdom. 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 number of active pre-clinical and clinical development programs currently being conducted by different companies corroborates and reinforces the Group´s assessment.

Three potential markets have been identified for a *C. difficile* vaccine[43]:

- the Community prophylaxis (PX) market with age or risk-based vaccination strategies is estimated in the range of $43 million to $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 ($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, 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 $42 million to $210 million/year in 2020 (based on approximately 380,000 initial CDI cases in 2020);
- the Hospital prophylaxis (PX) market for patients at risk from CDI is estimated in 2020 between $72 million to $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.

[43] *Clostridium difficile* Market View, VacZine Analytics, January 2014.

Valneva´s *C. difficile* vaccine candidate, for which positive Phase II results were announced by the Company in July 2016[44], 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 antibiotics 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 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 Company believes that the EB66® cell line should be particularly pertinent in this segment.

Globally, the influenza virus causes around 3 to 5 million cases of severe illness per year with an estimated 250,000 to 500,000 deaths and around 1 billion infections. The highest disease burden is observed in populations ≥ 65 years and < 2 years[45]. An annual vaccination is appreciated as the most effective method for protection with a 60% to 90% vaccine efficacy.

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

Global demand for influenza vaccine is estimated at 450m doses or $4.2 billion[46], with 80% of doses produced by 7 western manufacturers, Sanofi Pasteur and GSK being among the largest.

Global market growth opportunities exist and are driven by broadened recommendations. Standard trivalent (TIV) products will be gradually replaced by quadrivalent (QIV) 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.

[44] See Section A.1.2 (i) of this Registration Document.
[45] According to the World Health Organization.
[46] VacZine Analytics, Seasonal influenza vaccination, June 2012.

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, i.e. a vehicle enabling presentation to the organism of the gene against which it is hoped to make it react, and, if applicable, (iii) a "booster" capable of strengthening the organism's immune system.

Vectors, apart from a few rare exceptions, are viruses that naturally tend to penetrate cells in order to infect them and, more particularly, three types of virus: alphaviruses, adenoviruses and certain viruses from the poxvirus family (including MVA). The latter family of viruses is important for Valneva because many companies (such as Bavarian Nordic, Geovax, Mérial, Transgène, Delta-Vir, etc.) are in the process of developing poxvirus-based vaccine candidates.

(b) Strategy of the Group

Valneva’s strategy is based on its vision to evolve into a major and self-sustainable vaccine company, by complementing organic growth with opportunistic merger and acquisitions.

Products and Growth

In order for Valneva to evolve into a sizable vaccine player, allowing to best leverage its current and future commercial - and ideally industrial - infrastructures, the Group is aiming at growing its revenues to approximately €250 million in the mid-term. From its approximately €100 million in 2016, Valneva anticipates that it will be able to grow its existing revenue generating businesses - Product Sales, Collaboration & Licensing, Technologies & Services - to about €150 million by 2020. The Group plan to add approximately €100 million through strategic means - by way of partnering (such as the marketing and distribution of vaccines for other companies) or through product acquisition as evidenced by the DUKORAL® acquisition. Rolling up additional commercial vaccine assets will not only add revenues, but also significantly improve the Group’s net margins through synergistic/ positive leveraging effects.

Research & Development

According to Valneva´s mission to advancing innovative vaccines to protect lives, the Group intends to invest approximately 15 to 20% of its annual revenues in Research & Development. The Group is aiming at creating value through focused R&D investments in promising product candidates that can deliver both benefits to patients and upside for our shareholders.

Valneva expects to create R&D value by developing products all the way through approval and commercial launch, or, when appropriate, to sign partnerships that will generate revenues in the form of milestone payments as well as royalties on future product sales. Valneva’s current R&D portfolio provides a balanced mix of programs intended to be developed to approval and those considered for partnering.

Financials

From its incorporation in May 2013, Valneva’s stated ambition is to build a fully integrated, commercial stage biotech company that would be financially self-sustainable in the mid-term. The Group generated €2.8 million positive EBITDA in 2016, making it the first year of positive operating results. It has been able to achieve this while continuing to invest significantly in R&D.

Going forward, the Group will continue seeking financial returns through focused R&D investments in promising product candidates and growing financial contributions from commercial products, striving towards financial self-sustainability and positive cash-generation.

Valneva will favor non-dilutive ways of financing any potential growth transaction, to the extent possible.

A.3.3. Research & Development, patent, licenses

(a) Research & Development

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

The internal Research & Development activities also include supporting R&D partners, through provision of different services.

Research & Development centers

Valneva has two main Research & Development centers:

- in Vienna (Austria); and
- in 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 for its Quality Control laboratories, and was successfully licensed by the US Food and Drug Administration.

In Nantes, the R&D teams work on vaccine discovery research and cell technologies, such as the EB66® cell line.

Portfolio of Research & Development programs

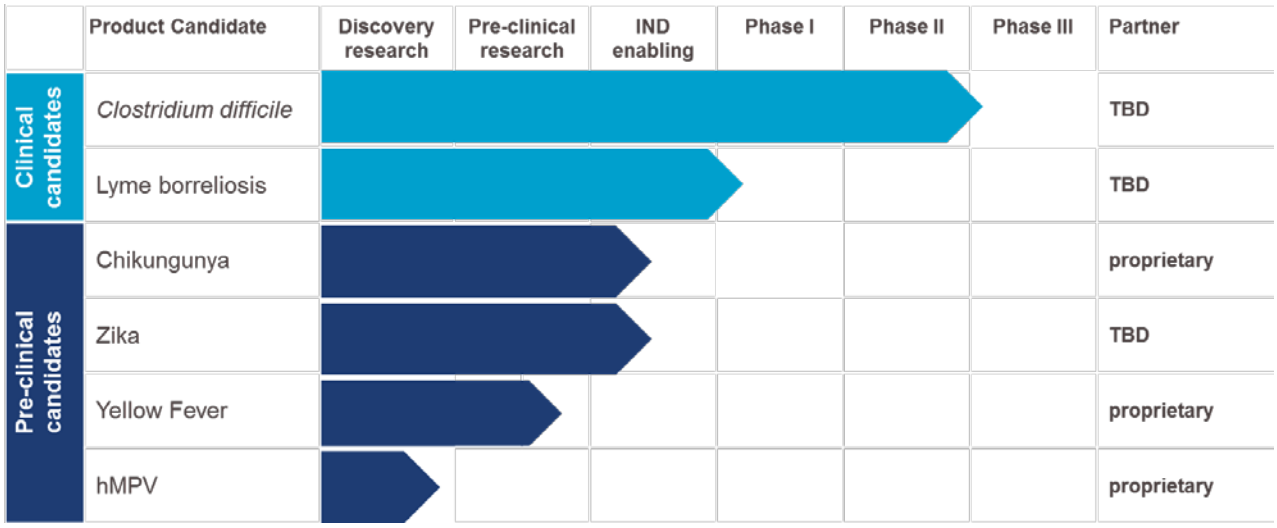
Valneva is focusing R&D investments on its most promising product candidates. The Group's current proprietary product pipeline includes vaccine candidates against *Clostridium difficile*, Lyme borreliosis and Chikungunya.

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 Group'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, December 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 new evidence of clinical efficacy, safety, clinical lot-to-lot consistency, as well as other information - subject to specific regulatory advice.

Phase IV studies are conducted after market launch of the product. They aim to find out more about the vaccine in practice (regarding its safety and efficacy).

Valneva's clinical vaccine candidates

Clostridium difficile vaccine candidate - VLA84 project

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. 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 $1 billion annually[47].

[47] Please refer to Section A.1.2 (i) of this Registration Document for a summary on this program and the results achieved so far.

Lyme borreliosis vaccine candidate - VLA15 project

A summary on this program and the results achieved so far is provided in section "Annual operating highlights" of this Registration Document[48].

Valneva's pre-clinical vaccine candidates

Chikungunya

Valneva's most advanced pre-clinical project focuses on Chikungunya. The Chikungunya virus 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 Chikungunya 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.

Zika

A summary on this program and the results achieved so far is provided in section "Annual operating highlights" of this Registration Document[49].

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.

*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 & Development expenditures

Please refer to the consolidated financial statements for the fiscal year 2016[50].

(b) Intellectual property

The Group protects its intellectual property by:

- seeking protection for its products, technologies and processes, by actively using the patent, trademark and trade secrets systems in Europe, the United States, Japan, China and other jurisdictions where the Group might have business interests;
- defending, and if needed, enforcing its property rights in selected jurisdictions; and
- reviewing and monitoring third party patent rights, in order to establish and ensure the unrestricted use and operation of its products, product candidates and technologies, in those jurisdictions where it has business interests.

[48] See Section A.1.2 (m).
[49] See Section A.1.2 (g).
[50] See Note 5.13, in Section D.1 of this Registration Document.

Patents and patent applications

The Group considers protecting technologies and products through patents and patent applications, essential to the success of its businesses.

On February 28, 2017, the Group had a portfolio of 304 issued patents, including 65 covering the big 5 European countries, Germany, France, United Kingdom, Spain and Italy, and 31 in the United States. At the same time, the Group had 61 patent applications pending including 7 pending European and 8 pending international patent applications.

In 2016, 21 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 considered important by the Group. Consequently, the 7 patent applications in Europe and the 8 international patent applications (PCT), currently under review, may result in significantly more than 15 national patents issued.

In countries where the Group seeks legal protection through patents, the duration of legal protection for 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 of the Group

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

The Group's Japanese encephalitis marketed vaccine was initially developed by the 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 Japanese encephalitis vaccine worldwide, except for the Caribbean, through an exclusive sub-license agreement signed in 2003 (as amended) and based on the rights that VaccGen International LLC itself held with Cheil Jedang Corporation and the WRAIR.

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

Furthermore, the patent protection of the Japanese encephalitis vaccine also benefits from a recent improvement of the adjuvant technology that is used for this product (developed by the Group) and which may be useful for the protection of other products.

DUKORAL®

Valneva acquired the product DUKORAL® in the first quarter 2015[51]. DUKORAL® is no longer covered by any patent protection.

[51] See Section A.2.2 (b) of this Registration Document.

EB66® cell platform

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

The Company has currently granted throughout the world more than 30 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, Zoetis, Boehringer or MSD Animal Health.

Adjuvant IC31®

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

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 patent applications covering the active construct of the vaccine, its developed indication and formulation and the use of its 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 vaccine construct, as well as uses, processes and formulations of such vaccine.

Zika vaccine

The Group's Zika vaccine is also currently developed in-house, based on a proprietary approach. The Group has filed patent applications covering the vaccine construct, as well as uses, processes and formulations of such vaccine.

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 product, candidate and technology:

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, MSD Animal Health and others
IC31® partnered programs (only IC31® part)	Product, Formulation, Use, Manufacturing Process	2021 to 2031	GSK, Sanofi, Statens Serum Institut, 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, products and many of its projects for the development of products candidates depend upon the knowledge, experience and skills of the scientific and technical personnel. In order to protect the Group's trade secrets, proprietary know-how and technologies, the Group generally requires all employees, contractors, advisors and collaborators to enter into confidentiality agreements. These agreements prohibit the disclosure of the Group's confidential information. Agreements with employees and consultants also require disclosure and assignment to the Group of any ideas, developments, discoveries and inventions.

The expiration of a patent for a product may result in significant competition, due to the emergence of biosimilar products, and in 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 developed markets for vaccine biosimilars. This, of course, may change in the future. Nevertheless, in many cases, the Group may still continue to reap commercial benefits from its product manufacturing secrets, even when the patents for such product have expired.

Trademarks

Trademark rights held by the Group are national, international European-wide in scope. The rights are generally granted for a period of ten years and are indefinitely renewable, although in some cases, their validity is contingent on the trademark's continued use.

The Group holds the title to the names of the products used and those associated therewith.

The Group's trademarks benefit primarily from 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 February 28, 2017 are shown in the table below:

Trademarks - Number of registrations

Trademarks	Number of registrations or applications
IXIARO®	189
JESPECT®	45
DUKORAL®	88
EB66®	61
IC31®	35
Valneva®	183
SBL trademarks	19

The Group also holds registrations for its different entities names, as well as the slogan and logo which constitute its graphic charter. The Group defends its trademark rights by filling a notice of opposition against applications for identical or similar trademarks, and initiates, if such is the case, legal actions to have its rights recognized.

In this respect, Valneva SE and the company KRKA, tovarna zdravil, d.d., Novo Mesto (« **KRKA** ») signed a co-existence agreement on January 20, 2014, with respect to KRKA's earlier trademark DALNEVA covering goods of Class 5. Valneva agreed on restricting the specification of goods for the trademark Valneva, by adding the limitation "none of the afore-mentioned goods for the treatment of

cardiovascular diseases" to the European Union Trademark (EUTM) application No. 011441268, and to any future applications.

The Company has filed a notice of opposition before the European Union Intellectual Property Office ("**EUIPO**") against the trademark application VALNECOR (application No. 13.519889) of the company Vetpharma Animal Health S.L., for Class 5, invoking articles 8(1)b and 8(4) of the Regulation (EC) No. 207/2009 on the Community trademark (EUTMR - as amended). On February 19, 2016, the Opposition Division of the EUIPO decided in favor of Valneva SE and upheld the opposition (No. B 2508755) for all the contested goods in Class 5.

A letter of undertakings effective as of July 25, 2016 has been signed by VALNÉVA, a French Simplified Joint Stock company, and Valneva SE, in order to:

+ acknowledge the Company's prior rights; and
+ record VALNÉVA's undertaking never to contest or challenge the company name and the trademarks Valneva - registered or filed - for any goods and services.

VALNÉVA further agreed not to use the name VALNÉVA for scientific R&D in the fields of medicine, antibodies and vaccines.

***

For a description of the risks identified by Valneva in relation with its trademarks, please refer to the Section "Risks factors" of this Registration Document[52].

Domain names

At February 28, 2017, the Group holds 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 "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[53].

A.3.4. Investments

(a) Mergers and acquisitions

On February 9, 2015, the Group completed the acquisition of the company Crucell Sweden AB, (subsequently renamed Valneva Sweden AB), including all assets, licenses and privileges related to the vaccine DUKORAL®, as well as a vaccine distribution business in the Nordics. Valneva Sweden AB is now an indirect wholly-owned subsidiary of Valneva SE[54].

An additional description of this acquisition is provided in the consolidated financial statements for the fiscal year 2016[55].

[52] See Section A.5.2 (b).
[53] *Idem*.
[54] See Sections A.2.2 (b) and A.3.1 (b) of this Registration Document.
[55] See Note 5.30, in Section D.1 of this Registration Document.

(b) Research & Development expenses

Research & Development expenses include the costs associated with R&D conducted by the Group or for the Group by outside contractors, research partners or clinical study partners, and expenses associated with R&D carried out by Valneva in connection with strategic collaboration and licensing agreements. The most expensive stages in the regulatory approval process in the United States and the European Union 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 Japanese encephalitis vaccine and the major product candidates, for the years ended December 31, 2014, 2015 and 2016[56]:

Amount in € thousand			**Year ended December 31,**
	2014 (unaudited)	**2015 (unaudited)**	**2016 (unaudited)**
Borrelia	2,683	1,607	4,825
Pseudomonas	4,902	6,459	3,871
Japanese encephalitis vaccine	3,749	1,942	3,410
Chickungunya	-	1,839	3,245
C. difficile	3,717	6,761	2,158
EB66®	2,723	1,737	1 046
hMPV	-	573	1,944
DUKORAL®	-	1,235	1,258
Other research projects	4,468	3,214	2,833
Total	**22,242**	**25,367**	**24,590**

(c) Additions to intangible assets

Additions to intangible assets in the year ended December 31, 2016 amounted to €2.5 million (2015: €0.6 million, of which €0.3 million were attributable to development costs).

(d) Main current and planned investments

At the current Group structure, the 2017 budget concerns tangible fixed assets for an amount of €2.7 million intended for acquiring research equipment and renewing manufacturing equipment, as well as approximately €1.9 million to acquire/develop software, mainly to update the Valneva ERP (Microsoft AX). These investments will be mainly financed by own funds.

[56] ***Source***: *Valneva Internal information.*

A.4. Analysis and comments on the activities conducted in 2016

A.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,	
	2016	2015
Revenues & grants	97,892	83,335
Net profit/(loss)	(49,184)	(20,617)
EBITDA[57]	2,810	(8,492)
Net operating cash flow	6,505	(19,828)
Cash, short-term deposits and marketable securities, end of period	42,180	42,567

Full Year 2016 Financial review[58]

Revenues and grants

Valneva's aggregate revenues and grants in the full year 2016 increased to €97.9 million from €83.3 million in 2015. This increase was mainly a result of strong growth of IXIARO®/JESPECT® product sales.

Total product sales increased to €80.4 million in the full year 2016, from €61.5 million in the year 2015. IXIARO®/JESPECT® product sales contributed €53 million to revenues in 2016, compared to €30.6 million in 2015 representing 73.1% growth. The strong increase was driven by the capturing of additional revenue margins under the new sales and distribution network, and also benefited from strong demand from the US military and from private markets in Germany and the United Kingdom. DUKORAL® sales contributed €24.6 million to 2016 product sales representing growth of €3.5 million, or 16.8% compared the year 2015. Third party product sales for the year 2016 decreased to €2.9 million from €9.9 million in the year 2015, due to the fact that several GSK vaccines were no longer marketed by Valneva in the Nordic countries.

Revenues from collaborations and licensing decreased from €16.8 million in 2015 to €13.6 million in the year 2016.

Grant income decreased to €3.8 million in 2016 compared to €5 million in 2015.

[57] EBITDA (Earnings before interest, taxes, depreciation and amortization) was calculated by excluding depreciation, amortization and impairment of tangible and intangible assets, as well as gains from bargain purchase (negative goodwill), from the operating loss.

[58] Note: FY 2016 and FY 2015 IFRS results are not fully comparable because of the acquisition of the Crucell Sweden AB business in February, 2015 (see Section A.2.2 (b) of this Registration Document). As a result of the acquisition, which included all assets, licenses and privileges related to DUKORAL®, as well as a vaccine distribution business in the Nordics, the comparator period of 2015 includes specific acquisition-related transaction effects, and the results of the acquired business are only included from the acquisition closing date on February 9, 2015. Furthermore, the Group amended the presentation of its income and cash flow statements compared to the consolidated annual financial statements for the year ended December 31, 2015 with respect to "Gain on bargain purchase" (now presented within "Operating profit/(loss)") and "interest paid" (now presented within the "Cash flow from financing activities"). The previous year comparative period was adjusted accordingly.

Operating result and EBITDA

Cost of goods and services ("**COGS**") in 2016 were €43.1 million, leading to an overall gross margin of 56%. €21.5 million in COGS related to IXIARO®/JESPECT® sales, yielding a product gross margin of 59.6%, and €13.5 million related to DUKORAL® sales, yielding a product gross margin of 45.5%. Of the remaining COGS for full year 2016, €2 million related to the third party product distribution business and €6.2 million related to cost of services. In the comparator period of 2015, COGS were €47 million, of which €16.4 million related to IXIARO®/JESPECT®, €18.2 million to DUKORAL®, €7.3 million to third party products, and €5 million to cost of services.

Research and development expenses for the year 2016 reached €24.6 million, representing a slight decrease compared to 2015 R&D expenses of €25.4 million.

Marketing and distribution expenses in 2016 amounted to €16.6 million compared to €9.1 million in 2015. Marketing and distribution costs increased as a result of the establishment of the Group's own sales and marketing organization following the termination of its global distribution partnership with GSK in June 2015[59].

General and administrative expenses were flat year on year, with 2016 and 2015 expenses, both amounting to €14.4 million.

Amortization and impairment charges for full year 2016 amounted to €41.2 million, and included €34.1 million of non-cash impairment charges which were recognized in the second quarter following negative Phase II/III study results for the *Pseudomonas* vaccine candidate and discontinuation of the program[60].

Valneva's operating loss for the year 2016 was also impacted by the impairment charges relating to the *Pseudomonas* project and amounted to €42.6 million, compared to an operating loss of €6.8 million reported for the year 2015. Full Year 2015 operating results included a €13.2 million gain on bargain purchase (negative goodwill) related to the acquisition of the Crucell Sweden AB business[61]. Without taking into account one-time effects from impairments and acquisitions in the two periods, Valneva's operating loss for the year 2016 would have amounted to €8.5 million, compared to a 2015 operating loss of €19.9 million.

Valneva's full year 2016 EBITDA showed a strong improvement and amounted to an EBITDA profit of €2.8 million, compared to an EBITDA loss of €8.5 million in the year 2015. 2016 EBITDA was calculated by excluding depreciation, amortization and impairment charges amounting to €45.4 million from the operating loss of €42.6 million as recorded in the condensed consolidated income statement under IFRS. EBITDA also excludes the gains from bargain purchase in the calculation for the comparator period of the previous year.

Segment overview

The Commercialized Vaccines segment showed an operating profit of €16.7 million for full year 2016 compared to an operating profit of €1.7 million in full year 2015. Excluding amortization expenses for acquired intangible assets, the operating profit of that segment was €23.4 million in 2016 and €8.4 million in 2015.

The Vaccine Candidates segment currently represents the Company's main area of investment and showed an operating loss of €11.9 million in the year 2016 (excluding one-time impairment charges of €34.1 million related to the *Pseudomonas* project) compared to €11.2 million in full year 2015.

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[59] See Section A.1.2 (b) of this Registration Document.
[60] See Section A.1.2 (d) of this Registration Document.
[61] See Section A.2.2 (b) of this Registration Document.

The Technologies and Services segment showed an operating profit for the year 2016 of €1.7 million compared to €4.1 million in the year 2015. Excluding amortization and impairment, the operating profit of the Technologies and Services segment amounted to €2.1 million in 2016 compared to €4.6 million in 2015.

Net result

Valneva's net loss for the year 2016 was €49.2 million. Excluding the one-time impairment charges related to the *Pseudomonas* project, Valneva's net loss amounted to €15.1 million for the year 2016, compared to a net loss of €20.6 million for the year 2015. The 2015 result included a €13.2 million gain on bargain purchase (negative goodwill) related to the acquisition of the Crucell Sweden AB business.

The net finance result amounted to minus €6.3 million for the year 2016, compared to minus €4.6 million in the year 2015. This increase in net finance expenses was mainly due to negative exchange rate effects in 2016 as opposed to positive effects in the previous year.

Cash flow and liquidity

Net cash generated by operating activities in 2016 was €6.5 million compared to a negative cash-flow from operating activities of €19.8 million in 2015. This strong improvement resulted from the positive EBITDA development and was also helped by working capital effects.

Cash inflows from investing activities in the year 2016 amounted to €14.9 million, and resulted primarily from a payment received from Johnson & Johnson in connection with the adjustment of the purchase consideration for the acquisition of Crucell Sweden AB and the DUKORAL® business.

Cash out-flows from financing activities in 2016 amounted to €26.8 million and included the re-payment of borrowings to Athyrium LLC, as well as interest payments and re-payments of loans. Cash outflows in connection with debt financing were partly offset by the net proceeds from a capital increase of €7.5 million performed in December 2016 in connection with an investment by funds of MVM Life Science Partners LLP.

Liquid funds on December 31, 2016 stood at €42.2 million, compared to €42.6 million on December 31, 2015, and consisted of €35.3 million in cash and cash equivalents and €6.9 million in restricted cash.

(b) Valneva SE (French GAAP accounts)

The Company's financial statements for the fiscal year 2016 were 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 €4.7 million at December 31, 2016, up from €4.4 million for the fiscal year 2015.

Revenue amounted to €2.64 million in 2016, compared to €0.83 million in 2015.

Other operating income (mainly grants and licensing income) amounted to €2.1 million in 2016, compared to €3.5 million in 2015.

Operating expenses

Operating expenses amounted to €19.1 million at December 31, 2016, compared to €14.6 million for the prior fiscal year.

Purchases of raw materials and external expenses represented €12.02 million in 2016, compared to €8.9 million in 2015. Purchases of raw materials increased by €3 million and external expenses remained stable.

Staff costs amounted to €4.4 million in 2016, compared to €3.9 million in 2015.

Allowances for depreciation and amortization remained stable and represented €1.4 million in 2016 and 2015.

Operating loss from ordinary activities

Operating loss from ordinary activities for the fiscal year 2016 was €14.4 million, compared to €10.3 million for the fiscal year 2015.

Net financial expense

Net financial expense came to €0.2 million for the fiscal year 2016, compared to a net financial expense of €9 million in the fiscal year 2015.

The financial expense in 2015 reflected mainly a provision for impairment of €8.9 million recorded for BliNK Biomedical SAS shares[62].

Net exceptional items

Net exceptional items represented €0.1 million in income in 2016, compared to a €0.1 million expense in 2015.

Corporate income tax

The negative 2016 income tax corresponds to a Research Tax Credit (*Crédit d'Impôt Recherche*) charge of €1.9 million, and to the prescription of a French tax credit for corporate sponsorship activities amounting to 0.4 million. The negative 2015 income tax corresponded to a Research Tax Credit charge of €1.8 million.

Net loss

Net loss for the fiscal year 2016 was €12.6 million, compared to €17.6 million in the prior fiscal year.

Fixed assets

Fixed assets rose from €163 million in 2015 to €168 million in 2016 (net value).

This net increase results mainly from the increase in the subsidiaries' shares for €5.6 million.

Current assets

Current assets came to €43.4 million in 2016, compared to €58.5 million in 2015.

This €15 million decrease is mainly due to:

+ the reimbursement of the advance granted by the Company to its Austrian subsidiary, Valneva Austria GmbH, for €9.1 million, but also to the reimbursement of the advance granted by the Company to its Swedish subsidiary, Vaccines Holdings Sweden AB, for €8 million;
+ the increase in the advance granted to its Canadian subsidiary, Valneva Canada Inc., for €2.2 million and of the advance granted to its English subsidiary, Valneva UK Ltd., for €1.5 million;
+ the €2.1 million decrease in the cash position.

[62] See Section A.2.2 (c) of this Registration Document.

Shareholders' equity

Shareholders equity rose from €202.8 million at December 31, 2015 to €197.4 million at December 31, 2015. A detailed description is provided in the Notes to the separate financial statements for the fiscal year 2016[63].

On December 14, 2016, Valneva SE issued 2,884,615 new ordinary shares through a private placement made by funds of the company MVM Life Science Partners LLP, without preferential subscription rights, with a dilution effect of 3.9% of the Company's ordinary share capital. The issuance of resulted in proceeds of €7.5 million for the Company.

This issuance resulted in a share capital increase of €432,692.25 and an issue premium of €7,067,306.75.

The associated issuance costs of €95,933.02 were charged to the share premium.

Liabilities

Total debt decreased by €5.7 million, from €16.3 million at December 31, 2015 to €10.6 at December 31, 2016.

Total borrowings declined by €1.9 million, from €8.3 million in 2015, to €6.4 million in 2016. This change mainly reflects the €0.9 million in debt instalment payments, and the monetization of the 2015 Research Tax Credit (*Crédit d'Impôt Recherche*) that was offset by repayment of the 2012 Research Tax Credit.

Operating payables remained stabled at €2.1 million for the fiscal years 2015 and 2016.

Other debts decreased by €3.8 million, from €5.7 million at December 31, 2015 to 1.9 million at December 31, 2016. This change reflects the current accounts settlement with the different Group's subsidiaries.

Cash

Total cash amounted to €10.05 million at December 31, 2016, compared to €12.2 million on the previous fiscal year.

Net cash provided by operating activities represented an outflow of €1.2 million at December 31, 2016, compared to an outflow of €16.6 million at December 31, 2015, reflecting:

- cash flow for the fiscal year 2016, representing an outflow of €10.5 million;
- a €13 million outflow for advances granted to the Group's subsidiaries;
- a €3.8 million outflow from a decrease in the Austrian subsidiary's current account balance.

Net cash used in investing activities represented an outflow of €6 million in 2016, compared to €20.5 million in 2015. This mainly results from:

- a payment of €10 million in January 2016 to Valneva Austria GmbH in order to reconstitute the equity of this subsidiary;
- €4.4 million received in October 2016 by the company Vaccines Holdings AB pursuant to a board decision of September 16, 2016. This payment reduces the initial contribution of €17 million made to this subsidiary in 2015.

The net cash generated from financing activities amounted to €5.2 million in 2016, compared to €40 million in 2015. This results from the share capital increase of December 2016 for €7.5 million[64],

[63] See Note 4.3.10, in Section D.1 of this Registration Document.
[64] Please refer to the Paragraph "Shareholders' equity" in this Section.

the loan repayments for €0.9 million, and a €1 million a decrease in collateralized Research Tax Credit (*Crédit d'Impôt Recherche*).

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

Nature of items	Year ended December 31,				
	2012	2013	2014	2015	2016
I- Capital at the end of the year					
Share capital (in euros)	3,219,379.35	8,384,717.19	8,631,142.14	11,383,243.14	11,815,935.39
Number of ordinary shares	21,462,529	54,709,000 (a)	56,351,833 (a)	74,698,099 (a)	77,582,714 (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	2,764,334	19,714,054	2,375,385	1,512,809.28	3,196,953.12
Income before tax employee profit-sharing and depreciation allowance and provisions	(11,712,495)	(8,836,658)	(8,318,013)	(16,009,711.17)	(12,457,638.97)
Tax on profit (income if negative)	(2,758,828)	(2,038,859)	(1,965,473)	(1,850,965)	(1,896,797)
Employee profit-sharing due for the year	0	0	0	0	0
Income after tax employee profit-sharing and depreciation allowance and provisions	(11,957,883)	(9,952,449)	(14,883,482.38)	(17,619,145.14)	(12,587,988.59)
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	(0.42)	(0.12)	(0.11)	(0.19)	(0.14)
Income after tax employee profit-sharing and depreciation allowance and provisions	(0.56)	(0.18)	(0.26)	(0.24)	(0.16)
Dividend per share (indicate if gross or net)	0	0	0	0	0
IV- Personnel					
Average headcount for the period	104	84	59	45	48
Annual payroll (in euros)	4,686,250	4,267,644	3,261,008	2,660,294.33	3,095,286.35
Total of amounts paid for social benefits for the year (social security, social welfare programs, etc.) (in euros)	2,090,362	1,933,195	1,427,891	1,283,423.61	1,355,866.14

(a) This does not include Valneva SE's preferred shares (*i.e.*, i) 17,836,719 preferred shares (ISIN FR0011472943), representing around 1,189,115 Valneva SE's ordinary shares, once the preferred shares are written down to the nominal value of Valneva SE's ordinary shares, and ii) 1,074 convertible preferred shares (ISIN XFCS00X0I9M1), with respect, specifically, to FY 2015 and 2016[65]).

[65] See Section B.2.2 (f) of this Registration Document.

A.4.2. Major agreements and partnerships

Valneva supports its own Research & Development programs by entering into partnership agreements with major pharmaceutical companies. Over the years, the Group has also signed licensing agreements for the use of its proprietary technologies.

(a) Strategic Alliance Agreement with GSK

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

The *C. difficile* vaccine candidate is covered by this strategic agreement. However, GSK has waived its option rights.

GSK also waived its option for Valneva's Zika program.

(b) Agreements for Japanese encephalitis vaccine

For the marketing and distribution of the vaccine in Australia, where the disease is endemic, Valneva partnered with CSL Limited (today 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 SE also announced that it had granted vaccine manufacturer Adimmune Corporation certain exclusive rights to its Japanese encephalitis vaccine in Taiwan.

(c) Agreements and partnerships on EB66® cell line

In March 2015, Valneva SE announced the signature of a license agreement with Jianshun Biosciences Ltd. ("**JSB**"). 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. This includes an upfront license payment of €2.5 million, an additional payment of €500,000 in 2016, as well as annual maintenance fees and 50% of total revenues payable to Jianshun Biosciences Ltd from its sublicensees.

To date, Valneva has more than thirty research and commercial agreements with the world's largest pharmaceutical companies (including GSK, Sanofi, Zoetis) for the licensing of its EB66® technology, among which are 6 commercial licenses for human vaccines and 13 commercial licenses for veterinary vaccines (excluding the JSB China license referred to above).

(d) Agreements on IC31®

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

In March 2004, Intercell AG (now Valneva Austria GmbH) 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 SE announced the signature of an exclusive worldwide commercial license agreement with UK company Immune Targeting Systems Ltd. (today Altimmune Ltd.) for the use of the IC31® Adjuvant against Hepatitis B.

(e) Financial agreements

In December 2013, Valneva SE announced that it had secured a $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 the Company'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 Group's vaccine candidates. The amount of this loan was increased to $41 million, following an additional drawing of $11 million in November 2015 for the purpose of improving the Group's cash position during the commercial transition phase for IXIARO®. This loan, 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. The loan has started to be paid back and will be gradually paid back in cash in 2017 and 2018.

In January 2015, Valneva SE 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 5-year period and was subject to annual interest of 11% payable quarterly in cash. However, following the reduction in acquisition price for Crucell Sweden AB negotiated with the seller (notably because of adjustments to the DUKORAL® label in Canada in December 2015), Valneva SE repaid this loan in full in January 2016.

In July 2016, Valneva SE announced the signature of a loan agreement with the European Investment Bank, providing for up to €25 million in financing. This may be utilized by the Company in one or several tranches within a 24-month period and offers more favorable interest rates than previous loans. Each credit tranche is repayable at the end of a five-year period starting from the drawing date. The loan is secured by collateral over Company's material subsidiaries, including security ranking behind those granted in connection with existing asset-based financing to the investment fund managed by Pharmakon Advisors as part of the loan agreement referred to above.

Valneva expects to receive a first tranche of €5 million at the beginning of April 2017. Indeed, the Company submitted a drawdown request under this loan in March 2017, following the satisfaction of all material conditions precedent. Drawings in excess of €15 million will be subject, for their part, to certain financial performance parameters which the Company expects to fulfill in 2017.

(f) Distribution agreements

At the filing date of this Registration Document, the Group has executed a number of agreements for the distribution of its products for third parties.

- VIVOTIF®, PaxVax's typhoid fever vaccine, for distribution in Canada and the Nordic countries (Sweden, Norway, Denmark and Finland), Iceland and Austria; and
- flu vaccines of Seqirus (FLUAD™, SANDOVAC™/AGGRIPAL™), for distribution in the Austrian market.

At the filing date of this Registration Document, the Group has executed around fifteen distribution agreements for IXIARO® and/or DUKORAL®. These include in particular marketing and distribution agreements with (a) VaxServe (a Sanofi Pasteur company) for distribution of IXIARO® on the market of non-governmental customers in the US, (b) GSK, for distribution of IXIARO® and DUKORAL® in Germany and Austria, and for IXIARO® in France, (c) PaxVax for distribution of IXIARO® and DUKORAL® in Italy, Spain and Portugal, and (d) Seqirus, for distribution of JESPECT® and DUKORAL® in Australia, New Zealand and certain Pacific region territories[66].

A.4.3. Analysis of full-year results

Financial information presented in this Section concerns fiscal year 2016 for the period ended December 31, 2016. The 2016 consolidated financial information presented herein include information relating to three fiscal years of 2014, 2015 and 2016.

Please refer to the present analysis of the financial position and results of Valneva for fiscal years 2014, 2015 and 2016 with the consolidated financial statements of the Group and the related Notes thereon[67]. 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 must 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.[68] The financial position and results of the Group could, as a result, significantly differ from those indicated or suggested in this Section.

Preliminary remark: As a result of the acquisition of Crucell Sweden AB and all DUKORAL® related assets, 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 2014, 2015, and 2016 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 years 2014, 2015 and 2016

Revenues and grants

The following table presents the major components of Valneva's revenues and grants for the years ended December 31, 2014, 2015 and 2016[69]:

In € thousand	Year ended December 31,			Change 2016	
	2016	2015	2014	In Euros	In %
Product sales	80,428	61,545	28,124	18,883	30.7
Revenues from collaborations and licensing	13,634	16,814	8,799	(3,180)	(18.9)
Grant income	3,830	4,975	5,506	(1,145)	(23.0)
Total revenues and grants	**97,892**	**83,335**	**42,429**	**14,558**	**17.5**

Between 2015 and 2016: Valneva's aggregate revenues and grants increased by €14.6 million, or 17.5%, from €83.3 million in the year ended December 31, 2015 to €97.9 million in the year ended December 31, 2016. The strong increase was driven by the capturing of additional revenue margins under the new sales and distribution network for IXIARO®/JESPECT® product sales[70], and also benefited from strong demand from the US military and from private markets in Germany and the United Kingdom.

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[66] See Section A.1.2 (b) of this Registration Document.
[67] See Section D.1 of this Registration Document.
[68] Section A.5 of this Registration Document.
[69] ***Source***: Audited annual consolidated financial statements of Valneva SE for the years ended December 31, 2014, 2015 and 2016.
[70] See Section A.1.2 (b) of this Registration Document.

Between 2014 and 2015: Valneva'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 AB's business[71], whose overall revenue contribution amounted to €36.4 million.

Total revenues and grants by business segment

The following table presents the revenues and grants by business segment for the years ended December 31, 2014, 2015 and 2016[72]:

In € thousand	Year ended December 31,			Change 2016	
	2016	2015	2014	Absolute	In %
Commercialized vaccines	80,815	62,052	28,289	18,763	30.2
Technologies and services	10,086	12,591	5,067	(2,505)	(19.9)
Vaccine candidates	6,991	8,691	9,072	(1,700)	(19.6)
Total revenues and grants	**97,892**	**83,335**	**42,429**	**14,557**	**17.5**

Product sales

Between 2015 and 2016: IXIARO®/JESPECT® product sales contributed €53 million to revenues in 2016 compared to €30.6 million in 2015, representing 73.1% growth. The strong increase was driven by capturing additional revenue margins under the new sales and distribution network, and also benefited from strong demand from the US military and from private markets in Germany and the United Kingdom. DUKORAL® sales contributed €24.6 million to 2016 product sales, representing growth of €3.5 million, or 16.8% compared to the year 2015. Third Party product sales for the year 2016 decreased to €2.9 million from €9.9 million in the year 2015, due to the fact that several GSK vaccines were no longer marketed by Valneva. DUKORAL® product sales contributed €21 million and third party product distribution contributed €9.9 million to the full year 2015 product sales.

Between 2014 and 2015: 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 & distribution partnership with GSK in June 2015.

2014 - 2015 - 2016: as a percentage of total revenues and grants, product sales represented 82.2% in the year ended December 31, 2016, 73.9% in the year ended December 31, 2015, compared to 66.3% in the year ended December 31, 2014.

The following table presents the Group's regional breakdown for product sales for the years ended December 31, 2014, 2015 and 2016[73]:

In € thousand	Year ended December 31,			Change 2016	
	2016	2015	2014	In Euros	In %
France	1,229	746	915	483	64.7
Europe excluding France	27,128	23,814	7,552	3,314	13.9
North America*	48,197	33,471	18,532	14,726	44.0
Other**	3,874	3,514	1,125	360	10.2
Total product sales	**80,428**	**61,545**	**28,124**	**18,883**	**30.7**

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

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

[71] See Section A.2.2 (b) of this Registration Document.

[72] ***Source***: Audited annual consolidated financial statements of Valneva SE for the years ended December 31, 2016, 2015 and 2014.

[73] ***Source***: Valneva internal information.

Revenues from collaborations, licensing and services

Between 2015 and 2016: revenues from collaborations and licensing decreased by €3.2 million, or 18.9%, from €16.8 million in 2015 to €13.6 million in the year 2016.

Between 2014 and 2015: 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. This increase results from the acquisition of Crucell Sweden AB's business, which contributed €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 benefited mainly 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.

2014 - 2015 - 2016: as a percentage of total revenues and grants, revenues from collaborations and licensing were 13.9% in the year ended December 31, 2016, 20.2% in the year ended December 31, 2015 and 20.7% in the year ended December 31, 2014.

The following table presents the business segment breakdown of revenue from collaborations, licensing and services for the years ended December 31, 2014, 2015 and 2016[74]:

In € thousand	Year ended December 31,			Change 2016	
	2016	2015	2014	In Euros	In %
Commercialized vaccines	357	473	135	(116)	(24.5)
Technologies and services	9,653	11,394	3,570	(1,791)	(15.7)
Vaccine candidates	3,624	4,947	5,094	(1,323)	(26.7)
Total revenues from collaborations, licensing and services	**13,634**	**16,814**	**8,799**	**(3,180)**	**(18.9)**

The following table presents the geographic breakdown of revenue from collaborations, licensing and services for the years ended December 31, 2014, 2015 and 2016[75]:

In € thousand	Year ended December 31,			Change 2016	
	2016	2015	2014	In Euros	In %
France	569	799	1,632	(230)	(28.8)
Europe excluding France	11,874	12,637	6,083	(763)	(6.0)
North America*	411	469	628	(58)	(12.4)
Other**	779	2,910	456	(2,131)	(73.2)
Total revenues from collaborations, licensing and services	**13,634**	**16,814**	**8,799**	**(3,180)**	**(18.9)**

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

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

Grant income

The grant income included grants from public agencies as well as Research and Development tax credits.

Between 2015 and 2016: grant income amounted to €3.8 million in 2016, representing a reduction of €1.2 million compared to 2015.

[74] ***Source***: Valneva internal information.
[75] ***Source***: Valneva internal information.

Between 2014 and 2015: grant income amounted to €5 million, representing a reduction of €0.5 million compared to 2014.

2014 - 2015 - 2016: as a percentage of total revenues and grants, the grant income was 3.9% in the year ended December 31, 2016, 6% in the year ended December 31, 2015, and 13% in the year ended December 31, 2014.

The following table presents the business segment breakdown of the Group's grant income for the years ended December 31, 2014, 2015 and 2016[76]:

In € thousand	Year ended December 31,			Change 2016	
	2016	2015	2014	In Euros	In %
Commercialized vaccines	-	33	30	(33)	(100.0)
Technologies and services	433	1,197	1,497	(764)	(63.8)
Vaccine candidates	3,368	3,745	3,978	(377)	(10.1)
Total Grant income	**3,830**	**4,975**	**5,506**	**(1,145)**	**(23.0)**

The following table presents the geographical breakdown for the Group's grant income for the years ended December 31, 2014, 2015 and 2016[77]:

In € thousand	Year ended December 31,			Change 2016	
	2016	2015	2014	In Euros	In %
France	1,924	2,223	2,297	(299)	(13.5)
Europe excluding France	1,906	2,752	3,209	(846)	(30.7)
North America*	-	-	-		
Other**	-	-	-		
Total Grant Income	**3,830**	**4,975**	**5,506**	**(1,145)**	**(23.0)**

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

(**) “Other” refers to rest of world.

[76] ***Source***: Valneva internal information.

[77] ***Source***: Valneva internal information.

(b) Comparison of consolidated income statement for the full year of 2014, 2015 and 2016

	Year ended December 31,					
	2016		2015		2014	
	In € thousand	% of revenues and grants	In € thousand	% of revenues and grants	In € thousand	% of revenues and grants
Product sales	80,428	82.2	61,545	73.9	28,124	66.3
Revenues from collaborations, licensing and services	13,634	13.9	16,814	20.2	8,799	20.7
Revenues	**94,062**	**96.1**	**78,360**	**94.0**	**36,922**	**87.0**
Grant income	3,830	3.9	4,975	6.0	5,506	13.0
Revenues and grants	**97,892**	**100.0**	**83,335**	**100.0**	**42,429**	**100.0**
Cost of goods and services	(43,076)	(44.0)	(46,961)	(56.4)	(17,144)	(40.4)
Research & Development expenses	(24,589)	(25.1)	(25,367)	(30.4)	(22,242)	(52.4)
Marketing and distribution expenses	(16,639)	(17.0)	(9,121)	(10.9)	(2,065)	(4.9)
General and administrative expenses	(14,412)	(14.7)	(14,394)	(17.3)	(12,077)	(28.5)
Other income and expenses, net	(498)	(0.5)	(152)	(0.2)	(395)	(0.9)
Amortization and impairment of fixed assets/intangibles	(41,246)	(42.1)	(7,273)	(8.7)	(12,323)	(29.0)
Gain on bargain purchase	-	-	13,183	15.8	-	-
Operating loss	**(42,568)**	**(43.5)**	**(19,934)**	**(8.1)**	**(23,817)**	**(56.1)**
Financial income	290	0.3	5,073	6.1	2,273	5.4
Financial expense	(6,550)	(6.7)	(9,716)	(11.7)	(4,394)	(10.4)
Result from investments in affiliates	-	-	(8,999)	(10.8)	-	-
LOSS BEFORE INCOME TAX	**(48,828)**	**(49.9)**	**(20,393)**	**(24.5)**	**(25,938)**	**(61.1)**
Income tax	(356)	(0.4)	(224)	(0.3)	(334)	(0.8)
LOSS FROM CONTINUING OPERATIONS	**(49,184)**	**(50.2)**	**(20,617)**	**(24.7)**	**(26,272)**	**(61.9)**

Cost of goods and services

2016: Cost of goods and services sold in 2016 amounted to €43.1 million, leading to an overall gross margin of 56%. €21.5 million in COGS related to IXIARO®/JESPECT® sales (yielding a product gross margin of 59.6%) and €13.5 million related to DUKORAL® sales (yielding a product gross margin of 45.5%). Of the remaining COGS for full year 2016, €2 million related to the third party product distribution business and €6.2 million related to cost of services.

2015: cost of goods and services 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 are related to DUKORAL® sales, yielding a gross margin for the acquired DUKORAL® business of 13.3%. This margin 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.

2014: COGS were €17.1 million, of which €15.6 million related to IXIARO® and €1.6 million to cost of services.

2014 - 2015 - 2016: as a percentage of total revenues and grants, the Group's Cost of goods and services were 44% in the year ended December 2016, 56.4% in the year ended December 31, 2015, and 40.4% in the year ended December 31, 2014.

Research & Development expenses

Between 2015 and 2016: the Group's research and development expenses for the year 2016 reached €24.6 million, representing a slight decrease compared to 2015 R&D expenses of €25.4 million.

Between 2014 and 2015: 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.

2014 - 2015 - 2016: as a percentage of total revenues and grants, the Group's Research & Development expenses were 25.1% in the year ended December 2016, 30.4% in the year ended December 31, 2015, and 52.4% in the year ended December 31, 2014.

The following table presents the major components of the Research & Development expenses for the years ended December 31, 2014, 2015 and 2016[78]. 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 2016	
	2016	2015	2014	In Euros	In %
Employee benefit expense	(20,092)	(20,088)	(11,699)	(4)	0.0
Consulting and other purchased services	(12,795)	(14,371)	(9,764)	1,576	(11.0)
Raw materials and consumables used	(3,949)	(2,013)	(2,006)	(1,936)	96.2
Depreciation, amortization and Impairment	(1,429)	(1,346)	(1,384)	(83)	6.2
License fees	(1,063)	(986)	(705)	(77)	7.8
Other expenses	(6,684)	(7,863)	(7,035)	1,179	(15.0)
Less: amounts capitalized as development costs and inventory	21,423	21,300	10,348	(123)	0.6
Research & Development expenses	**(24,589)**	**(25,367)**	**(22,242)**	**(222)**	**0.9**

Marketing and distribution expenses

Between 2015 and 2016: marketing and distribution expenses in 2016 amounted to €16.6 million compared to €9.1 million in 2015. Marketing and distribution costs increased as a result of the establishment of the Company's own sales and marketing organization following the termination of its global distribution partnership with GSK in June 2015.

Between 2014 and 2015: marketing and distribution expenses in 2015 amounted to €9.1 million, compared to €2.1 million in 2014. The acquired ex-Crucell Sweden AB's business contributed an

[78] ***Source***: Valneva internal information.

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.

2014 - 2015 - 2016: as a percentage of total revenues and grants, the Group's marketing and distribution expenses were 17% in the year ended December 2016, 10.9% in the year ended December 31, 2015, and 4.9% in the year ended December 31, 2014.

The following table presents a breakdown of the major marketing and distribution expenses for the years ended December 31, 2014, 2015 and 2016[79]:

In € thousand	Year ended December 31,			Change 2016	
	2016	2015	2014	In Euros	In %
Employee benefit expense	(5,366)	(2,912)	(1,024)	(2,454)	84.3
Consulting and other purchased services	(6,392)	(3,910)	(660)	(2,482)	63.5
Depreciation, amortization and Impairment	(47)	(20)	(3)	(27)	135.0
License fees	(556)	(80)	(13)	(476)	595.0
Other expenses	(4,277)	(2,199)	(365)	(1,998)	87.7
Total Marketing and distribution expenses	**(16,639)**	**(9,121)**	**(2,065)**	**(7,518)**	**82.4**

General and administrative expenses

Between 2015 and 2016: general and administrative expenses were flat year on year, with 2016 and 2015 expenses, both amounting to €14.4 million.

Between 2014 and 2015: general and administrative expenses in 2015 amounted to €14.4 million, compared to €12.1 million in 2014. This increase was due to €2.9 million additional general and administrative costs from the acquired ex-Crucell Sweden AB's business, which were partly offset by lower general and administrative expenses of the original business.

As a percentage of total revenues and grants the general and administrative expenses were 14.7% in the year ended December 31, 2016, 17.3% in the year ended December 31, 2015, and 28.5% in the year ended December 31, 2014.

The following table presents the major components of general and administrative expenses for the years ended December 31, 2014, 2015 and 2016[80]:

In € thousand	Year ended December 31,			Change 2016	
	2016	2015	2014	In Euros	In %
Employee benefit expense	(7,953)	(7,220)	(6,620)	(733)	10.2
Consulting and other purchased services	(4,319)	(4,780)	(3,696)	461	(9.6)
Depreciation, amortization and Impairment	(117)	(110)	(25)	(7)	6.4
Other expenses	(2,023)	(2,284)	(1,736)	261	(11.4)
Total general and administrative expenses	**(14,412)**	**(14,394)**	**(12,077)**	**(18)**	**0.1**

[79] ***Source***: Valneva internal information.
[80] ***Source***: Valneva internal information.

Other operating income and expenses, net

Between 2015 and 2016: the Group's other income and expenses, net, changed by €0.3 million, from net other expenses of €0.2 million in the year ended December 31, 2015 to net other expenses of €0.5 million in the year ended December 31, 2016.

Between 2014 and 2015: 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

The following table presents the major components of the Group's other income and expenses, net for the years ended December 31, 2014, 2015 and 2016[81]:

In € thousand	Year ended December 31,			Change 2016	
	2016	2015	2014	In Euros	In %
Taxes, duties, fees, charges, other than income tax	(144)	(116)	(258)	(28)	24.1
Gains/losses on sale of fixed assets and assets for held for sale, net	(124)	29	(63)	(153)	527.6
Other income/(expenses)	(229)	(66)	(74)	(163)	247.0
Other income and expenses, net	**(498)**	**(152)**	**(395)**	**(346)**	**227.6**

Amortization, depreciation and impairment of fixed assets/intangibles

Between 2015 and 2016: amortization, depreciation and impairment of fixed assets/intangibles increased by €34 million from €7.3 million in the year ended December 31, 2015, to €41.2 million in the year ended December 31, 2016. In 2016, €34.1 million of non-cash impairment charges were recognized in the second quarter following negative Phase II/III study results for the *Pseudomonas* vaccine candidate and discontinuation of the program[82].

Between 2014 and 2015: 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.

Finance income/(expense), net

The following table presents the major components of financial income/(expenses), net, for the years ended December 31, 2014, 2015 and 2016[83]:

In € thousand	Year ended December 31,			Change 2016	
	2016	2015	2014	Valeur	En %
Financial income					
Interest income from bank deposits and other	290	3,096	226	(2,806)	(90.6)
Change in fair value of financial assets and liabilities	-	-	48	-	-
Net foreign exchange gain	-	1,977	1,999	(1,977)	(100.0)
	290	**5,073**	**2,273**	**(4,783)**	**(94.3)**

[81] ***Source***: Valneva internal information.
[82] See Section A.1.2 (d) of this Registration Document.
[83] ***Source***: Valneva internal information.

In € thousand	Year ended December 31,			Change 2016	
	2016	2015	2014	Valeur	En %
Finance expense					
Interest expense to banks and government agencies	(144)	(148)	(190)	4	(5.5)
Interest expense to other	(5,943)	(9,569)	(4,204)	3,626	(37.9)
Net foreign exchange loss	(463)	-	-	(463)	n.a.
	(6,550)	**(9,716)**	**(4,394)**	3,167	(32.6)
Total finance income/(expense), net	**(6,260)**	**(4,643)**	**(2,121)**	**(1,617)**	**34.8**

Between 2015 and 2016: net finance expenses increased by €1.6 million, from €4.6 million in the year ended December 31, 2015 to €6.3 million in the year ended December 31, 2016. This increase was primarily because of a deduction of interest income from bank, only partly offset by a decrease of interest expenses for loans.

Between 2014 and 2015: 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.

Income tax income/(expense)

Income tax expenses increased to €0.4 million in the year ended December 31, 2016 and remained almost flat with €0.2 million in the year ended December 31, 2015 and December 31, 2014.

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

Pro forma full-year product sales for 2015 amounted to €67.4 million and included additional product sales of the Crucell Sweden AB's business from January 1 to February 9, 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[84].

A.4.4. Significant post-closing events - Group's business trends and outlooks

(a) Significant post-closing events

For information on significant post-closing events occurring between year-end 2016 and the filing date of this Registration Document, please refer to the Section "Recent events" of this Registration Document[85].

(b) Goals 2017

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 2017:

[84] For a reminder of the 2015 pro forma figures, please refer to Section A.1.1 of this Registration Document.
[85] See Section A.1.3.

- Valneva expects 2017 overall IFRS revenues to reach €105 to €115 million, reflecting up to 17% revenue growth compared to 2016;
- the Group anticipates product sales this year to grow by 10 to 15% over the €80.4 million reported in 2016, driven mainly by IXIARO®/JESPECT® and DUKORAL®;
- after reaching operational profitability in 2016 with a positive EBITDA of €2.8 million for the full year, the Group seeks to further grow its operational performance to an EBITDA of €5 to €10 million in 2017, while investing approximately 20% of annual revenues in R&D.

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These targets and the envisioned 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 "Risks Factors"[86] or any other risk not thus far identified.

(c) Trends

Valneva's delivered a strong business performance in 2016. The Group grew its revenues by 17.5% to €97.9 million and reached operational profitability with positive EBITDA of €2.8 million for the full year. The revenue growth was driven mainly by a 73.1% increase in IXIARO®/JESPECT® revenues following the successful establishment and development of the Group's marketing and distribution network.

2017 outlook

The 2017 outlook is based on the goals 2017 described in the previous paragraph (b).

2017 Research & Development catalysts

Valneva seeks to partner its Phase III-ready Clostridium difficile vaccine candidate in 2017 following the publication of positive final Phase II results in 2016.

In 2017 the Company expects to execute the Phase I trial of its Lyme vaccine candidate and to accelerate the program´s progression towards Phase II.

Valneva also plans to advance at least one additional vaccine candidate into Phase I in the second half of 2017. The preclinical portfolio includes vaccine candidates against Chikungunya and Zika.

A.4.5. Liquidity and capital resources

Liquid funds at December 31, 2016 stood at €42.2 million (compared to €42.6 million at the end of December 2015) and consisted of €35.3 million in cash and €6.9 million in restricted cash.

(a) Capital resources

The Group funds its operations primarily through equity and secured debt.

At December 31, 2016, the Group's borrowings amounted to €82.5 million, of which €2.9 million were bank borrowings, €28.4 million finance lease liabilities and €51.3 million other liabilities. €61.5 million of the Group's borrowings had a maturity of more than one year, including €24 million that had a maturity of more than five years.

In the year 2015, gross proceeds of €45 million were raised through a capital increase with preferential subscription rights. The purpose of this capital increase was to finance the acquisition of Crucell Sweden AB (including the assets and authorizations associated with the DUKORAL® vaccine and the

[86] See Section A.5 of this Registration Document.

Nordics distribution operations[87], and further allow Valneva to efficiently integrate the assets thus acquired and pursue the on-going development of its pre-commercial products portfolio. In connection with the acquisition, the Group also entered into a €15 million term loan facility from funds managed by Athyrium Capital Management, LLC[88].

Besides, 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[89].

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For additional information on the Company's capital resources and borrowings to finance its activities, please refer to the consolidated financial statements for the fiscal year 2016[90].

(b) Cash flow

The following table sets forth the Group's condensed cash flow information for the years ended December 31, 2015 and 2016:

IN € THOUSAND	YEAR ENDED AT DECEMBER 31,	
	2016	**2015**
NET CASH USED IN OPERATING ACTIVITIES		
Net cash generated from/(used in) operating activities	**6,505**	**(19,828)**
CASH FLOW FROM INVESTING ACTIVITIES		
Net cash generated from/(used in) investing activities	**14,888**	**(26,565)**
NET CASH GENERATED FROM FINANCING ACTIVITIES		
Proceeds from the issuance of ordinary shares, net of costs of equity transactions and purchase of treasury shares	7,471	42,010
Disposal/(Purchase) of treasury shares	2	63
Proceeds from borrowings	1,481	26,472
Repayment of borrowings	(24,813)	(4,350)
Interest paid	(10,932)	(4,506)
Net cash generated from/(used in) financing activities	**(26,792)**	**59,689**
Cash and cash equivalents at end of the period	**35,267**	**41,907**
CASH, CASH EQUIVALENTS AND CURRENT FINANCIAL ASSETS AT END OF THE YEAR	**42,180**	**42,567**

Net cash generated from operating activities in 2016 amounted to €6.5 million (compared to net cash used in operating activities of €19.8 million in 2015) and resulted primarily from the positive 2016 EBITDA and a decrease in working capital.

Net cash in-flows from investing activities amounted to €14.9 million in 2016 and are primarily connected to the acquisition of Crucell Sweden AB and all related assets, net of cash, and from investments in associated companies.

Net cash outflows from financing activities in 2016 amounted to €26.8 million and primarily included net proceeds from a capital increase of €7.5 million (after deduction of transaction costs) in December 2016[91], though offset by repayment of borrowings of €24.8 million and paid interest of €10.9 million.

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[87] See Section A.2.2 (b) of this Registration Document. For an additional description of this acquisition, please refer to Note 5.30 to the consolidated financial statements for the fiscal year 2016, in Section D.1 of this Registration Document.

[88] For a description of this loan facility, please refer to Section A.4.2 (e) of this Registration Document and to Note 5.24.3 to the consolidated financial statements for the fiscal year 2016, in Section D.1 of this Registration Document.

[89] For a description of this financing, please refer to Section A.4.2 (e) of this Registration Document and to Note 5.24.3 to the consolidated financial statements for the fiscal year 2016, in Section D.1 of this Registration Document.

[90] See Notes 5.21 and 5.24, in Section D.1 of this Registration Document.

For additional information on the Company's cash flow at December 31, 2016, please refer to the consolidated financial statements for the fiscal year 2016[92].

(c) Funding requirements and anticipated financing sources

For the foreseeable future, the Group's funding requirements will primarily consist of Research & Development 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 (for example, through the use of the Equity Line[93] renewed in 2016), as reasonable.

A.4.6. Proposed appropriation of earnings

After deducting all expenses, taxes, depreciation and amortization expenses, the separate financial statements for the fiscal year 2016[94] show a loss of €12,587,988.59.

The Company proposes to appropriate this loss of €12,587,988.59 to the accumulated deficit that would be thus increased from €76,335,037.07 to €88,923,025.66.

A.4.7. Disallowed tax deductions

In compliance with article 223 quater and 223 quinquies of the French General Tax Code, the Company inform that the 2016 financial statements do not include any nondeductible expenses as referred to in articles 39.4 and 39.5 (subsection 10) of the French General Tax Code, except those regarding excess lease payments on passenger vehicle that are not deductible from taxable income in the amount of €7,430.

A.4.8. Suppliers' payment terms

In accordance with paragraph 9 of article L. 441-6, I of the French Commercial code, according to the terms agreed upon by the parties, invoices payable must be settled within a period not exceeding 60 days from their date of issuance. 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 was issued, provided that this period is expressly stipulated by agreement and is not grossly unfair to the creditor. In case of summary invoice, with 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 invoice's date of issuance.

With respect to invoices issued by Valneva's suppliers unpaid at year-end 2016, the aged trial balance for payables breaks down as follows:

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[91] See Section A.1.2 (l) of this Registration Document.

[92] See the cash flow statement table provided in Part 3 of the consolidated financial statements, and Note 5.28, in Section D.1 of this Registration Document.

[93] See Section E.1.4 (f) of this Registration Document.

[94] See Section D.3 of this Registration Document.

In euros	30 days	60 days	Over 60 days	Total outstanding at December 31, 2016
Trade payables at December 31, 2016	122,881.86	8,876.40	180,081.98	311,840.24
Payables to suppliers of fixed assets as at December 31, 2016	27,664.99	22,220.57	0	49,885.56
Commercial paper (trade bills) outstanding at December 31, 2016	0	0	0	0
TOTAL	**150,546.85**	**31,096.97**	**180,081.98**	**361,725.80**

With respect to invoices issued by Valneva's suppliers unpaid at year-end 2015, 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, 2015
Trade payables at December 31, 2015	587,749.57	24,351	0	612,100.57
Payables to suppliers of fixed assets 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	0
TOTAL	**678,241.76**	**37,242.18**	**0**	**715,483.94**

A.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.

A.5. Risks factors

The Company carried out a review of the risks that could have a significant adverse effect on the Group's business, financial standing, results and ability to achieve its goals, and considers that there are no material risks other than those presented below.

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 condition, earnings or prospects if they were to materialize. At the filing date 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.

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[95].

The Company carries out a review of risks twice a year. Following the October 2016 review, the highest risks, identified with respect to their probability or consequences, and after implementation of mitigation measures, are identified below by **(M)** (major risks).

A.5.1. Specific risks relating to the Group's business

(a) Risk associated with dependence on two products

To date, the Group has only two products on the market, 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.

(b) Risk of commercial failure (M)

Achieving the Group's revenues growth objectives requires that the Group's products are sold on new markets. In addition, the degree of market acceptance among Valneva's primary customers, the customers of Valneva's distributors and the medical community depends 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 commercialize the products on new markets or fail to gain further market acceptance, Valneva's revenues, operations and financial position could be adversely affected.

[95] See Section B.3 of this Registration Document.

(c) Risks relating to production and distribution (M)

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 experience capacity shortfalls for the manufacture of its vaccines and meet market demand and/or 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 as well as its sales forecasts. Failure to comply with Good Manufacturing Practices or other regulatory requirements could lead to the 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, supply or distribution 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. If a subcontractor or a logistic supplier's site could no longer be effective, the Group may not be able to supply one of its vaccines for several months, and consequently, would face considerable losses. In addition, 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 costs that may adversely affect the performance of the Company and its financial position.

(d) 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 position.

(e) 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 in 2012 by Kaketsuken (in Japan), and by Farmacologicos Veterinarios SAC (in Peru) as well as Merial (in Europe), in 2014. The first authorization to market a H5N1 pandemic human vaccine produced on the EB66® cell line was obtained in Japan by Kaketsuken, partner of GlaxoSmithKline for product development, in March 2014. In March 2015, Kaketsuken also obtained marketing and manufacturing approval of an EB66®-based prototype influenza vaccine in Japan. 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. However, the European Medicines Agency has decided, in 2016, to issue new guidelines on vaccine production in immortal cell lines, allowing Valneva's partners to now utilize the EB66® cell line to develop and manufacture live-attenuated vaccines.

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. However, at the request of its clients, Valneva 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. Lastly, the continuous change of the vaccines could lead the developers and manufacturers to convert to technologies other than the virus production on cell line (recombinant proteins, virus-like particles). Any failure in the development or commercialization of the EB66® cell line could have a material impact on the Group's business, its earnings, financial position and prospects.

(f) 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 case, the Group would not receive all milestone payments expected on the developments in question, or royalties on the sales of the final product. This could have a material adverse effect on the Group's business, earnings, financial position and prospects.

(g) Risks relating to developing Group products (M)

The Group's Research & Development activities, and especially its programs in the clinical trial phase, are costly and time-consuming. The results of R&D are inherently uncertain, and the Group may experience delays or failures, in particular at the proof of concept stage or during 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. Proof of concept failure, 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.

(h) 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. 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. The Group has partly reduced these risks by terminating the IXIARO® Marketing & 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[96]. However, the Group remains exposed to these risks. If one of these risks were to occur, the development of certain products could be halted and/or the marketing of certain products discontinued, prevented or delayed, which would have a material adverse effect on the Group's business, financial position or results.

In particular, certain Research & Development programs of the Group, namely the *C. difficile* and Zika vaccines candidates, require that Valneva finds a partner for their development and executes an agreement for one of these products or both, therefore reducing the development prospects of Valneva. In the case of *C. difficile*, such a situation could also require an impairment loss of the corresponding assets.

(i) 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 Group's reputation and contribute to a decline in the share price, or adversely affect the Group's business, financial position, operating results and prospects.

(j) Risks relating to the need to attract and retain key staff (M)

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 fierce, and the Group may not be able to attract or retain key talent on economically acceptable terms.

Any failure to attract and retain these key staff members could prevent Valneva from achieving its overall objectives and have a material adverse effect on its business, results, financial position, and prospects.

The Company's Austrian subsidiary, Valneva Austria GmbH, 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.

(k) Risks associated with internal and external growth (M)

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 business, financial position and 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.

[96] See Section A.1.2 (b) of this Registration Document.

(l) 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 one of them, 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.

(m) 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.

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Additional information on the Group's health, safety and environment issues linked to Valneva's activity is provided in Section "Corporate Social Responsibility" of this Registration Document[97].

(n) 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. Therefore, the Group 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.

(o) Risks related to securities granted in relation with loan agreements

The loan granted by an investment fund managed by Pharmakon Advisors[98] is guaranteed by collateral over the shares of the Company's Austrian (Valneva Austria GmbH) and Scottish (Valneva Scotland Ltd.) subsidiaries, and payment to a restricted bank account of sales from

[97] See Section C.
[98] See Section A.4.2 (e) of this Registration Document.

Valneva's Japanese encephalitis vaccine IXIARO®/JESPECT® originating from Valneva's commercial partners.

The possible implementation of these securities, following a payment failure by Valneva Austria GmbH, would allow this fund to take control of these subsidiaries, and therefore to control and possibly sell the IXIARO® product (plants, distribution agreements, revenues) as well as the Research & Development programs led by Valneva Austria GmbH. (in particular with respect to the Lyme disease and *C. difficile*).

The loan agreement granted by the European Investment Bank[99] is secured by (i) second rank collateral over the shares of Valneva Austria GmbH, whose effectiveness is subject to prior reimbursement of the Pharmakon loan referred to above and to the payment of other amounts due under this loan, and (ii) collateral over the shares of Valneva Sweden AB, indirect subsidiary of Valneva SE. The possible use of the second rank collateral over the Valneva Sweden AB's shares would allow the EIB to take control of this subsidiary, and therefore control and possibly sell the DUKORAL® product (plants, distribution agreements, revenues).

A.5.2. Other risks

(a) Financial risks

Historical operating losses - Risks related to expected future losses

At December 31, 2016, accumulated net losses for the Group (retained earnings) under IFRS amounted to €157.1 million, including a loss of €49.2 million for the fiscal year ended December 31, 2016.

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 (M)

In 2016, the Group raised €7.5 million through a private placement, and repaid €15 million of a loan. However, Valneva still expects future capital requirements in order to be able to continue its Research & Development and develop its portfolio of new and existing products. Should the Group be unable to finance its growth by itself, it would be required 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

[99] See Section A.1.2 (h) of this Registration Document.

- higher costs and longer lead times than anticipated to obtain regulatory approvals, 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 might have to:

- delay, reduce or even cancel Research & 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.

The occurrence of one or more of these risks could have a material impact on the Group, its financial position, prospects and the situation of its shareholders.

Liquidity risks

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 the maturity of its financial liabilities and the fluctuations of its operating cash-flow[100], and the potential implementation of early repayment clauses in loan or grant agreements, especially regarding the $41 million loan granted to Valneva Austria GmbH by an investment fund managed by Pharmakon Advisors[101]. Following a scheduled partial repayment in January 2017, the remaining principal amount of this loan in March 2017 is $36,666,666.67. 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.

Furthermore, fluctuations in the Group's operating cash flow during accounting periods also generate liquidity risks. Prudent liquidity risk management therefore implies maintaining sufficient cash resources, 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.

Dilution risks

In connection with its incentive strategy for its employees and member of management or supervisory bodies, the Company has regularly granted or issued stock options, free shares and equity warrants, since it was created. Valneva SE has also implemented Equity Lines. In the future, the Group may grant or issue new securities carrying the right to receive shares.

The exercise or conversion of dilutive instruments giving access to the share capital, any award or new issue of such instruments, or any capital increase through private placement, would result in a significant dilution of shareholders' interests. Indeed, the exercise or conversion of all dilutive

[100] See Note 5.3.1 (c) to the consolidated financial statements for the fiscal year 2016, in Section D.1 of this Registration Document.
[101] See Section E.2.6 of this Registration Document.

instruments would have a dilutive effective of 24.95% on Valneva SE's share capital (including a dilution of 3,33% with respect to the convertible preferred shares granted to the Executive Committee members)[102].

Risks 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[103]. In 2016, an impairment loss of €34.1 million was recognized following negative Phase II/III study results for the *Pseudomonas* vaccine candidate and discontinuation of the program[104]. If the Group is unable to successfully develop or partner its 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 its assets, thereby compromising their value. Such impairment of intangible assets would result in substantial losses in the Group's accounts.

Risks 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[105].

(b) Legal risks

Risks related to patents and similar rights

Approximately 20% 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. No assurance can also be given 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;

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[102] These rates are calculated in reference to (i) a share capital of 78,772,903 Valneva SE shares, and (ii) the total number of 19,652,165 Valneva SE ordinary shares resulting from the exercise or conversion of all dilutive instruments at February 28, 2017 (see Section E.1.4 (g) of this Registration Document).

[103] See Note 5.13 to the consolidated financial statements for the fiscal year 2016, in Section D.1 of this Registration Document.

[104] See Section A.1.2 (d) of this Registration Document.

[105] See Note 5.10.2 to the consolidated financial statements for the fiscal year 2016, in Section D.1 of this Registration Document.

- 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 Japanese encephalitis marketed vaccine was developed by the 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 Japanese encephalitis vaccine worldwide, except for the Caribbean. The Group has entered into a license agreement with Sanofi Pasteur SA under which it obtained a non-exclusive worldwide license for certain intellectual property rights related to the Japanese encephalitis vaccine. This agreement and the last-to-expire patent rights licensed thereunder expired 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 Japanese encephalitis vaccine. However, for the reasons previously explained, 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 jointly done with the I*nstitut National de la Recherche Agronomique*, the *Centre National de la Recherche Scientifique* and the *École Normale Supérieure* in Lyon. An exclusive worldwide license was subsequently granted by these organizations, but the licensed 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 previously explained 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 or interference proceedings at the US Patent and Trade mark Office 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 Group 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, 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, as well as distribution rights for its vaccines. 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, financial position, and prospects.

Risks relating to incurring liability on the basis of the products (M)

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.

Disputes

Following the merger between the companies Vivalis SA and Intercell AG, some former Intercell shareholders initiated legal proceedings before the Commercial Court of Vienna to revise the amount of compensation offered to existing shareholders, or 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 former 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. Nevertheless, at the filing date of this Registration Document, transactions have been executed with some Intercell shareholders holding a minor number of shares and who were involved in one or other of both procedures, which decreases the risks associated to these procedures. However, to date, no transaction has been concluded with former shareholders who, among the claimants, were holding the highest number of shares.

In 2014, Boehringer Ingelheim International GmbH has initiated three opposition procedures against the trademark VALNEVA in Brazil, European Union and Germany, on the ground of its own trademark VAHELVA. These oppositions have been withdrawn following the signature, on July 28, 2016, of a Prior Rights Agreement between Valneva and Boehringer. As part of this agreement, Valneva committed not to use the trademark VALNEVA as product name or as part of a product name, but is able to use it as trade name or for identifying the house mark or manufacturer's brand.

In July 2016, the Company received a request for an earn-out payment, with threat of legal action, in connection with the acquisition of the company Humalys SAS in 2009, transaction by which Vivalis SA (now Valneva SE) acquired a technology further combined with another antibody discovery technology and contributed to the company BliNK Biomedical SAS beginning of 2015[106]. The former Humalys shareholders claim payment of an earn-out because of this transfer. This request was followed in late 2016 by a summons to appear before the Lyon High Court (*Tribunal de Grande Instance*). The Company, after consultation with its external advisors, believes that this claim is unsubstantiated and the filed litigation not likely to succeed in court.

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. At the filing date of 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, and is currently preparing an internal procedure aiming at minimizing these risks.

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.

[106] See Section A.2.2 (c) of this Registration Document.

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, financial position, and prospects.

Risks associated with concentration of ownership

The two largest shareholders of the Company, namely Groupe Grimaud La Corbière SA and Bpifrance Participations SA, hold, at February 28, 2017, a significant percentage of the share capital (15.37% and 9.47%[107], respectively) and voting rights (24.48% and 15.08%[108], respectively) of the Company. Such concentration may have a significant adverse effect on the Company's share price.

(c) Market risks

Currency risks

The Group operates internationally and is exposed to foreign exchange risks arising from various currencies, primarily with respect to the British Pound (GBP), the Canadian Dollar (CAD), the Swedish Krona (SEK) and the US Dollar ($). The foreign exchange risks from exposure to other currencies, including the Danish Krone, the Swiss Franc, the New Zealand Dollar and the Japanese Yen, is relatively limited.

Foreign exchange risks arise 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 not entered into any hedging agreement to date, and its results could be affected if effective hedging arrangements were not made in the future[109].

Interest rate risks and credit risks

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 rate expose the Group to cash flow interest rate risks, which is offset by cash and financial assets held at variable rate. During 2015 and 2016, the Group's investments at variable rate, as well as the borrowings at variable rate, were denominated in €, SEK, $ and in GBP[110].

The Group is exposed to credit risks. Valneva holds bank accounts, cash balances, and securities at sound 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 risks 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

[107] This figure is calculated in reference to a share capital of 78,772,903 Valneva SE shares, divided into (a) 77,582,714 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 convertible preferred shares (ISIN XFCS00X0I9M1), with a nominal value of €0.15 each.

[108] This rate is calculated in reference to 98,877,025 voting rights (theoretical) at February 28, 2017.

[109] For additional information on foreign exchange risks, please refer to Note 5.3.1 (a) to the consolidated financial statements for the fiscal year 2016, in Section D.1 of this Registration Document.

[110] *Idem*.

counterparts. If customers are independently rated, these ratings are used. Otherwise, when there is no independent rating, a risk assessment of the credit quality of the customer is performed, taking into account its financial position, past payment experience, and other relevant factors. Individual credit limits are set based on internal or external ratings in accordance with signature authority limits as set by the Management Board[111].

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[112], and (ii) the liquidity contract with Natixis[113].

A.5.3. Insurance and coverage of risks

The Group has taken out policies covering the main insurable risks for values it deems compatible with the nature of its business. Expenses paid by the Company and its subsidiaries for all insurance policies in 2016 amounted to €956,428.38 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, 2018)
Transport insurance	HDI Versicherung AG	Renewed yearly unless terminated at three months' prior notice (earliest January 1, 2018)
Product liability insurance max. coverage: €20,000,000 (per claim, twice p.a.)	XL Catlin	Renewed yearly unless terminated at three months' prior notice (earliest January 1, 2019)
D&O[114]	XL Insurance Company	Validity: from May 27, 2016 until May 26, 2017
Corporate travel insurance	Europaeische Reiseversicherungs AG	Terminated at one month's prior notice (earliest January 1, 2018)

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

The Group cannot ensure that it will always be able to keep, and if applicable, obtain, similar insurance coverage at an acceptable cost. This could lead it 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 policies, could seriously affect its operations and its financial position, given the possible interruption to its operations that could

[111] See Note 5.3.1 (b) to the consolidated financial statements for the fiscal year 2016, in Section D.1 of this Registration Document.

[112] See Section E.1.3 (c) of this Registration Document.

[113] See Section E.1.3 (b) of this Registration Document.

[114] 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.

result from such a claim, the time taken for insurance companies to pay any recovery, the damage possibly exceeding insured limits in policies, and, finally, the increase in premiums that would result.

Given the prospects of the Group[115], the Company anticipates that its insurance premiums will continue to rise, while remaining immaterial compared to its Research & Development expenses, annual losses and the value of its assets.

A.5.4. Disputes

Please refer to the paragraphs “Risks related to potential conflicts with licensees, partners and distributors” and “Disputes”, of this Registration Document[116].

[115] See Sections A.4.4 (b) and A.4.4 (c) of this Registration Document.
[116] See Section A.5.2 (b),

B. CORPORATE GOVERNANCE

B.1. Management and supervisory bodies

B.1.1. Members of the management and supervisory bodies

(a) Management Board

The Company's Management Board is currently composed of the following members:



Mr. Thomas Lingelbach
Chairman of Valneva SE's Management Board

***

Appointed on May 10, 2013
End of term of office at the Ordinary General Meeting
called to rule on the accounts for the fiscal year ending December 31, 2018

Offices and positions held outside Valneva SE in 2016[117]	Offices and positions held outside Valneva SE during the last 5 years (2015-2011)
French law companies	
-	-
Foreign law companies	
Valneva UK Limited *Managing Director* October 2015 to this day	**Elatos GmbH** *Geschäftsführer* From December 2013 to October 2015
Valneva Sweden AB *Chair of the Board* February 2015 to this day	**Intercell Austria AG** *President & CEO* 2013
Valneva Canada Inc. *Member of the Board of Directors* January 2015 to this day	**Intercell AG** CEO 2011-2013
Vaccines Holdings Sweden AB *Chair of the Board* December 2014 to this day	COO 2007-2011
Valneva Austria GmbH *Geschäftsführer* 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	

[117] Current listed companies are marked (*).



Mr. Franck Grimaud
Member of Valneva SE's Management Board

***

Appointed on May 10, 2013
End of term of office at the Ordinary General Meeting
called to rule on the accounts for the fiscal year ending December 31, 2018

Offices and positions held outside Valneva SE in 2016[118]	Offices and positions held outside Valneva SE during the last 5 years (2015-2011)
French law companies	
Blink Biomedical SAS *Membre du comité de supervision* (Supervisory Board member) January 2015 to this day	**SMOL Therapeutics SAS** (Company transferred through transfer of its assets and liabilities in December 30, 2013) Managing Director (*Directeur Général*) 2013 *Président* (President) 2013 **Humalys SAS** (Company transferred through transfer of its assets and liabilities) Président (President) 2010-2011
Foreign law companies	
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 **Vaccines Holdings Sweden 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	**Intercell Austria AG** CBO 2013

[118] Current listed companies are marked (*).

Mr. Franck Grimaud
Member of Valneva SE's Management Board

***

Appointed on May 10, 2013
End of term of office at the Ordinary General Meeting
called to rule on the accounts for the fiscal year ending December 31, 2018

Offices and positions held outside Valneva SE in 2016	Offices and positions held outside Valneva SE during the last 5 years (2015-2011)
Other positions	
Atlanpole Biothérapies Board member (*Administrateur*) January 2015 to this day Treasurer (*Trésorier*) January 2015 to this day	**Atlanpole Biothérapies** Board member and Vice-President (*Administrateur et Vice-Président*) From January 2012 to December 2014



Mr. Reinhard Kandera
Member of Valneva SE's Management Board

***

Appointed on May 10, 2013
Managing Director functions at Valneva Austria GmbH,
and term of office as Management Board member at Valneva SE, ending on March 31, 2017[119]

Offices and positions held outside Valneva SE in 2016[120]	Offices and positions held outside Valneva SE during the last 5 years (2015-2011)
French law companies	
-	-
Foreign law companies	
Valneva UK Limited Director October 2015 to this day	**Valneva Scotland Ltd.** Secretary 2009-2014
Valneva Sweden AB Board member February 2015 to this day	**Intercell Austria AG** CFO 2013
Valneva Canada Inc. Member of the Board of Directors January 2015 to this day	Vice-Chairman of the Supervisory Board 2013
Secretary January 2015 to this day	**Intercell AG** CFO 2009-2013
Vaccines Holdings Sweden AB Board member December 2014 to this day	**Intercell USA Inc.** CFO 2009-2012
Valneva Austria GmbH *Geschäftsführer* (Managing Director) August 2013 to this day	**Elatos GmbH** *Geschäftsführer* (Managing Director) From December 2013 to October 2015
Intercell USA Inc. Director April 2012 to this day	
Secretary February 2012 to this day	
Valneva Scotland Ltd. Director February 2004 to this day	

[119] See Sections A.1.3 and E.6.4 of this Registration Document.
[120] Current listed companies are marked (*).

The business address of Mr. Franck Grimaud is Valneva SE's main site: 6 rue Alain Bombard, 44800 Saint-Herblain (France).

The business address of Messrs. Thomas Lingelbach and Reinhard Kandera is site of Valneva Austria GmbH, Valneva SE's Austrian subsidiary: 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;
+ associated with any bankruptcy, receivership or liquidation proceeding over the last five years;
+ the subject of any conviction and/or official public sanction pronounced by any statutory or regulatory authorities (including professional bodies) over the last five years; and
+ disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer, or from participating in the management or conduct of the affairs of any issuer over the last five years.

(b) Supervisory Board

The Company's Supervisory Board, as renewed after the Combined General Meeting held on June 30, 2016, is currently composed of the following members:



Mr. Frédéric Grimaud
Chairman of Valneva SE's Supervisory Board

***

Appointed by the Extraordinary General Meeting of December 12, 2012
Term of office ending at the Ordinary General Meeting
called to approve the annual financial statements for the fiscal year ending December 31, 2018

Offices and positions exercised in 2016 in any company other than Valneva SE[121]	**Offices and positions exercised during the last 5 fiscal years (2015-2011) in any company other than Valneva SE**
Companies incorporated under and governed by French law	
Genesis Investment SAS Supervisory Board member (*Membre du conseil de surveillance*) March 2016 to this day	**Permanent representative of the company Groupe Grimaud La Corbière SA**, in its capacity as of Supervisory Board member of the company **France Food Alliance SAS** From November 2007 to July 2014
Choice Genetics SAS Nomination and compensation committee member (*Membre du Comité de nomination et rémunération*) November 2014 to this day	
Pen Ar Lan SA Chair of the Board (*Président du conseil d'administration*) November 2011 to this day	
La Couvée SAS Management and Steering committee member (*Membre du Comité de pilotage et de direction*) June 2005 to this day	
Groupe Grimaud La Corbière SA Chairman of the Management Board (*Président du directoire*) June 2004 to this day	
Permanent representative of the company Groupe Grimaud La Corbière SA, in its capacity as of President of the company **Galor SAS** December 2015 to this day	
Permanent representative of the company Grimaud Frères Holding SAS, in its capacity as of 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 of 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 of 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 of 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 of President of the company **Choice Genetics SAS** December 2015 to this day	

[121] Current listed companies are indicated by (*).

Mr. Frédéric Grimaud
Chairman of Valneva SE's Supervisory Board

***

Appointed by the Extraordinary General Meeting of December 12, 2012
Term of office ending at the Ordinary General Meeting
called to approve the annual financial statements for the fiscal year ending December 31, 2018

Offices and positions exercised in 2016 in any company other than Valneva SE	Offices and positions exercised during the last 5 fiscal years (2015-2011) in any company other than Valneva SE
Companies incorporated under and governed by French law (continued)	
Permanent representative of the company Groupe Grimaud La Corbière SA , in its capacity as of 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 of 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 of 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 of President of the company **Les élevages de la Fronière SAS** July 2015 to this day **Permanent representative of the company Groupe Grimaud La Corbière SA**, in its capacity as of 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 of President of the company **Hubbard SAS** February 2013 to this day	**Choice Genetics SAS** Chair of the Board (*Président du conseil d'administration*) From October 2014 to December 2015 President (*Président*) From January 2008 to December 2015 **Galor SAS** President (*Président*) From November 2013 to December 2015 **Blue Genetics Holding SAS** President (*Président*) From May 2013 to December 2015 **Novogen SAS** President (*Président*) From July 2008 to December 2015 **Hubbard Holding SAS** President (*Président*) From April 2005 to December 2015 **Grimaud Frères Sélection SAS** President (*Président*) From November 2002 to December 2015 **Hypharm SAS** President (*Président*) From November 2002 to December 2015 **Filavie SAS** President (*Président*) From November 2002 to December 2015
Companies incorporated under and governed by the law of other countries	
Ovogenetics Holding BV Director From December 2014 to Mai 2016 **Blue Genetics Vietnam** Chairman of the Council July 2014 to this day **Blue Genetics Mexico** Chair of the Board July 2013 to this day **Choice Genetics Vietnam** Chairman of the Council January 2013 to this day **Grimaud Vietnam Company Limited** President June 2009 to this day **Choice Genetics USA LLC** Board member Mai 2008 to this day	**Intercell Austria AG** Supervisory Board member **Grimaud Vietnam Company Limited** Chairman of the Management Committee From August 2011 to October 2014

Mr. Frédéric Grimaud
Chairman of Valneva SE's Supervisory Board

***

Appointed by the Extraordinary General Meeting of December 12, 2012
Term of office ending at the Ordinary General Meeting
called to approve the annual financial statements for the fiscal year ending December 31, 2018

Offices and positions exercised in 2016 in any company other than Valneva SE	Offices and positions exercised during the last 5 fiscal years (2015-2011) in any company other than Valneva SE
Companies incorporated under and governed by the law of other countries (continued)	
Hubbard Polska Sp Zoo Supervisory Board member 2006 to this day	
Hubbard LLC Chairman of the Board March 2005 to this day	
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	



Mr. Alain Munoz
Independent member of Valneva SE's Supervisory Board

***

Appointed by the Extraordinary General Meeting of December 12, 2012
Term of office ending at the Ordinary General Meeting
called to approve the annual financial statements for the fiscal year ending December 31, 2018

Offices and positions exercised in 2016 in any company other than Valneva SE[122]	Offices and positions exercised during the last 5 fiscal years (2015-2011) in any company other than Valneva SE
Companies incorporated under and governed by French law	
Hybrigenics SA (*) Chair of the Board (*Président du conseil d'administration*) June 2015 to this day **SARL Science, Business and Management** Managing Director (*Gérant*) 2000 to this day	**Hybrigenics SA** (*) Board member (*Administrateur*) From October 2011 to June 2015 **Medesis Pharma SA** Supervisory Board member (*Membre du conseil de surveillance)* From October 2009 to September 2014 **Erytech SA** (*) Supervisory Board member (*Membre du conseil de surveillance)* **Genticel SA** (*) Supervisory Board member (*Membre du conseil de surveillance)* From March 2010 to December 2015
Companies incorporated under and governed by the law of other countries	
Oxthera AB Supervisory Board member From February 2015 to December 2016 **Zealand pharma A/S** (*) Supervisory Board member November 2007 to this day	**Intercell Austria AG** Supervisory Board member **Auris Medical AG** (*) Supervisory Board member From December 2007 to April 2015

[122] Current listed companies are indicated by (*).



Mr. Ralf Clemens
Independent member of Valneva SE's Supervisory Board

***

Appointed by the Extraordinary General Meeting of June 30, 2016
(replacing Mr. Michel Greco,
whose term of office expired at the end of said EGM)
Term of office ending at the Ordinary General Meeting
called to approve the annual financial statements for the fiscal year ending December 31, 2018

Offices and positions exercised in 2016 in any company other than Valneva SE[123]	Offices and positions exercised during the last 5 fiscal years (2015-2011) in any company other than Valneva SE
Companies incorporated under and governed by French law	
-	-
Companies incorporated under and governed by the law of other countries	
CureVac AG Supervisory Board member March 2016 to this day Chairman of Scientific advisory Board July 2015 to this day **GRID Europe Vaccine Consulting** Founder and Managing Director 2015 to this day	**Takeda Pharmaceutical Company Ltd.** (*) Senior Vice President and Head of Development Vaccines From September 2012 to March 2015 **Novartis Vaccines & Diagnostics s.r.l.** Head of Global Vaccines Development From June 2006 to February 2012
Other functions	
International Vaccine Institute Chairman of scientific advisory group 2016 to this day **Global Health Innovative Technology Fund** Member of scientific selection committee 2016 to this day **African Research Excellence Fund** Member of External advisory panel 2015 to this day **AERAS** Member of Scientific advisory group 2014 to this day **Bill & Melinda Gates Foundation** Senior Advisor Vaccines March 2012 to this day	

[123] Current listed companies are indicated by (*).



Mr. James Sulat
Independent member of Valneva SE's Supervisory Board

***

Appointed by the Extraordinary General Meeting of March 7, 2013
Term of office ending at the Ordinary General Meeting
called to approve the annual financial statements for the fiscal year ending December 31, 2018

Offices and positions exercised in 2016 in any company other than Valneva SE[124]	Offices and positions exercised during the last 5 fiscal years (2015-2011) in any company other than Valneva SE
Companies incorporated under and governed by French law	
-	-
Companies incorporated under and governed by the law of other countries	
Arch Therapeutics, Inc. (*) Member of the Board of Directors August 2015 to this day	**Intercell Austria AG** Vice-Chairman of the Supervisory Board
Tolero Pharmaceuticals, Inc. Member of the Board of Directors May 2015 to January 2017	**Maxygen, Inc.** CEO
DiaDexus, Inc. (*) Member of the Board of Directors January 2015 to June 2016	CFO
Chairman of the Audit Committee January 2015 to June 2016	Board member From October 2009 to June 2013
AMAG Pharmaceuticals, Inc.(*) Member of the Board of Directors April 2014 to this day	**Intercell AG** Supervisory Board member 2005-2013
Audit Committee member April 2014 to this day	
Transactions Committee member April 2014 to this day	
Momenta Pharmaceuticals Inc.(*) Chairman of the Board of Directors December 2008 to this day	
Audit Committee member June 2008 to this day	
Nominations and Corporate Governance Committee member June 2008 to this day	

[124] Current listed companies are indicated by (*).



Ms. Louisa Shaw-Marotto
Membre du conseil de surveillance de Valneva SE

***

Appointed by the Extraordinary General Meeting of June 30, 2016
(replacing Mr. Hans Wigzell, whose term of office expired at the end of said EGM)
Term of office ending at the Ordinary General Meeting
called to approve the annual financial statements for the fiscal year ending December 31, 2018

Offices and positions exercised in 2016 in any company other than Valneva SE[125]	**Offices and positions exercised during the last 5 fiscal years (2015-2011) in any company other than Valneva SE**
Companies incorporated under and governed by French law	
-	-
Companies incorporated under and governed by the law of other countries	
Executive Perspective Consulting LLC President July 2014 to this day	**Merck & Co. Inc.** (*) Vice President Marketing From January 2010 to December 2013
Other functions	
Live the List Director 2014 to this day	

[125] Current listed companies are indicated by (*).



Mr. Alexander Von Gabain
Independent member of Valneva SE's Supervisory Board

***

Appointed by the Extraordinary General Meeting of March 7, 2013
Term of office ending at the Ordinary General Meeting
called to approve the annual financial statements for the fiscal year ending December 31, 2018

Offices and positions exercised in 2016 in any company other than Valneva SE[126]	Offices and positions exercised during the last 5 fiscal years (2015-2011) in any company other than Valneva SE
Companies incorporated under and governed by French law	
-	-
Companies incorporated under and governed by the law of other countries	
Karolinska Institutet Holding AB Chairman of the Supervisory Board January 2015 to this day	**Intercell Austria AG** Member of the Supervisory Board 2011-2013 Strategic Advisor 2009-2011 CSO 2006-2009 CEO 1998-2005 Co-Funder
Other functions	
Karolinska Institutet Deputy Vice-Chancellor August 2014 to this day **Business incubator of the Viennese Universities, INiTS Universitäres Gründerservice Wien GmbH** 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** Chairman of the Governing Board From February 2011 to July 2014 **Institut Karolinska** Foreign Associate Professor

[126] Current listed companies are indicated by (*).



Ms. Anne-Marie Graffin
Independent member of Valneva SE's Supervisory Board

***

Appointed by the Extraordinary General Meeting of March 7, 2013
Term of office ending at the Ordinary General Meeting
called to approve the annual financial statements for the fiscal year ending December 31, 2018

Offices and positions exercised in 2016 in any company other than Valneva SE[127]	**Offices and positions exercised during the last 5 fiscal years (2015-2011) in any company other than Valneva SE**
Companies incorporated under and governed by French law	
Nanobiotix SA (*) Supervisory Board member (*Membre du conseil de surveillance*) January 2014 to this day **Sartorius Stedim Biotech SA** (*) Board member (*Administrateur*) Avril 2015 to this day **SARL SMAG Consulting** Managing Director (*Gérant*) September 2011 to this day	-
Companies incorporated under and governed by the law of other countries	
-	**Themis Bioscience GmbH** Board member From July 2012 to January 2015

[127] Current listed companies are indicated by (*).



Ms. Maïlys Ferrere
Permanent representative of Bpifrance Participations SA,
In its capacity as member of Valneva SE's Supervisory Board

***

Appointed by the Extraordinary General Meeting of June 30, 2016
Term of office ending at the Ordinary General Meeting
called to approve the annual financial statements for the fiscal year ending December 31, 2018

Offices and positions exercised in 2016 in any company other than Valneva SE[128]	**Offices and positions exercised during the last 5 fiscal years (2015-2011) in any company other than Valneva SE**
Companies incorporated under and governed by French law	
Gensight Biologics SA (*) Permanent representative of the company Bpifrance Participations SA, in its capacity as of Board member July 2016 to this day	**Novasep Holding SAS** Permanent representative of the company Bpifrance Participations SA, in its capacity as of Board member From March 2012 to November 2013
DBV Technologies SA (*) Board member June 2016 to this day	**Groupe Grimaud La Corbière SA** Permanent representative of the company Bpifrance Participations SA, in its capacity as of Board member From February 2011 to June 2014
Euronext Paris SA (*) Board member January 2016 to this day	**Groupe Limagrain Holding SA** Board member From March 2010 to April 2014
Pixium Vision SA (*) Permanent representative of the company Bpifrance Participations SA, in its capacity as of Board member June 2015 to this day	
Companies incorporated under and governed by the law of other countries	
-	-

[128] Current listed companies are indicated by (*).

For an additional description of the experience of the Supervisory Board members, please refer to the Report by the Chairman of the Supervisory Board on the preparation and organization of the Supervisory Board's work and the internal control procedures implemented by the Company[129].

The business address of the Supervisory Board members is the registered office of the Company: World Trade Center Lyon - Tour Oxygène, 10-12 boulevard Marius Vivier Merle, 69003 Lyon - France.

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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;
+ associated with any bankruptcy, receivership or liquidation proceeding over the last five years;
+ the subject of any conviction and/or official public sanction pronounced by any statutory or regulatory authorities (including professional bodies) over the last five years; and
+ disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer, or from participating in the management or conduct of the affairs of any issuer over the last five years.

B.1.2. Rules governing management and supervisory bodies - Conflicts of interests

(a) Rules governing the Management Board

Provisions of the Company's Articles of Association

Please refer to the Section "Corporate Governance" of this Registration Document[130].

Provisions of the Management Board's Rules of procedure

Rules of procedure of the Company's Management Board define the Management Board's duties of and its operating procedures, in accordance with the law and the Company's Articles of Association, as well as the corporate governance rules applicable to publicly traded companies.

The main provisions of the Management Board's Rules of procedure, as amended on December 16, 2015, are as follows:

Number of members - Meetings

Pursuant to the Articles of Association, the Management Board must have not less than two and not more than seven members.

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 them within the limits of the Company's purpose, subject to those expressly attributed by law to the Supervisory Board and to General Meetings of shareholders, and those which require the Supervisory Board's prior authorization, as specified in article 19 of the Company's Articles of Association.

Any limitation on powers of the Management Board shall be unenforceable in dealing with third parties.

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[129] See Section 1.1 of the Report, in Section B.3 of this Registration Document.
[130] See Section E.3.2 (a).

The Management Board members are responsible for ensuring the Company's management. All powers of the Management Board are exercised in a collegial manner and subject to joint and several liability.

However, pursuant to article R. 225-39 of the French Commercial code and further to the Supervisory Board's authorization, Management Board members have divided up the different responsibilities of managing the Company's business, 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.

Despite this breakdown of responsibilities, the individual actions of each Management Board member are been made on a collegial basis. As such, all Management Board members are bound by these individual actions for which they accordingly incur joint and several liability.

At the monthly Management Board meetings, the Management Board must be informed of the decisions made by those of its members having being assigned the 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 a member of the Management Board, with the title of Deputy CEO ("*Directeur Général*").

The Company shall also be bound by actions of the President & CEO ("*Président du directoire*") or Deputy CEO ("*Directeur Général*") unrelated to the Company's business purpose, unless it demonstrates that the third party was aware that this action was outside the scope of this business purpose or could not have been unaware of this 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 delegate 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 referred to as "**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 Agreement represents a total value of less than €500,000, in which case:

- if such an Agreement represents a total value of more than €100,000, 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, 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

Management Board members 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.

Obligation of reporting 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 conduct of the Company's business operations.

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

Confidentiality

In compliance with article L. 225-92 of the French Commercial code, all Management Board members or persons attending Management Board meetings are bound by an obligation of 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 Management Board members or persons attending Management Board meetings are bound to non-disclosure of any such information outside the Management Board.

Compliance

All Management Board members or persons attending Management Board meetings undertake to comply with Valneva insider policy. All Management Board members are responsible for upholding the commitments set forth in the Company's Code of Conduct with respect to all business conducted by themselves and by the functions under their responsibility.

(b) Rules governing the Supervisory Board

Provisions of the Company's Articles of Association

Please refer to the Report by the Chairman of the Supervisory Board on the preparation and organization of the Supervisory Board's work and the internal control procedures implemented by the Company[131], and to the Section "Corporate Governance" of this Registration Document[132].

Provisions of the Supervisory Board's Rules of procedure

The main provisions of the Supervisory Board's Rules of procedure, as approved during its meeting held on September 27, 2016, 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 factor 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 communicate his or her questions or opinions to ensure that the Company's corporate interest is pursued at all times, and shall do his or her utmost to convince other Supervisory Board members in order to ensure that such interest is pursued. In the event there of a disagreement between Supervisory Board members during a Supervisory Board meeting, the dissenting member may request that his or her position be recorded in the minutes of the meeting.

Independence and conflicts of interests

Each Supervisory Board member shall do his or her utmost 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.

Once in each fiscal year, the Supervisory Board shall review the conflicts of interests and potential conflicts of interests of which it has been informed.

[131] See Section 2.1 of the Report, in Section B.3 of this Registration Document.
[132] See Section E.3.2 (b).

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 performance 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 and due diligence in performing his or her duties, in accordance with applicable laws and regulations. Unless genuinely prevented from doing so, each Supervisory Board member shall attend all meetings of the Supervisory Board and Committee meetings of which he or she is a member.

Supervisory Board members shall resign from office as Supervisory Board member in the event they consider themselves unable to exercise their duties in accordance with the application laws and regulations and/or the Rules of procedure.

Professionalism, self-evaluation and protection

Each Supervisory Board member shall contribute to the collegial 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.

Each Member shall ensure that all information required in relation to the items to be discussed during the Supervisory Board's meetings is obtained in a timely manner.

Once in each fiscal year, the Chairman of the Board shall request all Supervisory Board members to provide their opinion on the functioning of the Supervisory Board and its Committees and on the preparation of the Supervisory Board's work.

The Chairman of the Supervisory Board shall make sure that the potential liability of Supervisory Board members is adequately insured and shall inform these members of the coverage thus provided.

Committees - Common provisions

The Supervisory Board may set up its own Committees, to facilitate its proper functioning 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 scope of its missions. Committees shall have no decision-making power.

(c) Conflicts of interests regarding management and supervisory bodies

The Management Board and the Supervisory Board are currently composed of respectively three and eight members such as listed above[133].

In addition to the Committees mentioned below[134], the Company's Supervisory Board has five members that, in the Company's opinion, meet the independence criteria defined by the Code MiddleNext published in September 2016 (Recommendation No. 3)[135].

With respect to the absence of conflicts of interests regarding management and supervisory bodies, please refer to 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, drafted for the year 2016[136].

(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 Management Board members 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)[137].

B.1.3. Specialized Committees

For a description of the Committees set up by the Company to date, please refer to the Report by the Chairman of the Supervisory Board on the preparation and organization of the Supervisory Board's work and the internal control procedures implemented by the Company[138].

B.1.4. Corporate officers' dealings on the company's securities

There were no dealings in the Company's securities by Valneva SE's corporate officers during the fiscal year 2016 to report.

[133] See Section B.1.1 of this Registration Document.
[134] See Section B.1.3 of this Registration Document.
[135] See Sections 1.3.1 and 1.3.2 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, in Section B.3 of this Registration Document.
[136] See Section 1.3.3 of the Report, in Section B.3 of this Registration Document.
[137] For additional information, please refer to Sections B.2.2 (b), B.2.2 (g) and E.6.4 of this Registration Document.
[138] See Section 2.2 of the Report, in Section B.3 of this Registration Document.

B.2. Remuneration and benefits granted to the Management and Supervisory Board members

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

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

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

The amounts presented below are on a gross basis before tax

B.2.1. Shareholding of the Management and Supervisory Board members in the share capital of the Company

The figures below have been calculated in reference to a share capital of 78,772,903 Valneva SE shares, divided into (a) 77,582,714 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 convertible preferred shares (ISIN XFCS00X0I9M1), with a nominal value of €0.15 each.

(a) Shareholding of the Management Board members at February 28, 2017

Nom	Shares owned	Number of stock options owned and free shares being acquired
Mr. Thomas Lingelbach Chairman of the Management Board - President & CEO	**124,751 Valneva SE shares** (*i.e.* 0,16% of the share capital of the Company) Divided as follows : + 124,205 ordinary shares + 3,575 preferred shares (ISIN FR0011472943) + 308 convertible preferred shares (ISIN XFCS00X0I9M1)	**+ 200,000 stock options,** giving right to subscribe to **209,962 ordinary shares Valneva SE** **+ 7,700 free convertible preferred shares being acquired,** giving right, at maximum to **770,000 ordinary shares Valneva SE**
Mr. Franck Grimaud Management Board member - Deputy CEO	**478,005 Valneva SE shares** (*i.e.* 0,61% of the share capital of the Company) Divided as follows : + 477,787 ordinary shares + 218 convertible preferred shares (ISIN XFCS00X0I9M1)	**+ 100,000 stock options,** giving right to subscribe to **109,962 ordinary shares Valneva SE** **+ 5,450 free convertible preferred shares being acquired,** giving right, at maximum to **545,000 ordinary shares Valneva SE**
Mr. Reinhard Kandera Management Board member - CFO	**57,292 Valneva SE shares** (*i.e.* 0,07% of the share capital of the Company) Divided as follows : + 56,446 ordinary shares + 9,425 preferred shares (ISIN FR0011472943) + 218 convertible preferred shares (ISIN XFCS00X0I9M1)	**+ 100,000 stock options,** giving right to subscribe to **109,962 ordinary shares Valneva SE** **+ 5,450 free convertible preferred shares being acquired,** giving right, at maximum to **545,000 ordinary shares Valneva SE**

(b) Shareholding of the Supervisory Board members at February 28, 2017

Name	Shares owned	Number of equity warrants owned (BSA 25)
Mr. Frédéric GRIMAUD Chairman of the Supervisory Board	**257,996 Valneva SE ordinary shares** (*i.e.* 0.33% of the share capital of the Company)	**27,000**, giving right to 27,000 Valneva ordinary shares
Mr. Alain MUNOZ Member of the Supervisory Board	**41,800 Valneva SE ordinary shares** (*i.e.* 0.06% of the share capital of the Company)	**14,625**, giving right to 14,625 Valneva ordinary shares
Mr. James SULAT Vice-Chairman of the Supervisory Board	**17,867 Valneva SE ordinary shares** (*i.e.* 0.02% of the share capital of the Company)	**14,625**, giving right to 14,625 Valneva ordinary shares
Mr. Alexander VON GABAIN Member of the Supervisory Board	**39,687 Valneva SE 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 (ISIN FR0011472943)	**14,625**, giving right to 14,625 Valneva ordinary shares
Ms. Anne-Marie GRAFFIN Member of the Supervisory Board	0	**14,625**, giving right to 14,625 Valneva ordinary shares
Ms. Louisa SHAW-MAROTTO Member of the Supervisory Board (replacing Mr. Hans Wigzell, whose term of office expired at the end of the Extraordinary General Meeting of the Company, held on June 30, 2016)	0	0
Mr. Ralf CLEMENS Member of the Supervisory Board (replacing Mr. Michel Greco, whose term of office expired at the end of the Extraordinary General Meeting of the Company, held on June 30, 2016)	0	0
Bpifrance Participations SA Member of the Supervisory Board (Permanent representative : Ms. Maïlys FERRERE)	**7,456,785 Valneva SE ordinary shares** (*i.e.* 9.47% of the share capital of the Company)	0

B.2.2. Management Board members remuneration

(a) Summary of the Management Board members remuneration

	Mr. Thomas Lingelbach		Mr. Franck Grimaud		Mr. Reinhard Kandera	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Remuneration payable for the period	€591,018.03	€553,887.38	€406,325.94	From €268,701.32 to €407,901.32	€416,642.85	€420,226.60
Measurement of multi-year variable remuneration granted in the period	€0	€0	€0	€0	€0	€0
Measurement of options granted in the period	€0	€106,361.68	€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	€0	€1,197,350	€0	€847,475	€0	€847,475
TOTAL	**€591,018.03**	**€1,857,599.06**	**€406,325.94**	**From €1,116,176.32 to €1,255,376.32**	**€416,642.85**	**€1,267,701.60**

(b) Presentation of individual remuneration

Mr. Thomas Lingelbach - Chairman of the Management Board, President & CEO of Valneva SE [139]

	2016		2015	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Fixed compensation	€327,723.20 (in accordance with the decision of the Company's Supervisory Board of February 10, 2016) Payable in 14 equal installments	€327,723	€324,800 Payable in 14 equal installments	€324,800
Annual variable remuneration [140]	Maximum 60% of gross annual salary *i.e.* €196,633.92 (with respect to 2016 objectives)	€194,880 (Amount paid with respect to 2015 objectives)	Maximum 60% of gross annual salary *i.e.* €194,880	€166,080 (Amount paid with respect to 2014 objectives)
Multi-year variable remuneration	0	0	0	0
Exceptional remuneration	15% of the maximum annual variable remuneration due in 2016, *i.e.* €29,495.09 [141]	0	0	€50,000 [142]
Attendance fees	0	0	0	0
Fringe benefits:				
+ **Car rental**	Lease fee: maximum €1,100 per month, or €13,200 for the year 2016 Insurance: €2,896.74 for a complete year of insurance Other car related expenses: €3,495	€17,366.70 *i.e.*: €10,974.96 for the car leasing €2,896.74 for the car insurance €3,495 for other car related expenses (except fuel)	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)
+ **Death and endowment insurance policy**	Maximum €1,000 per month, or €12,000 for the year 2016	€12,000	Maximum €1,000 per month, or €12,000 for the year 2015	€11,833.45
+ **Reimbursement of home-workplace journeys made by flights and of associated costs** [143]	€5,574.08	€5,574.08	€4,604.04	€4,604.04
TOTAL	**€591,018.03**	**€557,543.78**	**€553,887.38**	**€572,329.13**

[139] Amounts set and paid in accordance with (a) 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 E.6.4 of this Registration Document), and (b) the Company's Supervisory Board decisions, as applicable.

[140] For a description of the variable or exceptional remuneration rules applicable to the corporate officers, please refer to "Variable or exceptional remuneration rules applicable to the Management Board", at the end of this paragraph (b).

[141] See "Note" in "Variable or exceptional remuneration rules applicable to the Management Board", at the end of this paragraph (b).

[142] 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 A.2.2 (b) of this Registration Document).

[143] 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.

Mr. Franck Grimaud - Management Board member, Deputy CEO of Valneva SE

	2016[144]		**2015**[145]	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Fixed compensation	€243,841.78 (in accordance with the decision of the Company's Supervisory Board held on February 10, 2016) Payable in 12 installments	€243,841.78	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
Annual variable remuneration[146]	Maximum 50% of gross annual salary, *i.e.* €121,920.89 (with respect to 2016 objectives)	€131,545.17 (Amount paid with respect to 2015 objectives)	Maximum 60% of gross annual salary *i.e.* €91,800 to €144,000 (with respect to 2015 objectives)	€101,170.06 (Amount paid with respect to 2014 objectives)
Multi-year variable remuneration	0	0	0	0
Exceptional remuneration	15% of the maximum annual variable remuneration due in 2016, *i.e.* €18,288.13[147]	0	0	€37,500[148]
Attendance fees	0	0	0	0
Fringe benefits:				
+ **Car rental**	Lease fee: maximum €1,100 per month, or €13,200 for the year 2016 Insurance: €1,541.14 € Tax on company cars: ("**TVTS**") €20	€12,344.46 *i.e.*: €10,783.32 for the car leasing €1,541.14 for the car insurance TVTS : €20	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
+ **GSC**[149]	€7,514	€7,514	€6,446	€6,446
TOTAL	**€406,325.94**	**€395,245.41**	**From €268,701.32 to €407,901.32**	**€379,375.05**

144 Amounts set and paid in accordance with (a) the provisions of the Management Agreement executed between Mr. Franck Grimaud and Valneva SE, in its version dated December 16, 2012, and (b) the provisions of the Management Agreement executed between Mr. Franck Grimaud and Valneva SE, entered into force at the end of the Combined General Meeting called on June 30, 2016 for the purpose of approving the financial statements for the financial year ended 31 December, 2015 (now replacing the agreement of December 16, 2012) - see E.6.4 of this Registration Document – and (c) the Company's Supervisory Board decisions, as applicable.

145 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.

146 For a description of the variable or exceptional remuneration rules applicable to the corporate officers, please refer to the paragraph "Variable or exceptional remuneration rules applicable to the Management Board", at the end of this Paragraph (b).

147 See "Note" in "Variable or exceptional remuneration rules applicable to the Management Board", at the end of this paragraph (b).

148 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 A.2.2 (b) of this Registration Document).

149 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 2016 for the GSC was €7,514, compared to €7,401 for 2015.

Mr. Reinhard KANDERA - Management Board member, CFO of Valneva SE [150]

	2016		2015	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Fixed compensation	€245,792.40 (in accordance with the decision of the Company's Supervisory Board of February 10, 2016) Payable in 14 equal installments	€245,792	€243,600 Payable in 14 equal installments	€243,600
Annual variable remuneration [151]	Maximum 50% of gross annual salary *i.e.* €122,896.20 (with respect to 2016 objectives)	€146 160 (Amount paid with respect to 2015 objectives)	Maximum 60% of gross annual salary *i.e.* €146,160 (with respect to 2015 objectives)	€124,560 (Amount paid with respect to 2014 objectives)
Multi-year variable remuneration	0	0	0	0
Exceptional remuneration	15% of the maximum annual variable remuneration due in 2016, *i.e.* €18,434.43 [152]	0	0	€37,500 [153]
Attendance fees	0	0	0	0
Fringe benefits:				
+ **Car rental**	Lease fee: maximum €1,100 per month, or €13,200 for the year 2016 Insurance: €2,599.74 for a complete year of insurance Other car related expenses: €1,720.08	€13,743.59 *i.e.*: €9,423.77 for the car leasing €2,599.74 for the car insurance €1,720.08 for other car related expenses (except fuel)	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)
+ **Death and endowment insurance policy**	Maximum €1,000 per month, or €12,000 for the year 2016	€12,000	Maximum €1,000 per month, or €12,000 for the year 2015	€12,000
TOTAL	**€416,642.85**	**€417,695.59**	**€420,226.60**	**€432,350.40**

[150] Amounts set and paid in accordance with (a) 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 E.6.4 of this Registration Document), and (b) the Company's Supervisory Board decisions, as applicable.

[151] For a description of the variable or exceptional remuneration rules applicable to the corporate officers, please refer to the paragraph "Variable or exceptional remuneration rules applicable to the Management Board", at the end of this Paragraph (b).

[152] See "Note" in "Variable or exceptional remuneration rules applicable to the Management Board", at the end of this paragraph (b).

[153] 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 A.2.2 (b) of this Registration Document).

Variable or exceptional remuneration rules applicable to the Management Board

The "**Bonus**" represents the variable part of the Management Board´s annual compensation. The Bonus process applied follows the principles of a state the art performance management system with the following key elements:

- the Management Board receives goals for a new business year from the Supervisory Board;
- these goals are set according to the recommendation of the Nomination and Compensation Committee;
- the Management Board goals are linked to key strategic and operational objectives necessary to develop the company according to its published strategy and financial guidance;
- the Management Board goals are "SMART" (Specific, Measurable, Accepted, Relevant, Time-bound);
- performance against agreed goals is reviewed throughout each business year;
- the Management Board goals are adjusted during the year in case of major changes in the business´ proposition or priorities;
- performance against agreed the Management Board goals is assessed upon completion of a business year ("**the Appraisal**");
- Bonus pay-out is linked to the Appraisal and based on the individual the Management Board members Target Bonus. The "**Target Bonus**" is the Bonus assuming a 100% Appraisal;
- the Appraisal is made by the Supervisory Board upon the recommendation of the Nomination and Compensation Committee.

The Target Bonus represents either 50% or 60% of the respective yearly gross salary. The amounts set out in the "Amounts due" column in the tables above represent the Bonus that may be granted at 100% Appraisal.

A majority of the Management Board goals are wholly or partly of a quantitative nature and split between operational and strategic objectives.

Given that Valneva's value proposition is equally linked to financial performance and R&D on new vaccines candidates, these are usually equally weighted.

For 2016, the agreed Management Board goals (for which payment will be made on 2017) were linked to:

- financial performance (*e.g.* Revenues, EBITDA, R&D costs), weighted in total at 35%;
- R&D progression and partnering (e.g. R&D execution according to milestones/costs, partnering of R&D candidates),weighted in total at 40%;
- execution on Valneva 2020 strategy (e.g. Expansion of own commercial product portfolio by third party product sales), weighted in total at 10%;
- capital market validation/development of the shareholder-basis (*e.g.* additional institutional, long term shareholder), weighted in total at 15%.

Note: When the Management Board achieves exceptional results exceeding the specified objectives, the Supervisory Board, on the recommendation of the Nomination and Compensation Committee, may decide to grant an exceptional bonus. This bonus, when granted, is generally for an amount considerably less than the performance bonus. For 2016, the exceptional bonus represented 15% of the maximum performance bonus.

(c) Options to subscribe for or purchase shares

Options to subscribe for or purchase shares granted in 2016 by the Company, to Management Board members

None of the Management Board members received stock options to subscribe for or purchase shares in fiscal year 2016.

Options to subscribe for or purchase shares of the Company exercised in 2016 by Management Board members

None of the Management Board members exercised stock options to subscribe for or purchase shares in fiscal year 2016.

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As a result of the foregoing, tables 6 & 7 of Exhibit 2 to the AMF guidelines 2014-14 do not apply.

(d) Free shares (ordinary shares (ISIN FR0004056851) or convertible preferred shares (ISIN XFCS00X0I9M1))

Free Valneva SE's shares granted in 2016 to Management Board members

No Valneva SE's ordinary share or convertible preferred shares was granted without consideration to Management Board members in fiscal year 2016.

Free Valneva SE's shares fully vested in and delivered to non-officer employees in fiscal year 2016

In 2016, no ordinary share or convertible preferred shares granted without consideration have been fully vested in and delivered to Management Board members in the form of new Valneva SE's ordinary shares.

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As a result of the foregoing, tables 6 & 7 of Exhibit 2 to the AMF guidelines 2014-14 do not apply.

(e) Stock option plans history[154]

Plan 4 bis	
Grant decision date	**General Meeting:** November 3, 2004
	Management Board: **Tranche 1**: April 3, 2006 **Tranche 2**: April 3, 2006
Number of beneficiaries	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 3, 2016 **Tranche 2**: April 3, 2016
Maximum amount authorized by the General Meeting	Authorization to grant a maximum number of 1,100 stock options[155]
Subscription price	€1.80[156]
Option/share conversion ratio	1: 125 (about)[157]
Stock options granted to employees and/or corporate officers by the Board of Directors or Management Board	320 breaking down as follows: **Tranche 1** : 160 **Tranche 2**: 160
Starting date for the exercise of options	**Tranche 1:** according to objectives **Tranche 2:** according to objectives
Stock options exercised at December 31, 2016	160
Shares subscribed for at December 31, 2016 by exercising stock options	17,280
Exercisable stock options, not yet exercised at December 31, 2016	0
Of which stock options exercisable by corporate officers	0
Shares potentially available for subscription at December 31, 2016 from exercisable stock options	0
Stock options having lapsed at December 31, 2016	160
Stock options remaining to be granted at December 31, 2016 under the General Meeting's authorization - Authorization status	0 - Authorization expired
Theoretical number of shares available for take up at December 31, 2016, if the Board of Directors or Management Board makes use of the remainder amount under the General Meeting's authorization	0

[154] In force in 2016.

[155] This number was reduced to 440 under the terms of resolution No. 19 of the Company's General Meeting held on November 3, 2004 and decisions of the Company's Management Board of August 3, 2005, recording the completion of the capital increases.

[156] Subscription price have been revised in accordance with resolution No. 2 of the Company's Extraordinary General Meeting, held on March 31, 2007.

[157] Conversion ratio has been revised in accordance with resolution No. 2 of the Company's Extraordinary General Meeting held on March 31, 2007, and the decisions of the Company's Management Board of August 27, 2010, July 24, 2013 and February 25, 2015.

Plan 5	
Grant decision date	**General Meeting:** September 13, 2005
	Management Board meeting: **Tranche 1**: April 3, 2006 **Tranche 2**: April 3, 2006
Number of beneficiaries	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 3, 2016 **Tranche 2**: April 3, 2016
Maximum amount authorized by the General Meeting	Authorization to grant a maximum number of 660 stock options
Subscription price	€1.80[158]
Option/share conversion ratio	1: 125 (about)[159]
Stock options granted to employees and/or corporate officers by the Board of Directors or Management Board	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
Stock options exercised at December 31, 2016	290
Shares subscribed for at December 31, 2016 by exercising stock options	31,320
Exercisable stock options, not yet exercised at December 31, 2016	0
Of which stock options exercisable by corporate officers	0
Shares potentially available for subscription at December 31, 2016 from exercisable stock options	0
Stock options having lapsed at December 31, 2016	240
Stock options remaining to be granted at December 31, 2016 under the General Meeting's authorization - Authorization status	0 - Authorization expired
Theoretical number of shares available for take up at December 31, 2016, if the Board of Directors or Management Board makes use of the remainder amount under the General Meeting's authorization	0

[158] Subscription price have been revised in accordance with resolution No. 2 of the Company's Extraordinary General Meeting, held on March 31, 2007.

[159] Conversion ratio has been revised in accordance with resolution No. 2 of the Company's Extraordinary General Meeting held on March 31, 2007, and the decisions of the Company's Management Board of August 27, 2010, July 24, 2013 and February 25, 2015.

Plan 6	
Grant decision date	**General Meeting:** June 9, 2009 **Management Board meeting**: October 1, 2010
Number of beneficiaries	1
Duration of plan (as from the date of the decision of the Board of Directors or Management Board)	Until October 1, 2020
Maximum amount authorized by the General Meeting	Authorization to grant a maximum number of 290,000 stock options
Subscription price	€4.72[160]
Option/share conversion ratio	1 : 1.09 (about)[161]
Stock options granted to employees and/or corporate officers by the Board of Directors or Management Board	14,000
Starting date for the exercise of options	According to objectives
Stock options exercised at December 31, 2016	0
Shares subscribed for at December 31, 2016 by exercising stock options	0
Exercisable stock options, not yet exercised at December 31, 2016	7,000
Of which stock options exercisable by corporate officers	0
Shares potentially available for subscription at December 31, 2016 from exercisable stock options	7,698
Stock options having lapsed at December 31, 2016	7,000
Stock options remaining to be granted at December 31, 2016 under the General Meeting's authorization - Authorization status	0 - Authorization expired
Theoretical number of shares available for take up at December 31, 2016, if the Board of Directors or Management Board makes use of the remainder amount under the General Meeting's authorization	0

[160] Subscription price has been revised in accordance with the decision of the Company's Management Board of February 25, 2015.

[161] Conversion ratio has been revised in accordance with the decision of the Company's Management Board of February 25, 2015.

Plan 7	
Grant decision date	**General Meeting:** June 28, 2013 **Management Board meeting**: October 2, 2013
Number of beneficiaries	293
Duration of plan (as from the date of the decision of the Board of Directors or Management Board)	Until October 2, 2023
Maximum amount authorized by the General Meeting	Authorization to grant an amount of stock options conferring a right to subscribe to a total number of shares representing 4% maximum of the Company's share capital on the date the capital increase is adopted under the terms of the 9th resolution of Valneva's Combined General Meeting of March 7, 2014[162]
Subscription price	€2.919[163]
Option/share conversion ratio	1 : 1.09 (about)[164]
Stock options granted to employees and/or corporate officers by the Board of Directors or Management Board	1,052,950
Starting date for the exercise of options[165]	October 2, 2015 & October 2, 2017
Stock options exercised at December 31, 2016	0
Shares subscribed for at December 31, 2016 by exercising stock options	0
Exercisable stock options, not yet exercised at December 31, 2016	827,900
Of which stock options exercisable by corporate officers	300,000
Shares potentially available for subscription at December 31, 2016 from exercisable stock options	910,473
Stock options having lapsed at December 31, 2016	225,050
Stock options remaining to be granted at December 31, 2016 under the General Meeting's authorization - Authorization status	0 - Authorization declared null and void by the Combined General Meeting of June 26, 2014
Theoretical number of shares available for take up at December 31, 2016, if the Board of Directors or Management Board makes use of the remainder amount under the General Meeting's authorization	0

[162] At the Supervisory Board's meeting of the Company held on August 29, 2013, the number of stock options was set at 2,231,356.

[163] Subscription price has been revised in accordance with the decision of the Company's Management Board of February 25, 2015.

[164] Conversion ratio has been revised in accordance with the decision of the Company's Management Board of February 25, 2015.

[165] 50% of options may be exercised after being held for 2 years by their beneficiary; the remaining 50% becoming exercisable after being held for 4 years.

Plan 8	
Grant decision date	**General Meeting:** June 26, 2014 **Management Board meeting**: July 28, 2015
Number of beneficiaries	259
Duration of plan (as from the date of the decision of the Board of Directors or Management Board)	Until July 28, 2025
Maximum amount authorized by the General Meeting	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	€3.92
Option/share conversion ratio	1 : 1
Stock options granted to employees and/or corporate officers by the Board of Directors or Management Board	712,000
Starting date for the exercise of options	July 28, 2017 & July 28, 2019[166]
Stock options exercised at December 31, 2016	0
Shares subscribed for at December 31, 2016 by exercising stock options	0
Exercisable stock options, not yet exercised at December 31, 2016	655,750
Of which stock options exercisable by corporate officers	100,000
Shares potentially available for subscription at December 31, 2016 from exercisable stock options	655,750
Stock options having lapsed at December 31, 2016	56,250
Stock options remaining to be granted at December 31, 2016 under the General Meeting's authorization - Authorization status	0 - Authorization declared null and void by the Combined General Meeting of June 30, 2016
Theoretical number of shares available for take up at December 31, 2016, if the Board of Directors or Management Board makes use of the remainder amount under the General Meeting's authorization	0

[166] 50% of options may be exercised after being held for 2 years by their beneficiary; the remaining 50% becoming exercisable after being held for 4 years.

Plan 9	
Grant decision date	**General Meeting:** June 30, 2016 **Management Board meeting**: October 7, 2016
Number of beneficiaries	402
Duration of plan (as from the date of the decision of the Board of Directors or Management Board)	Until October 7, 2026
Maximum amount authorized by the General Meeting	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	€2.71
Option/share conversion ratio	1 : 1
Stock options granted to employees and/or corporate officers by the Board of Directors or Management Board	584,250
Starting date for the exercise of options	October 7, 2018 & October 7, 2020[167]
Stock options exercised at December 31, 2016	0
Shares subscribed for at December 31, 2016 by exercising stock options	0
Exercisable stock options, not yet exercised at December 31, 2016	549,500
Of which stock options exercisable by corporate officers	100,000
Shares potentially available for subscription at December 31, 2016 from exercisable stock options	549,500
Stock options having lapsed at December 31, 2016	34,750
Stock options remaining to be granted at December 31, 2016 under the General Meeting's authorization - Authorization status	Minimum 2,566,666[168] Authorization valid
Theoretical number of shares available for take up at December 31, 2016, if the Board of Directors or Management Board makes use of the remainder amount under the General Meeting's authorization	Minimum 2,566,666

[167] 50% of options may be exercised after being held for 2 years by their beneficiary; the remaining 50% becoming exercisable after being held for 4 years.

[168] This figure is calculated in reference to a share capital of 78,772,903 Valneva SE shares, divided into (a) 77,582,714 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 convertible preferred shares (ISIN XFCS00X0I9M1), with a nominal value of €0.15 each.

(f) Free share plans history[169]

Free ordinary share plans

Plan 3	
Free ordinary shares grant decision date	**General Meeting:** **AGM No. 1**: June 10, 2010 **AGM No. 2**: June 7, 2011 **AGM No. 3**: June 4, 2012
	Management Board meeting: **Tranche 1**: July 24, 2013 **Tranche 2**: July 24, 2013
Maximum amount authorized by the General Meeting	**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**: 10 employees **Tranche 2**: 17 employees
Vesting period	**Tranche 1**: 4 years **Tranche 2**: 2 years
Lock-up period (from the vesting date)[170]	**Tranche 1**: 2 years **Tranche 2**: 2 years
Free ordinary shares granted to employees and/or company officers	52,000 free ordinary shares, breaking down as follows : **Tranche 1**: 7,500 **Tranche 2**: 44,500
Free ordinary shares fully vested at December 31, 2016	30,500
Free ordinary shares in process of vesting at December 31, 2016	1,000
Of which number of free ordinary shares in process of vesting by the corporate officers at December 31, 2016	0
Free ordinary shares lapsed at December 31, 2016	20,500
Free ordinary shares remaining to be granted at December 31, 2016 under the General Meeting's authorization - Authorization status	**AG No. 1** : 0 - Authorization expired **AG No. 2** : 0 - Authorization expired **AG No. 3** : 0 - Authorization expired

[169] In force in 2016.

[170] The Company's Supervisory Board has set out the terms of lock-up for free ordinary shares granted to corporate officers. Under these terms, two options are available:

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

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

Free convertible preferred share program 2015-2019

On June 25, 2015, Valneva SE's General Meeting 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 program 2015-2019 (the "**Program**"), a long-term incentive plan 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 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 Company's General Meeting held on June 25, 2015 (resolution No. 18)[171].

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

Beneficiaries	Position	SPS granted by the Management Board to participants	Maximum investment (in euros)
Mr. Thomas Lingelbach	Chairman of the Management Board - President & CEO	308	49,588
Mr. Franck Grimaud	Member of the Management Board - Deputy CEO	218	35,098
Mr. 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:

[171] 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	SPS granted by the Management Board to the participants, on July 17, 2015	SPS subscribed for by beneficiaries	Subscription amount (in euros)
Mr. Thomas Lingelbach	Chairman of the Management Board - President & CEO	308	308	49,588
Mr. Franck Grimaud	Member of the Management Board - Deputy CEO	218	218	35,098
Mr. 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 awards

The maximum number of FCPS that may be granted by the Management Board was capped at 5.5% of the share capital of the Company as at the date of the Management Board's grant decision, by the General Meeting of the Company held on June 25, 2015 (resolution No. 20)[172].

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	FCPS granted to beneficiaries
Mr. Thomas Lingelbach	Chairman of the Management Board - President & CEO	7,700
Mr. Franck Grimaud	Member of the Management Board - Deputy CEO	5,450
Mr. 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[173].

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

SPS and FCPS will be convertible into Valneva SE'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 SE's ordinary shares at the end of that 3-month period.

[172] 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.

[173] Following Mr. Reinhard Kandera's resignation announced by Valneva SE on February 23, 2017 (see Section A.1.3 of this Registration Document), the full vesting ("*attribution définitive*") of the FCPS will be declared null at the end of the Management Board member office. In accordance with the Company's Articles of Association, the SPS will be bought back by Valneva SE at their nominal value, before cancellation.

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**
11.00	175%	**90.91**
12.00	200%	**83.33**

Final Share price	Share price increase	Conversion ratio (number of ordinary shares for 1 convertible preferred share)
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
Mr. Thomas Lingelbach Appointed on May 10, 2013 End of term of office at the Ordinary General Meeting called to rule on the accounts for the fiscal year ending December 31, 2018	x[a]		x[b]		x[d]		x[e]	
Mr. Franck Grimaud Appointed on May 10, 2013 End of term of office at the Ordinary General Meeting called to rule on the accounts for the fiscal year ending December 31, 2018		x		x	x[c&d]		x[e]	
Mr. Reinhard Kandera Appointed on May 10, 2013 End of term of office at the Ordinary 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. Please refer also to the description “Death and endowment insurance policy” below, at the end of this paragraph (g).

[c] See the description relating to the GSC of Mr. Franck Grimaud, in Section B.2.2 (b) of this Registration Document.

[d] Please refer to the descriptions “Indemnities or benefits payable…”, provided below for each Management Board member, as well as the Section “Death and endowment insurance policy”, at the end of this paragraph (g).

[e] Please refer to the paragraph “Additional provisions specifically relating to the non-compete commitments” below.

Indemnities or benefits payable by the subsidiary Valneva Austria GmbH to Mr. Thomas Lingelbach pursuant to its Management Agreement entered into force on June 25, 2015

(1) Inability to work due to illness or accident

+ Valneva Austria GmbH shall pay an amount of compensation which would enable the corporate officer to receive the equivalent of 100% of the compensation outlined in Section 6.1 of the Management Agreement (as adjusted) for a period of three months, and 49% for an additional maximum period of three months.
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.

+ In all cases, payments shall cease upon termination of the Management Agreement.

Estimate maximum gross amounts to be paid by Valneva Austria GmbH, including charges, in case of event (1) occurring at December 31, 2017

Amount of indemnities: €136,726.12
Costs: €19,156.15
Total: €155,882.27

(2) Termination of the Management Agreement:
(i) at the initiative of Valneva GmbH without good cause (under Section 20 of the Austrian White Collar Workers Act - *Angestelltengesetz*), or
(i) at the initiative of the corporate officer with good cause (in compliance with Section 26 of the Austrian White Collar Workers Act - *Angestelltengesetz*), including resignation justified by circumstances entailing a reduction in law or fact of his responsibilities in Valneva SE

+ In all cases, payment until the termination of the Management Agreement (or until the date of the Annual General Meeting of Valneva SE called for the purpose of approving the financial statements of the 2018 fiscal year, and no later than June 30, 2019), of an amount equal to the fixed compensation provided for in Section 6.1 of the Management Agreement.

+ In the event of termination at the initiative of the corporate officer for good cause (in compliance with Section 26 of the Austrian White Collar Workers Act - *Angestelltengesetz*), including resignation justified by circumstances entailing a reduction in fact or in right of his responsibilities in Valneva SE, payment until termination of the Management Agreement, of the bonus mentioned in Section 6.3 of the Management Agreement, on a pro rata basis, after deduction of the amount saved by the corporate officer as a result of services not rendered or any amount earned for any other type of work performed, or intentional loss of earnings (Section 29 of the Austrian White Collar Workers Act - *Angestelltengesetz*).

Estimate gross amounts to be paid by Valneva Austria GmbH, including charges, in case of event (2) occurring at December 31, 2017

Amount of indemnities: in all cases, payment of €550,574.98,
to which is added €330,344.99 in the event of termination at the initiative of the corporate officer for good cause.
Costs: €91,598.14
Total: €972,518.11

(3) Termination of the Management Agreement:
(i) at the initiative of Valneva GmbH with good cause (under Section 27 of the Austrian White Collar Workers Act - *Angestelltengesetz*), or
(ii) at the initiative of the corporate officer without good cause (including resignation not justified by circumstances entailing a reduction in fact or in right of his responsibilities in Valneva SE)

+ Discontinuation of payment of any compensation, bonuses and benefits in kind as from the date of effect of the termination of the corporate office. This date is immediate in the case of a removal for good cause. In contrast, it shall enter into effect after the notice period provided for in Section 20 of the Austrian White Collar Workers Act - *Angestelltengesetz* (notice period ending on the last day of the current month) in the case of termination at the initiative of the corporate officer.

+ No severance benefits are payable to the corporate officer, without prejudice, however to the possible application of the non-compete provisions mentioned below in (4).

(4) Application of the non-compete clause

+ The Management Agreement contains a post-contractual non-compete clause.
This applies (i) automatically, except where expressly waived by Valneva GmbH, in the event of dismissal by Valneva GmbH for good cause (Section 27 of the Austrian White Collar Workers Act - *Angestelltengesetz*), or the early and unjustified resignation at the initiative of the corporate officer (Section 26 of the Austrian White Collar Workers Act - *Angestelltengesetz*) ,or resignation without cause at the initiative of the corporate officer and (ii) upon the express declaration by Valneva SE in the case of termination by Valneva GmbH without good cause.

+ When the non-compete clause applies, this results, in all circumstances other than termination for good cause, in the payment of financial consideration equal to the amount of compensation defined by Section 6.1 of the Management Agreement (as adjusted) and the bonus defined by Section 6.3 of the Management Agreement, on a pro rata basis, for the duration of the non-compete obligation (i.e. one year from the date of the Management Agreement's termination).

  This payment shall not be payable in combination with the continued payment of compensation mentioned above in paragraphs (2) and (3).

Estimate gross amounts to be paid by Valneva Austria GmbH, including charges, in case of event (4) occurring at December 31, 2017

Amount of indemnities: €587,279.97
Costs: €61,065.43
Total: €648,345.40

Indemnities set for events (2) to (4) shall exclude any other indemnity, compensation or benefit, to the extent permitted by law. Any severance payments made to the corporate officer by the compensation fund upon termination of the Management Agreement, as well as prospective entitlements to the corporate officer to severance benefits (in case that the fund does not have to make a payment upon termination) shall be deducted from the indemnities set for events (2) to (4), to the extent permitted by law.

The contractual relationship between Valneva Austria GmbH and the corporate officer 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 GmbH.

Indemnities or benefits payable by Valneva SE to Mr. Franck Grimaud pursuant to its Management Agreement entered into force at the end of the Company's Annual General Meeting held on June 30, 2016

(1) Inability to work due to illness or accident

+ Valneva SE shall 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 (as adjusted) for a period of three months, and 49% for an additional maximum period of three months.
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.

+ In all cases, payments shall cease upon termination of the Management Agreement.

Estimate gross amounts to be paid by Valneva SE, including charges, in case of event (1) occurring at December 31, 2017

Maximum amount of indemnities to be paid by the Company: €98,120.83

Costs: €31,726.55 (only in case if illness - employer costs are covered by the *Indemnités Journalières de Sécurité Sociale* in case of occupational accident)

Total: €129,847.38

(2) Termination of the management agreement pursuant to:
(i) removal of the corporate officer by Valneva SE without good cause *(juste motif)*; or
(ii) resignation of the corporate officer justified by circumstances entailing a reduction in law or in fact of his or her responsibilities in Valneva SE or Valneva Austria GmbH

+ Payment until termination of the Management Agreement (or until the date of the Annual General Meeting of Valneva SE called for the purpose of approving the financial statements for fiscal year 2018, and no later than June 30, 2019) of an amount equal to the fixed compensation provided for in Section 6.1 of the Management Agreement, on condition that the corporate officer fulfills the performance criteria, as applicable, defined by the Supervisory Board, in accordance with article L. 225-90-1 of the French commercial code.

  In the event of termination due to circumstances entailing in law or in fact a reduction in his or her responsibilities in Valneva SE or Valneva Austria GmbH, and on condition that the corporate officer fulfills the performance criteria defined, as applicable, by the Supervisory Board, in accordance with article L. 225-90-1 of the French commercial code: payment until termination of the Management Agreement, of the bonus defined in Section 6.3 of the Management Agreement, on a pro rata basis (whereby this bonus may not exceed 50% of the gross annual compensation defined in Section 6.1 of the Management Agreement, as adjusted).

+ From the amount of compensation payable in accordance with the above, shall be deducted unemployment insurance benefits received under the private policy covering company managers and officers (GSC – *Garantie Sociale des Chefs et dirigeants d'entreprise*) during the benefit payment period.

Estimate gross amounts to be paid by Valneva SE, including charges, in case of event (2) occurring at December 31, 2017

Maximum amount of indemnities to be paid by the Company: €569,623.50

Costs: €238,729.21

Total: €808,352.71

(3) Termination of the management agreement pursuant to:
(i) removal of the corporate officer by Valneva SE with good cause *(juste motif)*; or
(ii) resignation of the corporate officer unjustified by circumstances entailing in law or in fact a reduction in his or her responsibilities in Valneva SE or Valneva Austria GmbH

+ Discontinuation of payment of any compensation, bonuses and benefits in kind as from the date of effect of the termination of the corporate office. This date is immediate in the case of a removal for good cause. It takes effect after a two-month notice period in the event of resignation.

+ No severance benefits are payable to the corporate officer, without prejudice, however to the possible application of the non-compete provisions mentioned below in (4).

(4) Application of the non-compete clause

+ The Management Agreement contains a post-contractual non-compete clause.
This clause applies (i) automatically, except where expressly waived by Valneva SE, in the event of dismissal by Valneva SE for good cause *(juste motif)* or resignation of the corporate office not justified by circumstances entailing a reduction in responsibilities in right or in law in Valneva SE or Valneva Austria GmbH, and (ii) upon the express declaration by Valneva SE, in other cases of termination (removal by Valneva SE without good cause, resignation of the corporate officer justified by the circumstances defined above).

+ When the non-compete clause applies, this results, in all circumstances other than removal for good cause *(juste motif)*, in the payment of financial consideration equal to the amount of compensation defined by Section 6.1 of the Management Agreement (as adjusted) and the bonus defined by Section 6.3 of the Management Agreement, on a pro rata basis, for the duration of the non-compete obligation (i.e. one year from the date of the Management Agreement's termination).
This payment shall not be payable in combination with the continued payment of compensation mentioned above in paragraphs (2) and (3).

Estimate gross amounts to be paid by Valneva SE, including charges, in case of event (4) occurring at December 31, 2017

Maximum amount of indemnities to be paid by the Company: € 379,749
Costs: €159,152.81
Total: €538,901.81

Indemnities set for events (2) to (4) shall exclude any other indemnity, compensation or benefit, to the extent permitted by law.

Relations between Valneva SE and Mr. Franck Grimaud, in his capacity as a member of the Company's Management Board and Managing Director, are governed by French law and regulations, the Company's articles of association, the provisions of the Management Agreement and the decisions of Valneva SE's Supervisory Board.

Indemnities or benefits payable by the subsidiary Valneva Austria GmbH to Mr. Reinhard Kandera pursuant to its Management Agreement entered into force on June 25, 2015

(1) Inability to work due to illness or accident

+ Valneva Austria GmbH shall pay an amount of compensation which would enable the corporate officer to receive the equivalent of 100% of the compensation outlined in Section 6.1 of the Management Agreement (as adjusted) for a period of three months, and 49% for an additional maximum period of three months.
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.

+ In all cases, payments shall cease upon termination of the Management Agreement.

(2) Termination of the Management Agreement:
(i) at the initiative of Valneva GmbH without good cause (under Section 20 of the Austrian White Collar Workers Act - *Angestelltengesetz*), or
(i) at the initiative of the corporate officer with good cause (in compliance with Section 26 of the Austrian White Collar Workers Act - *Angestelltengesetz*), including resignation justified by circumstances entailing a reduction in law or fact of his responsibilities in Valneva SE

+ In all cases, payment until the termination of the Management Agreement (or until the date of the Annual General Meeting of Valneva SE called for the purpose of approving the financial statements of the 2018 fiscal year, and no later than June 30, 2019), of an amount equal to the fixed compensation provided for in Section 6.1 of the Management Agreement.

+ In the event of termination at the initiative of the corporate officer for good cause (in compliance with Section 26 of the Austrian White Collar Workers Act - *Angestelltengesetz*), including resignation justified by circumstances entailing a reduction in fact or in right of his responsibilities in Valneva SE, payment until termination of the Management Agreement, of the bonus mentioned in Section 6.3 of the Management Agreement, on a pro rata basis, after deduction of the amount saved by the corporate officer as a result of services not rendered or any amount earned for any other type of work performed, or intentional loss of earnings (Section 29 of the Austrian White Collar Workers Act - *Angestelltengesetz*).

(3) Termination of the Management Agreement:
(i) at the initiative of Valneva GmbH with good cause (under Section 27 of the Austrian White Collar Workers Act - *Angestelltengesetz*), or
(ii) at the initiative of the corporate officer without good cause (including resignation not justified by circumstances entailing a reduction in fact or in right of his responsibilities in Valneva SE)

+ Discontinuation of payment of any compensation, bonuses and benefits in kind as from the date of effect of the termination of the corporate office. This date is immediate in the case of a removal for good cause. In contrast, it shall enter into effect after the notice period provided for in Section 20 of the Austrian White Collar Workers Act - *Angestelltengesetz* (notice period ending on the last day of the current month) in the case of termination at the initiative of the corporate officer.

+ No severance benefits are payable to the corporate officer, without prejudice, however to the possible application of the non-compete provisions mentioned below in (4).

(4) Application of the non-compete clause

+ The Management Agreement contains a post-contractual non-compete clause.
This applies (i) automatically, except where expressly waived by Valneva GmbH, in the event of dismissal by Valneva GmbH for good cause (Section 27 of the Austrian White Collar Workers Act - *Angestelltengesetz*), or the early and unjustified resignation at the initiative of the corporate officer (Section 26 of the Austrian White Collar Workers Act - *Angestelltengesetz*) ,or resignation without cause at the initiative of the corporate officer and (ii) upon the express declaration by Valneva SE in the case of termination by Valneva GmbH without good cause.

+ When the non-compete clause applies, this results, in all circumstances other than termination for good cause, in the payment of financial consideration equal to the amount of compensation defined by Section 6.1 of the Management Agreement (as adjusted) and the bonus defined by Section 6.3 of the Management Agreement, on a pro rata basis, for the duration of the non-compete obligation (i.e. one year from the date of the Management Agreement's termination).

  This payment shall not be payable in combination with the continued payment of compensation mentioned above in paragraphs (2) and (3).

Indemnities set for events (2) to (4) shall exclude any other indemnity, compensation or benefit, to the extent permitted by law. Any severance payments made to the corporate officer by the compensation fund upon termination of the Management Agreement, as well as prospective entitlements to the corporate officer to severance benefits (in case that the fund does not have to make a payment upon termination) shall be deducted from the indemnities set for events (2) to (4), to the extent permitted by law.

The contractual relationship between Valneva Austria GmbH and the corporate officer 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 GmbH.

Following resignation by M. Kandera, as announced by the Company on February 23, 2017[174], the Group negotiated the terms of its departure and in this context, agreed to pay him the sum of €25,000.

[174] See Section A.1.3 of this Registration Document.

Additional provisions specifically relating to the non-compete commitments

Messrs. Thomas Lingelbach and Reinhard Kandera

+ Legal restrictions 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 a 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.

Mr. Franck Grimaud

+ Article 10.1 of the Management Agreement of M. Grimaud (non-applicable if waived 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.
+ 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, freelancers, 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 amount to €1,000 per month for each[175].

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 €312,600[176]), (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 its Management Agreement at the end of June 2019, Mr. Lingelbach could get approximately €138,670 as a cash settlement, or €5,856 per year as a life annuity.

Mr. Kandera could receive, after termination of its duties[177], approximately €107,000 as a cash settlement, or €3,502 per year as a life annuity[178].

[175] See Section B.2.2 (b) of this Registration Document.
[176] These numbers are approximate only because they depend on the actual financial performance of the insurance policy.
[177] See Section A.1.3 of this Registration Document.
[178] These numbers are approximate only because they depend on the actual financial performance of the insurance policy.

B.2.3. Supervisory Board members remuneration

(a) Supervisory Board before renewal of offices by the Combined General Meeting of the Company held on June 30, 2016

Attendance fees and other remuneration received by non-executive officers

	Amounts paid in 2016	Amounts paid in 2015
Mr. Frédéric Grimaud, Chairman of the Supervisory Board		
Attendance fees	€25,000	€50,000
Other remuneration	€0	€0
Mr. Alain Munoz, Supervisory Board member		
Attendance fees	€17,500	€35,000
Other remuneration	€0	€0
Mr. Michel Greco, Supervisory Board member		
Attendance fees	€17,500	€30,000
Other remuneration	€0	€0
Ms. Anne-Marie Graffin, Supervisory Board member		
Attendance fees	€15,000	€30,000
Other remuneration	€0	€0
Mr. James Sulat, Vice-Chairman of the Supervisory Board		
Attendance fees	€22,500	€45,000
Other remuneration	€0	€0
Mr. Hans Wigzell, Supervisory Board member		
Attendance fees	€17,500	€30,000
Other remuneration	€0	€0
Mr. Alexander Von Gabain, Supervisory Board member		
Attendance fees	€15,000	€30,000
Other remuneration	€0	€0
TOTAL	**€130,000**	**€250,000**

(b) Supervisory Board after renewal of offices by the Combined General Meeting of the Company held on June 30, 2016

Attendance fees and other remuneration received by non-executive officers

Amounts paid in 2016	
Mr. Frédéric Grimaud, Chairman of the Supervisory Board	
Attendance fees	€25,000
Other remuneration	€0
Mr. Alain Munoz, Supervisory Board member	
Attendance fees	€17,500
Other remuneration	0 €
Ms. Louisa Shaw-Marotto, Supervisory Board member	
Attendance fees	€12,500
Other remuneration	€0
Ms. Anne-Marie Graffin, Supervisory Board member	
Attendance fees	€15,000
Other remuneration	€0
Mr. James Sulat, Vice-Chairman of the Supervisory Board	
Attendance fees	€22,500
Other remuneration	€0
Mr. Ralf Clemens, Supervisory Board member	
Attendance fees	€13,333
Other remuneration	€0
Mr. Alexander Von Gabain, Supervisory Board member	
Attendance fees	€15,000
Other remuneration	€0
Bpifrance Participations SA, Supervisory Board member, represented by Ms. Maïlys FERRERE	
No payment has to be made with respect to the office of Supervisory Board member, either to Bpifrance Participations SA, or to its permanent representative.	
TOTAL	**€120,833**

B.3. Report by the Chairman of the Supervisory Board on the corporate governance and related Statutory Auditors' report

VALNEVA

A European Company (*Societas Europaea*) with a Management and a Supervisory Board
Share capital: €11,815,935.39
Registered offices: World Trade Center Lyon - Tour Oxygène
10-12 boulevard Marius Vivier Merle, 69003 Lyon - France
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 the Company's Supervisory Board;
- the conditions for the preparation and organization of the work of the Supervisory Board for the fiscal year ended 31 December 2016;
- special procedures relating to participation of shareholders in the General Meeting;
- the internal control procedures implemented by the Company (and the Group);
- 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 21, 2017.

This Report was drawn up in the light of market recommendations and, in particular, the guidelines established by the AMF for mid-caps (Recommendation No. 2015-01).

In 2010, the Supervisory Board adopted the Corporate governance code for small and mid-caps published in December 2009 by MiddleNext and updated on September 14, 2016. The Company applies most of the recommendations of this Code. This report indicates those recommendations which the Company does not apply and the reasons thereof, 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

The Company's Supervisory Board has currently eight members, including seven individuals and one legal entity.



Mr. Frédéric Grimaud
Chairman of Valneva SE's Supervisory Board

***
Appointed by the Extraordinary General Meeting of December 12, 2012
Term of office ending at the Ordinary General Meeting
called to approve the annual financial statements for the fiscal year ending December 31, 2018

Independent	Audit and Governance Committee	Nomination and Compensation Committee	Scientific Committee	Experience and expertise
Non	-	-	-	-



Mr. Alain Munoz
Member of Valneva SE's Supervisory Board

***
Appointed by the Extraordinary General Meeting of December 12, 2012
Term of office ending at the Ordinary General Meeting
called to approve the annual financial statements for the fiscal year ending December 31, 2018

Independent	Audit and Governance Committee	Nomination and Compensation Committee	Scientific Committee	Experience and expertise
Yes	-	President	Member	Research & Development (« **R&D** »)



Mr. Ralf Clemens
Member of Valneva SE's Supervisory Board

***
Appointed by the Extraordinary General Meeting of June 30, 2016
(replacing Mr. Michel Greco,
whose term of office expired at the end of said EGM)
Term of office ending at the Ordinary General Meeting
called to approve the annual financial statements for the fiscal year ending December 31, 2018

Independent	Audit and Governance Committee	Nomination and Compensation Committee	Scientific Committee	Experience and expertise
Yes	-	-	President	Experience as an executive in the vaccine industry, in particular in the area of Development.



Mr. James Sulat
Member of Valneva SE's Supervisory Board

***
Appointed by the Extraordinary General Meeting of March 7, 2013
Term of office ending at the Ordinary General Meeting
called to approve the annual financial statements for the fiscal year ending December 31, 2018

Independent	Audit and Governance Committee	Nomination and Compensation Committee	Scientific Committee	Experience and expertise
Yes	President	-	-	Finance



Ms. Louisa Shaw-Marotto
Membre du conseil de surveillance de Valneva SE

***
Appointed by the Extraordinary General Meeting of June 30, 2016
(replacing Mr. Hans Wigzell, whose term of office expired at the end of said EGM)
Term of office ending at the Ordinary General Meeting
called to approve the annual financial statements for the fiscal year ending December 31, 2018

Independent	Audit and Governance Committee	Nomination and Compensation Committee	Scientific Committee	Experience and expertise
No[179]	Member	-	-	Experience as an marketing and business sales executive in the vaccine industry



Mr. Alexander Von Gabain
Member of Valneva SE's Supervisory Board

***
Appointed by the Extraordinary General Meeting of March 7, 2013
Term of office ending at the Ordinary General Meeting
called to approve the annual financial statements for the fiscal year ending December 31, 2018

Independent	Audit and Governance Committee	Nomination and Compensation Committee	Scientific Committee	Experience and expertise
Yes	-	Member	Member	R&D in biotechnology Co-Founder and former CEO of Intercell



Ms. Anne-Marie Graffin
Member of Valneva SE's Supervisory Board

***
Appointed by the Extraordinary General Meeting of March 7, 2013
Term of office ending at the Ordinary General Meeting
called to approve the annual financial statements for the fiscal year ending December 31, 2018

Independent	Audit and Governance Committee	Nomination and Compensation Committee	Scientific Committee	Experience and expertise
Yes[180]	-	Member	-	Experience as an executive in the vaccine industry



Ms. Maïlys Ferrere
Permanent representative of Bpifrance Participations SA,
In its capacity as member of Valneva SE's Supervisory Board

***
Appointed by the Extraordinary General Meeting of June 30, 2016
Term of office ending at the Ordinary General Meeting
called to approve the annual financial statements for the fiscal year ending December 31, 2018

Independent	Audit and Governance Committee	Nomination and Compensation Committee	Scientific Committee	Experience and expertise
No	Member	-	-	-

[179] Due to the provision of services rendered to the Company in 2015. Ms. Shaw-Marotto will meet the definition of independent member as defined by the newly revised MiddleNext Code in the beginning of 2018.
[180] Since June 30, 2016.

Mr. Frédéric Grimaud - Chairman of the Supervisory Board (52): After organizing a company providing services to undertakings in the field of motivational management of Human Resources and Quality Control, Mr. Frédéric Grimaud joined the *Groupe Familial Grimaud* in 1988, initially exercising a business development role in France. At the beginning of the 1990s, he headed the group's international development and later became 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.

Mr. Alain Munoz - Supervisory Board member (67): A graduate in cardiology and anaesthesia/resuscitation, Mr. Alain Munoz is a medical Doctor, a former resident and hospital department Head. 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®, 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.

Mr. Ralf Clemens - Supervisory Board member (64): Mr. Ralf Clemens, a German national, is a medical Doctor and obtained his Ph.D. at the Johannes-Gutenberg University in Mainz (Germany). Mr. Clemens also holds an executive business degree from the Wharton Business School (Philadelphia, USA). Currently, Mr. Clemens is Principal and Founder of GRID Europe Vaccine Consulting, a consulting firm specialized in the field of infectious diseases. Mr. Clemens has been working in the vaccine industry since 1988 and has held various senior scientific and business positions, such as VP Global Vaccines Development and VP Vaccines and Pharmaceutical Business at GSK (1991-2006). Thereafter, he served as Head of Global Vaccine Development at Novartis Vaccines & Diagnostics (2006-2012), and as Senior Vice-President and Head of Development Vaccine for Takeda (2012-2015). Mr. Clemens has also been a Senior Advisor to the Bill & Melinda Gates Foundation since 2012. Mr. Clemens has been a member of the CureVac Supervisory Board since March 2016. He also serves on the Scientific Advisory Boards of International Vaccine Institute, African Research Excellence Fund and AERAS.

Mr. James Sulat - Supervisory Board member (66): 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 until the merger with Vivalis SA in May 2013.

Mr. Sulat currently serves as Vice-Chairman 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. and Arch Therapeutics, Inc. Mr. Sulat served as Chief Executive Officer of the biopharmaceuticals company Maxygen, Inc., from October 2009 until June 2013, while also serving as Chief Financial Officer and Board member. He previously served as 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.

Ms. Louisa Shaw-Marotto - Supervisory Board member (49): A US national, Ms. Louisa Shaw-Marotto is a seasoned executive with more than two decades of commercial experience in the pharmaceutical industry. Currently, Ms. Shaw-Marotto is currently the President of Executive Perspective Consulting LLC, a Life Sciences Consulting company she founded in 2014. Prior to this, Ms. Shaw-Marotto had a long and successful career at Merck & Co., where she held various commercial roles culminating in her role as Vice-President of Marketing leading Merck's Global Commercial Services organization, including market research, training, marketing communications (advertising, promotion and education) and global marketing operations (2010-2013). Ms. Shaw-Marotto has also accumulated a wealth of experience in several therapeutic areas in

Merck's vaccines and pharmaceuticals divisions, as well as in a corporate staff role. Ms. Shaw-Marotto was recognized as Merck's "Rising Star" in 2010 by the HealthCare Business Women's Association. Prior to joining Merck in 1989, Ms. Shaw-Marotto was a research assistant at an immunology biotechnology company in Sydney (Australia). She holds a Biomedical Science Degree from the University of Technology in Sydney. From 2014, Ms. Shaw-Marotto has been a Director for the non-profit organization “Live the List”.

Mr. Alexander Von Gabain - Supervisory Board member (66): An Austrian national, Pr. 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 as advisor to biotech industries. From 1992 to 1998, as Chair of Microbiology at the University of Vienna, he was involved in building a public-private partnership with Boehringer Ingelheim. In 1998, he co-founded Intercell AG and led the company as CEO until it was floated on the Stock Exchange in 2005, and continued as Chief Scientific Officer until 2009. In 2011, he joined the Intercell AG Supervisory Board, and he remained a Board member after Intercell AG merged with Vivalis SA to create Valneva SE, 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.

Ms. Anne-Marie Graffin - Supervisory Board member (57): 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 Vice-President for Europe with a seat on the Executive Committee until 2010. Today, Ms. Anne-Marie 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 the Supervisory Board of Nanobiotix SA, and Board member at Sartorius Stedim Biotech SA.

Bpifrance Participations SA - Equity investments of Bpifrance are carried out by Bpifrance Investissement. Bpifrance, a subsidiary of the French state and the Caisse des Dépôts, as well as entrepreneurs’ trusted partner, finances businesses from the seed phase to International Public Offering, through loans, guarantees and equity investments. Bpifrance also provides operational services and strong support for innovation, export, and external growth in partnership with Business France. Bpifrance offers businesses a large range of financing opportunities at each key step of their development, including offers adapted to regional specificities. With its 47 regional offices (90% of decisions are made locally), Bpifrance represents a strategic tool for economic competitiveness dedicated to entrepreneurs. Bpifrance intervenes by providing support to initiatives spearheaded by the French State and the Regions to address three goals: contribute the growth of SMEs; prepare tomorrow’s competitiveness, contribute to the development of a positive entrepreneur ecosystem.

Employee-elected Supervisory Board members

None.

Non-voting Observer (Censeur)

Dr. Bali Muralidhar, Chief Investment Officer at MVM Life Science Partners LLP.

Cooptations

None.

Number of qualifying shares to be held by each Supervisory Board member

None.

Number of female members (Article L. 225-37 of the French Commercial code, from the law of January 27, 2011)

The Company's Supervisory Board has three female members. At the date of this Report, Valneva SE meets the statutory requirement providing that women represent at least 20% Supervisory Board membership.

Term of office

Recommendation No. 9 of the MiddleNext Code does not include provisions with respect to terms of appointments. In contrast, it is recommended that the Supervisory Board ensures 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 Company's Articles of Association at three years (one year being understood as the period between two consecutive Annual General Meetings), in accordance with the law. However, in contrast to the recommendation of the new MiddleNext Code, the renewals of offices are not scattered[181].

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 the Company's Annual Management Report 2016[182].

The members of the Supervisory Board comply with the rules governing multiple appointments under French law (article L. 225-21 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 *Sociétés Anonymes* with a head office in France, it being understood that (a) this number does not include directorships or Supervisory Board memberships in companies controlled by Valneva SE within 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 and which are controlled, within the meaning of article L 233-16 of the French Commercial code, by a single company, count as one directorship, provided that the number of such directorships does not exceed five.

No Supervisory Board member can legally exercise a management function in the Company, the MiddleNext Code Recommendation (Recommendation No. 1) whereby a board member "manager" must not accept more than two offices in other listed companies is not relevant in the case of Valneva SE.

[181] See Section 7 of this Chairman of the Board Report.
[182] See Section B.1.1 (b) of this Registration Document.

1.3. Independence of the Supervisory Board members

1.3.1. Criteria for independence of the Supervisory Board members

There are five criteria from which the independence of Supervisory Board members can be presumed and which is characterized by the absence of any significant financial, family or personal relationship likely to affect their independence of judgment:

- they must not have been, during the last five years, an employee or corporate officer of the Company or a company of the Group;
- they must not have had any material business relationship with the Company or the Group for the last two years (as a client, supplier, competitor, service provider, creditor, banker, etc.);
- they must not be a reference shareholder of the Company or hold a significant percentage of voting rights;
- they must not have a close relationship or close family ties with a corporate officer or a reference shareholder;
- they must not have been a Statutory Auditor of the Company in the course of the previous six years.

1.3.2. Number of Supervisory Board members qualified as independent

In accordance with the criteria for independence defined above, the Company considers that Messrs. Munoz, Sulat, Von Gabain and Clemens and Ms. Graffin meet all these criteria and consequently are independent members of Valneva SE's Supervisory Board. Therefore, the Company meets Recommendation No. 3 of the MiddleNext Code which advises a minimum of 2 independent members.

1.3.3. Conflicts of interests involving the Management Board, the Supervisory Board and executive 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 Company's knowledge, there is no potential conflict of interests between the duties of the members of the Management Board and the Supervisory Board and their private interests and/or other duties.

To the Company's knowledge, 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[183].

1.3.4. Other persons present at Supervisory Board meetings

Management Board members are invited to attend every Supervisory Board meeting. Mr. Thomas Lingelbach, Chair of the Management Board, Franck Grimaud, Managing Director, and Reinhard Kandera, Management Board member and CFO, have been present at virtually all Supervisory Board meetings held since the merger with Intercell AG in May 2013.

[183] Please refer to Section E.2.4 of this Registration Document, concerning the shareholders agreement executed between the company Groupe Grimaud La Corbière SA, the Fonds Stratégique d'Investissement (now Bpifrance Participations SA), Messrs. Franck Grimaud, Thomas Lingelbach and Reinhard Kandera.

Also attending these meetings are Mr. Frédéric Jacotot, General Counsel and Secretary to the Supervisory Board, and the non-voting observers (Bpifrance Participations, represented by Ms. Maïlys Ferrere until June 30, 2016, and Mr. Bali Muralidhar as from January 27, 2017).

The Joint Statutory 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 DECEMBER 31, 2016

2.1. Role and work of Valneva SE's Supervisory Board

2.1.1. Role of the Supervisory 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 also can remove them in accordance with the provisions provided for by statute and the Company's Articles of Association.

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

At any time during the year, it conducts reviews and controls it considers appropriate and shall be provided with all documents it considers useful to fulfill 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 Company's 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 to L. 225-90 of the French 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, 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 Managing Directors, decisions on their remuneration and leaving terms;

(iv) submission of draft resolutions to the General 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 General Meeting and exercise of delegations of authority or delegations of powers granted by General 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 General Meeting relating to any amendment to the Company's 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 business, 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) grants of options entitling their holders to subscribe for newly issued shares (*options de souscription d'actions*) or to acquire existing shares (*options d'achat d'actions*), grants 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);

(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 and Governance 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.

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 Supervisory Board delegating to the Committees the powers exclusively given to it by the law or the Company's Articles of Association, or in any decrease in, or limitation of, the powers of the Supervisory Board.

2.1.2. Holding of the Supervisory Board meetings and attendance rate

Valneva SE's Supervisory Board met 16 times in the fiscal year 2016. The average attendance rate of the Supervisory Board was 93.16%. The Supervisory Board members thus comply with Recommendation No. 7 of the MiddleNext Code relating to the Supervisory Board's conduct of business rules, and notably meeting attendance.

A record of attendance is signed by all Supervisory Board members present.

All members of the Supervisory Board were present at the Combined General Meeting held on June 30, 2016. In consequence, the Company is also in compliance with Recommendation No. 1 of the MiddleNext Code relating to the Supervisory Board conduct of business rules, and notably meeting attendance.

Minutes are drawn up for every Supervisory Board meeting and submitted for approval to each Supervisory Board member before the next meeting is held.

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 for the following calendar year.

Furthermore, Valneva SE sends 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 eight Supervisory Board members. The Management Board may inform the Supervisory Board members of major events and provide additional information outside meetings. Consequently, the Company applies Recommendation No. 4 of the MiddleNext Code. However, in contrast to this Recommendation, the Rules of procedures of the Supervisory Board do not define specific requirements for issuing this information. Instead, it is incumbent on each Supervisory Board member to ensure that they receive this information in a timely manner.

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. 1 of the MiddleNext Code).

2.1.4. Purpose of meetings

For the year 2016, the Supervisory Board considered and/or decided on the following matters:

- Quarterly Reports from the Management Board;
- Management Board performance appraisal and bonus for 2015;
- Management Board goals and objectives for 2016;
- R&D activities;
- Investor relations;
- Review of the statutory financial statements for the year ended on December 31, 2015;
- Review of the consolidated financial statements and management report for the year ended December 31, 2015;
- “Vigilance points” under the MiddleNext governance code;
- Authorization to grant stock options;
- Authorization to grant equity warrants (BSAs);
- Supervisory Board report to shareholders;
- Management Board’s Special Reports;
- Report by the Chairman of the Supervisory Board on the preparation and organization conditions of the Supervisory Board and the internal control procedures;
- Draft resolutions to be submitted to the shareholders;
- Related party transactions;

- Change of the registered offices;
- Reimbursement of the travel expenses of the non-voting observers (*censeurs*);
- Authorization to issue shares in connection with an Equity Line;
- Company policy on equal opportunity employment and wages;
- Appointment of the Chairman and Vice-Chairman of the Supervisory Board, and Committees chairmen;
- Recognition of the status of a Supervisory Board member as independent;
- Allocation and adjustment of attendance fees;
- Approval of a finance agreement with the European Investment Bank;
- Authorization to pledge Valneva Austria GmbH shares;
- Corporate development strategy and strategic projects;
- Quarterly Reports from the Management Board;
- Review of consolidated half-year financial statements and Management Board report;
- Risk management;
- Research strategy;
- Updating of the Supervisory Board's Rules of procedure;
- Supervisory Board self-evaluation;
- Investment project of MVM in the Company;
- Appointment of a non-voting observer (*censeur*);
- Conflicts of interests;
- 2017 budget.

2.1.5. The Supervisory Board's Rules of procedure

In compliance with Recommendation No. 7 of the MiddleNext Code, Valneva SE's Supervisory Board has Rules of procedure which may be consulted on Valneva's website: www.valneva.com. A hardcopy can also be requested from the following address: Valneva SE, 6 rue Alain Bombard, 44800 Saint-Herblain, France, or by email from: investors@valneva.com.

These Rules of procedure set forth the missions and objectives of the Supervisory Board and its Committees, as well as its operating procedures. It was updated on September 27, 2016, following the publication of the new edition of the MiddleNext Governance Code published on September 14, 2016.

2.1.6. Evaluation of the work of the Supervisory Board

Recommendation No. 11 of the MiddleNext Code provides that the Supervisory Board should conduct a yearly evaluation of its work. This self-evaluation was conducted on March 18, 2016.

2.2. Committees

In compliance with Recommendation No. 6 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 three members, as follows:

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

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 members and Chairman of the Supervisory Board, Committees or Management Board. It shall also issue recommendations on the candidates considered, in terms of expertise, availability, appropriateness and complementarity with other Supervisory Board members and Management Board members;
- at any time, be in a position to formulate proposals on potential successors to the Chairman of the Management Board or Supervisory Board; and
- issue recommendations, upon Management Board request, on the appointment or resignation of a member of the Board of Directors (or any equivalent body), and on the appointment or 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 performance of the Company's corporate officers, on one hand, and with the Company's strategy on the other hand, and verify that these rules are applied properly;
- make recommendations to the Supervisory Board relating to the overall amount of Supervisory Board members' attendance fees to be proposed to the General Meeting, and on the allocation of these attendance fees between said Supervisory Board members;
- examine the Management Board's policy and projects with respect to rights issues reserved to employees; and
- assist the Supervisory Board in the drafting of sections of the annual Report that fall within the scope of its remuneration.

2.2.2. Audit and Governance Committee

Composition

The Audit and Governance Committee is composed of three members, as follows:

- Mr. James Sulat, Chairman of the Committee;

- Bpifrance Participations, represented by Ms. Maïlys Ferrere; and
- Ms. Lisa Shaw-Marotto.

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; it shall 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 separate accounts and consolidated financial statements; and
  - procedures for preparing detailed financial information to be provided to shareholders and to the market, and Company press releases relating to accounting and financial information;
- oversight of the Statutory Auditors and ensuring that conditions guaranteeing the independence of these Statutory Auditors exist through the following procedures:
  - steering of the selection procedure applicable to the Statutory Auditors;
  - submission of recommendations to the Supervisory Board on the Management Board's proposals to the General Meeting 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;
  - monitoring that the Statutory Auditors comply with the rules governing their independence;
  - approval of services other than the certification of accounts, after analyzing risks affecting the independence of auditors and the safeguard measures adopted;
  - supervising the audit assignment of the statutory auditors, taking into account, as applicable, items noted by the French Superior Council of Statutory Auditors (*Haut Conseil du Commissariat aux Comptes*) following an audit;
- 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 Supervisory 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 Annual 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 on the risk exposure and significant off-balance sheet commitments.

This Committee reports on a regular basis to the Supervisory Board on the performance of its mission and informs the Supervisory Board immediately in the event of a problem. The Committee also reports to the Supervisory Board on the results of the accounts certification assignment so as to contribute to the integrity of financial information, and the role it played in this process.

2.2.3. Strategy Committee

A Strategy Committee has been provided for under the Supervisory Board's Rules of procedures. 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.

2.2.4. Scientific Committee

Composition

The Scientific Committee is composed of three members, as follows:

- Mr. Ralf Clemens, Chairman of the Committee;
- Mr. Alexander Von Gabain; and
- Mr. Alain Munoz.

The Committee meets as often as required to serve the Company's interests, at least twice per year.

Duties

The Committee shall:

- examine the R&D strategy developed by the Management Board and make recommendations to the Supervisory Board;
- provide an opinion to the Supervisory Board on the achievement by the Management Board of objectives relating to R&D;
- stay informed about new scientific developments of critical importance to the success of Valneva's R&D and offer an opinion to the Supervisory Board regarding any scientific technical or R&D-related subject;
- provide an opinion or recommendations to the Supervisory Board regarding projects or operations concerning Valneva's projects in research or under development; and
- provide assistance to the Supervisory Board for work evaluating and overseeing the Company's R&D strategy.

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 Company's Articles of Association that can be consulted at Valneva' website: www.valneva.com. A hardcopy can also be requested from the following address: Valneva SE, 6 rue Alain Bombard, 44800 Saint-Herblain - France, or by email from: 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 Group, 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 the Audit and Governance Committee. 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 Group 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. The Supervisory Board is assisted in this mission by three Committees.

The Executive Committee

The Executive Committee currently includes ten 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. 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; and
- Mr. Michael Möhlen, VP Corporate Technical Development.

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

The Executive Committee meets once a month to review the performance of the Group. 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 compliance 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 Valneva's legal interests and ensuring compliance with applicable laws and regulations, notably by implementing and updating the Group's corporate compliance program.

Quality Assurance

Valneva manufactures marketed vaccines in pre-clinical phase 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 the Company's Annual Management Report for 2016[184].

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 for the Group, telephone or video conference meetings of each Department Head and the Risk Manager are organized. With respect to scientific matters, the Group also retains the services of consultants on certain specific topics to validate its choices.

Concerning intellectual property risks, the Group 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 within the Group, studies are conducted. Studies are also conducted regularly for the older technologies. This way, it is possible to determine if there is a need to acquire new licenses.

As an additional measure, the Group 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 €20 million.

The Group also safeguards its property and intangible assets. The Company has established systems for the double storage of data and cells at different sites.

For market and financial risks, the Group monitors its cash position on a monthly basis.

[184] See Sections A.5.1 and A.5.2 of this Registration Document.

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, and excludes use of SICAV open-ended investment funds and mutual funds that seek to boost their performance by investing in risk assets.

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:

- the reliability of the Company's financial statements established in accordance with French GAAP;
- the 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 Group.

Participants

These include the Management Board, the Finance Department, under the oversight of the Supervisory Board and the Audit and Governance 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.

In the Group's smaller entities, it is not possible to separate functions and a single person is responsible for accounting, payroll and management control.

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 Group 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 Department 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 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 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.

Quarterly reporting: 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 2015, considering the size of the Group, the Company 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 were prepared for the first time in 2016. These documents are for internal use only (including the French Works Council and the Statutory Auditors) and are not available to the public. In accordance with applicable law, these documents only relate to the parent entity "Valneva SE" and do not include any subsidiary.

Preparation of financial statements

Participants

The annual separate 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 Group's 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 separate 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.

A meeting is subsequently organized for the purpose of taking into account the observations of the Joint Statutory Auditors. Persons attending this second meeting include the Chief Financial Officer, the Deputy CEO, the Chief Executive Officer, the Vice-President in charge of Finance, and the Head of Corporate Accounting and Tax. The Joint Statutory 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 General Meetings) remain coherent with the accounting.

The consolidated financial statements of Valneva Group and the separate financial statements are audited by the Joint Statutory Auditors, Deloitte et Associés, and PricewaterhouseCoopers.

The interim financial statements are subject to a limited review by the Joint Statutory Auditors. The quarterly financial statements are not reviewed by the Statutory 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, the ERP system of the Valneva Group. The newly acquired entity Valneva Sweden AB (acquired in 2015) 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.

In November 2016, Valneva Austria GmbH accounting system upgraded to AX 2012, but is then imported into AX4 where the consolidation takes place.

At year-end, AX accounting data for the Valneva SE entity is then transferred to the "*États 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 Statutory Auditors and/or an 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 applies Recommendation No. 13 of the MiddleNext Code on the definition, structure 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

Recommendation No. 15 of the MiddleNext Code provides that the suitability of holding an employment contract while serving as a corporate officer shall be determined by the Supervisory 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. He does however have 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 (Recommendation No. 13 of the Middlenext Code).

Concerning fringe benefits, one member of the Management Board has unemployment insurance paid by the Company. The Company also provides and pays for a long-term life and endowment insurance policy. Two members of the Management Board currently benefit from this insurance policy.

Further information on the fixed remuneration and fringe benefits of Management Board members for the fiscal year 2016 is provided in the Company's Annual Management Report for 2016[185].

6.3. Variable remuneration

Management 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 the recommendation of the Nomination and Compensation Committee.

The goals and objectives are set for each officer according to the Valneva's goals and objectives. 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.

When the Management Board achieves exceptional results exceeding the specified objectives, the Supervisory Board, on the recommendation of the Nomination and Compensation Committee, may decide to grant an exceptional bonus. This bonus, when granted, is generally for an amount considerably less than the performance bonus. For 2016, the exceptional bonus represented 15% of the maximum performance bonus.

Further information on the variable remuneration of Management Board members for the fiscal year 2016 is provided in the Company's Annual Management Report for 2016[186].

[185] See Section B.2.2 of this Registration Document.
[186] *Idem*.

6.4. Valneva SE Stock option and/or 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 options or free shares, by putting in place several plans[187]. The Company consequently applies the Recommendation No. 18 of the MiddleNext Code on stock options and free shares. The number of options or shares granted to each employee notably depends on his or her job category.

In the past, the granting of free shares and/or stock options to corporate officers was linked to the achievement of major goals of the Company. However, certain stock options or free shares may be granted to corporate officers without reference to performance criteria. In this respect, the Company does not apply the Recommendation No. 18 of the MiddleNext Code on the exercise and vesting conditions for free shares and stock options. In contrast, the Company links the full vesting of shares or the exercise of stock option to criteria of attendance (except in case of divestitures, where deviations were approved by the Company's Management Board), 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 within the Group 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 options 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 L. 225-197-1 to L. 225-197-3 of the French Commercial code, as well as in the Company's Annual Management Report 2016[188].

6.5. Severance benefits

Recommendation No. 16 of the MiddleNext Code 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 executed with the Company. The severance terms applying to Messrs. Thomas Lingelbach and Reinhard Kandera are set out in their Management Agreement executed with the Company's subsidiary Valneva Austria GmbH[189].

[187] See Sections B.2.2 (e) and (f) of this Registration Document.
[188] See Sections B.2.2 (c) to (f).
[189] See Section B.2.2 (g) of this Registration Document.

The severance package of the Management Board members is not, however, in full compliance with the Recommendation No. 16 of the MiddleNext Code[190].

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[191].

6.7. Attendance fees

On June 30, 2016, the shareholders voted and granted the Supervisory Board €280,000 as attendance fees for the period from June 1, 2016 until May 31, 2017 and all subsequent 12-month periods, unless otherwise decided. In contrast to the Recommendation No. 10 of the MiddleNext Code, payment of these fees is not contingent upon meeting attendance by the Supervisory Board members. In practice, the Company has not experienced any difficulty in respect of attendance, and the Supervisory Board members generally are present and remain available to fulfill their duties[192].

7. TABLE OF MIDDLENEXT RECOMMENDATIONS NOT FULLY IMPLEMENTED

Recommendations	Divergence	Reasons
No. 4	The Rules of procedure do not specify the practical procedures for providing information to the Supervisory Board members.	The Rules of procedure provide that it is incumbent on each Supervisory Board member to make sure they received the necessary information in a timely manner.
No. 9	The renewal of terms of office is not staggered.	Upon the creation of Valneva SE (through Vivalis SA/Intercell AG merger in 2013), short terms of office (set at 3 years) were considered to be adapted to the nature of the Company's business, and an identical term length was considered necessary to maintaining the post-acquisition balance of powers on the Supervisory Board.
No. 10	The payment of attendance fees is not linked to the level of attendance.	The Company devotes considerable efforts to preparing the calendar for meetings. In practice, the level of attendance is excellent.
No. 16	In certain cases, notably in the case of a dismissal without just cause more than two years after the end of the term of office, the severance benefits may exceed two years of remuneration.	The severance benefit is derived from Austrian legal provisions and comparable to a penalty clause to the extent it is contingent on the reasons for the dismissal and the time of its occurrence. Accordingly, no severance payment is payable in the case of premature termination for cause or non-renewal at the end of the office's term (June 2019).
No. 18	The exercise of stock options and the definitive grant of free convertible preferred shares are not subject to performance criteria.	Stock options, which are no longer currently granted to corporate officers, represented a means to partially offset an amount of compensation lower than that paid by most of Valneva's competitors. Concerning free convertible preferred shares, the deviation is in appearance only. In fact, it is the conversion of the shares and not their final grant which creates the benefit for the manager. However, this conversion is subject to very demanding conditions regarding the price of the Valneva SE share.

[190] See Section 7 of this Chairman of the Board Report.
[191] See Section B.2.2 (g) of this Registration Document.
[192] See Section 2.1.2 of this Chairman of the Board Report.

8. 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 the Company's Annual Management Report 2016[193].

March 21, 2017

Frédéric Grimaud

Chairman of the Supervisory Board

[193] See Section E.2 of this Registration Document.

STATUTORY AUDITORS' REPORT

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

World Trade Center Lyon - Tour Oxygène
10-12, boulevard Marius Vivier Merle
69003 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, 2016

PricewaterhouseCoopers Audit

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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, 2016

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, 2016.

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.

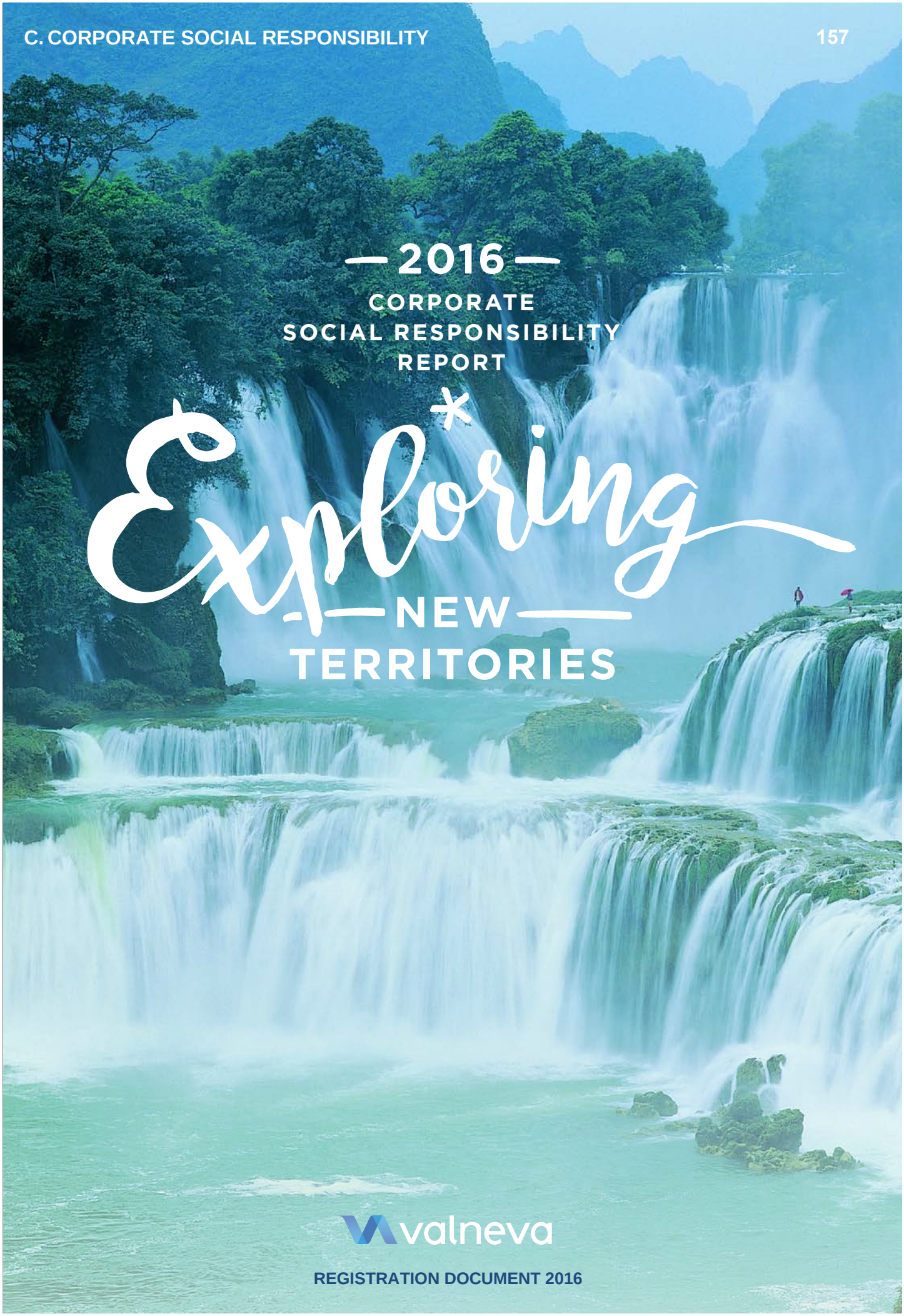
Other information

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 21, 2017

The Statutory Auditors

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


2016
CORPORATE
SOCIAL RESPONSIBILITY
REPORT
Exploring
NEW
TERRITORIES
valneva

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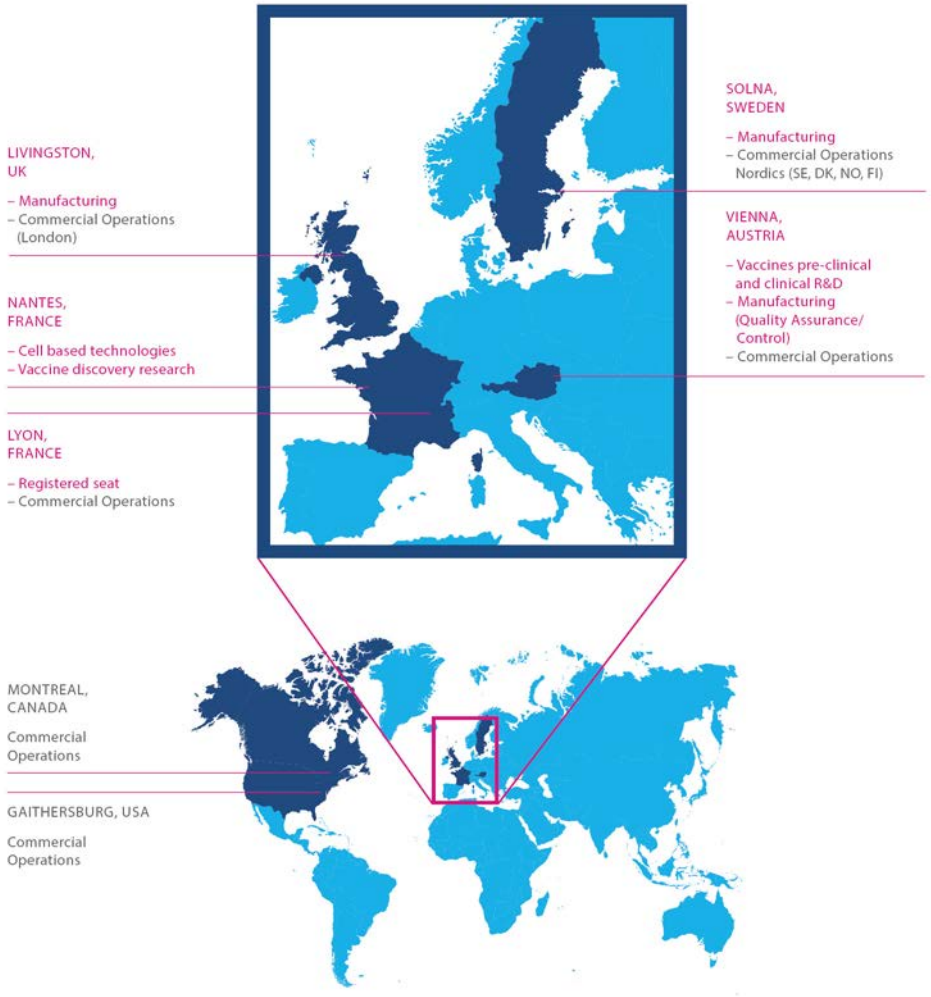
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ABOUT THIS REPORT

*This 2016 Corporate Social Responsibility Report offers a close look at Valneva's Corporate Social Responsibility ("**CSR**") priorities and practices. It also describes the challenges the Group face and its progress. This Report highlights initiatives that illustrate CSR in action in Valneva's day-to-day work. The sections of this Report reflect the Group's four pillars with respect to its CSR strategy: Protecting Lives, Ethics, People and Environment.*

Valneva: a worldwide vaccine company

Valneva's vision is to contribute to a world where no one dies or suffers from a vaccine-preventable disease. As new infectious diseases are emerging globally, Valneva's role is to develop innovative lifesaving vaccines to address global health needs. In 2016, Valneva dedicated 25% of its revenues to Research & Development ("**R&D**"), working on clinical candidates against diseases such as *Clostridium difficile*, Lyme disease, Zika or Chikungunya, for which no preventative treatments currently exist. Valneva also continued to expand its commercial network to ensure global availability of its products. The Group is dedicated to patients and will pursue its efforts to develop innovative prevention against infectious diseases in the coming years, ensuring the way it operates is both sustainable and responsible.



MESSAGE FROM THE MANAGEMENT

Contributing to saving lives

"*Sustainability at Valneva is inherent to what we do. As a fully-integrated vaccine company, the biggest contribution we can make to society is to improve people's access to innovative preventative medicine and develop solutions that meet global healthcare needs. The United Nations Sustainable Development Goals offer a sound avenue to address these challenges and reach universal healthcare coverage by 2030. Valneva contributes to these targets.*

We also want to ensure the way we contribute to improving health and saving lives is one which is both sustainable and responsible. Building a sustainable business model is the foundation of Valneva's engagement to its stakeholders and has been at the heart of the Group's strategy since its creation in May 2013. By growing our business and extending access to our vaccines, we are improving people's health and ensuring long term commercial success to create value for our stakeholders.

Our innovation and corporate responsibility efforts can only be successful if they are embedded in a culture of high ethical standards. While expanding access to healthcare and contributing to medical innovation, we have also reinforced our culture of integrity with the launch of our Code of Conduct and our Anti-bribery and Anti-Corruption Policy.

By promoting values such as integrity and collaboration, we are creating a strong behavioral framework, which helps shape the interactions of our people with patients, healthcare professionals and society at large. With 29 nationalities represented at Valneva, our employees are challenged to think differently and heighten cultural agility.

As we expand our activities, we look at ways to reduce our environmental footprint in the areas of research, production and distribution while also improving our material and waste management.

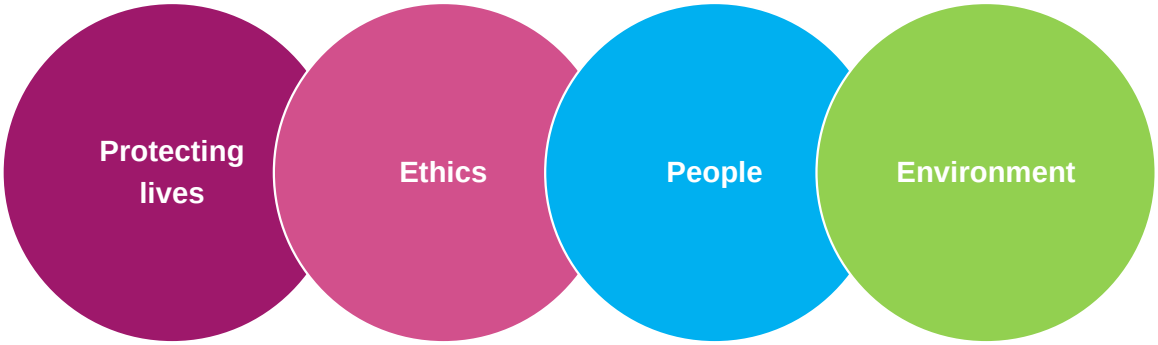
Through these efforts, we are strengthening our foundation and securing the Group's future. How we deliver success is just as important as achieving it."

Thomas Lingelbach **Franck Grimaud** **Reinhard Kandera**

VALNEVA'S CSR APPROACH

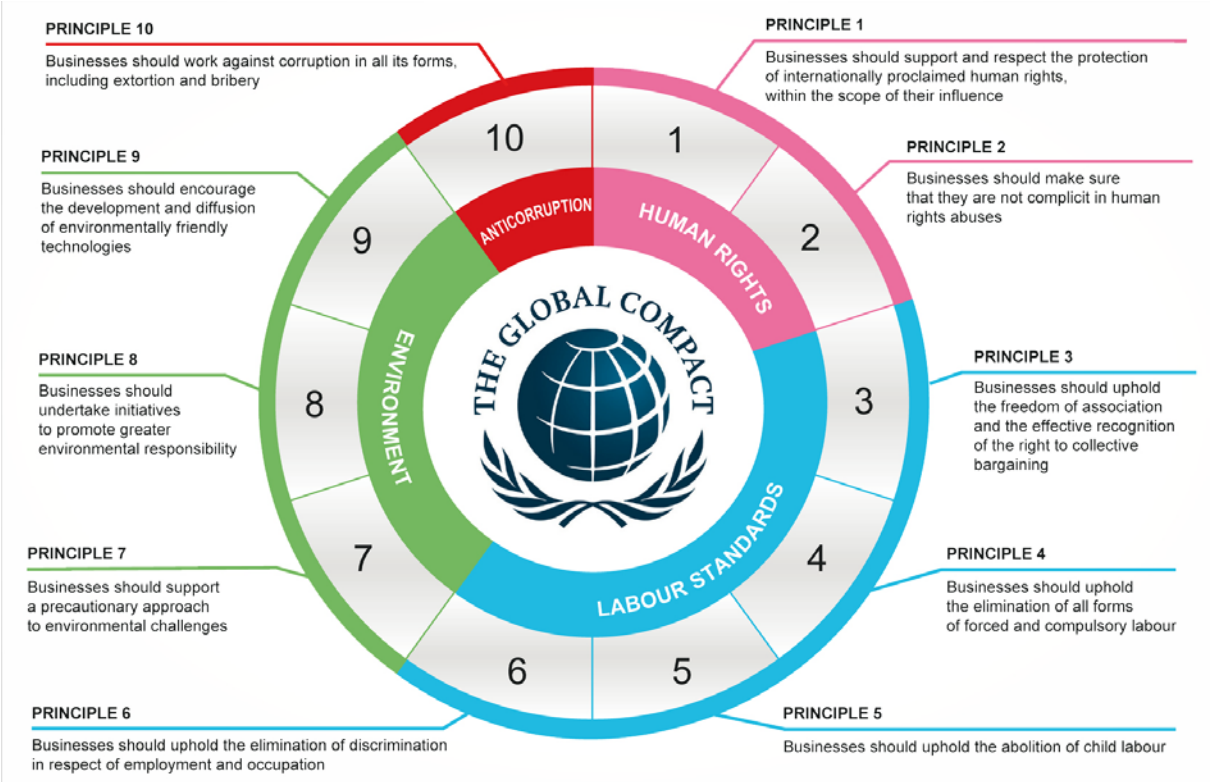
A four-pillar strategy

The Group has defined long-term responsible business commitments which reflect global health needs and sit across four key focus areas. The four pillars defined by Valneva form the foundation of the Group's CSR approach. Valneva devotes particular attention to its first pillar: Protecting lives. The second pillar covers Ethics (both in R&D and Business). The third pillar focuses on the Group's employees, or, more specifically, on "People Development". Protecting the Environment by preventing pollution, managing waste and controlling energy consumption, represents Valneva's fourth pillar.



The United Nations Global Compact

In line with its CSR approach, Valneva supports the United Nations Global Compact and incorporates its ten principles into its strategies, policies and procedures.



PROTECTING LIVES

Valneva is engaged in the research, development and distribution of vaccines with the aim of protecting people from severe infections, and reducing morbidity and mortality. The Group provides vaccines to consumers across the globe. Ensuring their safety is one of the most important Valneva's requirements.



Presence and impact of the Group in terms of access to healthcare

Valneva's commercial vaccines, namely IXIARO® and DUKORAL®, address two life-threatening diseases.

IXIARO®/JESPECT is a next-generation vaccine indicated for active immunization against Japanese encephalitis; about 70,000 new cases are recorded every year, of which 20% to 30% are fatal.

DUKORAL® is indicated against cholera (and in some countries, against *Enterotoxigenic escherichia coli* ("**ETEC**")). About 3 to 5 million cases occur every year, leading to 100,000 to 120,000 deaths.

Valneva is continuously expanding its marketing and distribution network to ensure its vaccines are available all over the world. In 2016, Valneva successfully established three new commercial offices located in Canada, United Kingdom and Austria. The Group also signed additional marketing & distribution agreements in countries where it cannot distribute its vaccines itself.

Valneva's Japanese encephalitis vaccine is available in India through Valneva's partner Biological E., under the trade name JEEV®. JEEV® protects small children and adults and was prequalified by the World Health Organization ("**WHO**").

Valneva also granted to Adimmune the right to commercialize JEVAL® in Taiwan (where the disease is endemic), including the right to locally fill and pack JEVAL® by using bulk product delivered by

Valneva. In 2016, Adimmune was granted marketing approval for Valneva's Japanese encephalitis vaccine by the *Taiwanese Food & Drug Administration*.

Through the development of its commercial network, Valneva also distributes other third-party products to protect people against diseases such as typhoid and influenza.

Offering free doses of DUKORAL® vaccine to the Canadian Olympic Team

In September 2016, Valneva Canada Inc. ("**Valneva Canada**") donated doses of the DUKORAL® vaccine to over 600 athletes, trainers and staff travelling to Rio for the Olympics, to help protecting them from cholera and diarrhea caused by ETEC. Valneva also partnered with the Canadian Olympic Foundation and a local travel clinic to offer a free DUKORAL® vaccination to 50 friends & family accompanying the Canadian athletes to Rio.

Supporting the Baan Dek Foundation

To reinforce its involvement in offering access to healthcare, Valneva decided in 2016 to officially support the Baan Dek Foundation, a Thai registered foundation which aims to foster children's education, health and safety in Thailand.



In 2016, the Baan Dek Foundation supported 1,147 vulnerable children throughout 26 slums and construction communities in Chiang Mai. To complement its donation, Valneva raised awareness on the Foundation's work and additional funds through the creation of its Christmas card and distribution, to its employees, of Christmas gifts coming from the Foundation.



Supporting additional "Access to healthcare" initiatives

Throughout the year 2016, Valneva supported additional initiatives which contributed to improving access to healthcare. Valneva Austria GmbH (« **Valneva Austria** ») collected funds for Neunerhaus (www.neunerhaus.at), an organization that supports homeless people by providing dental care. Valneva Sweden AB (« **Valneva Sweden** ») supported Wateraid, an organization that strives to provide people with clean water, safe sanitation and hygiene education worldwide. Employees at Valneva Scotland Ltd. (« **Valneva Scotland** ») collected funds for the Macmillan Cancer Support charity, one of the largest British charities providing specialist health care, information and financial support to people affected by cancer. Scottish employees also organized a cake sale to collect funds for the British Heart Foundation and took part to the Rucksack and Handbag Appeal Day 2016, an initiative which supports homeless people by keeping them safe, well and warm.

Fighting specific diseases in Valneva's areas of expertise

Valneva spends approximately 20% of its revenues in the development of innovative lifesaving vaccines. The Group currently works on the development of vaccine candidates against diseases such as *Clostridium difficile*, Lyme disease, Zika or Chikungunya, for which no preventative treatments currently exist.

In 2016, Valneva SE announced successful Phase II results for its Clostridium difficile vaccine candidate, a nosocomial disease which affects approximately 400,000 people in the United States and 172,000 in European Union member states, for which there are currently no approved vaccines. Valneva SE also announced the successful generation of a highly-purified Zika vaccine candidate in response to the international health emergency declared by the WHO. Valneva is now looking for partners to pursue the development of these two vaccines.

Valneva recently launched the Phase I clinical trial of its Lyme disease vaccine candidate in the US and in Europe. Currently, there is no licensed vaccine available to protect humans against Lyme disease, a multi systemic tick-transmitted infection that can cause serious health problems and disabilities. Each year, an estimated 300,000 Americans and 85,000 Europeans develop Lyme disease and according to the Centers for Disease Control and Prevention ("**CDC**"), it is the fastest growing vector-borne infectious disease in the United States.

Valneva's other pre-clinical projects focus on diseases with unmet medical needs, such as Chikungunya (CHIKV) and Human metapneumovirus (hMPV).

Over the last couple of years, Valneva has also played an important role in the process development and manufacturing of GMP material for Janssen/Johnson & Johnson's new Inactivated Polio Virus ("**IPV**") vaccine candidate, setting-up and running the production process from the Valneva Sweden site. The program is part of the Global Polio Eradication Initiative, a public-private partnership led by national governments with different partners such as the WHO, the Rotary International, the US CDC and the United Nations Children's Fund (UNICEF), whose goal is to eradicate polio worldwide. The Phase I Clinical Trial Application was recently approved by the Belgium authorities and the vaccine will now be tested in humans. Valneva Sweden will continue to produce IPV material for Phase II in 2017.

Valneva also contributes to large scale vaccine manufacturing and availabilities of vaccines through the licensing of its innovative vaccine production platform EB66®. In 2016, the Group supplied EB66®-based pre-pandemic influenza vaccines in Japan.

Patient safety

All medicinal products in the European Union 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 its products to ensure that any aspect which could impact the safety profile is detected and assessed. Valneva's Medical Affairs and Pharmacovigilance team oversees the scientific and medical

aspects of clinical development at Valneva and ensures appropriate flow of safety information. Healthcare professionals and vaccine users have direct access, by phone or email, to Valneva Medical Information Professionals who can provide physicians with timely and accurate information on the Group's products.

Valneva ensures maintenance of the Global Safety Database and reporting of information to Competent Authorities, in accordance with applicable regulations in territories where Valneva has a marketing authorization for IXIARO®/JESPECT® 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. The quality approach relating to pharmacovigilance is set forth in a Quality Manual (GQP-0021) and in the Individual Standard Operating Procedures.

Valneva's production facilities operate according to high quality standards. These standards are regularly challenged by the Group's partners and by regulatory authorities such as the US Food and Drug Administration, the Swedish Medical Products Agency, the UK Medicines & Healthcare products Regulatory Agency or the Austrian Agency for Health and Food Safety, through qualification verifications and inspections. In 2016, Valneva also arranged a Pharmacovigilance audit carried out by external consultants to further improve processes and systems and ensure inspection readiness. Currently, as outlined in Valneva's Pharmacovigilance System Master File (PSMF), no critical or major audit findings are open. An audit plan is also in place to verify that the Group's partners operate according to the terms set up in the individual Pharmacovigilance Agreements and according to current regulation.

ETHICS

Because developing new vaccines means that the Group has a responsibility to its consumers, Valneva maintains the highest ethical standards, protecting trial subjects through solid R&D processes and continuously improving the Group's business integrity and transparency to preserve the trust of the patients and the communities it serves.



Ethics in R&D

As Valneva conducts research designed to develop new healthcare solutions, the Group must continually examine its practices and processes from an ethical standpoint and comply with constantly-evolving regulatory requirements.

Valneva has set up an in-house committee, the Research & Development Operational Committee ("**RDOC**"), and a framework, to guide the conduct of clinical trials.

Valneva's RDOC committee meets every month to carry out a thorough review of Valneva's clinical and pre-clinical pipeline and ensure that the research to be carried out by the clinical teams corresponds to a clinical need.

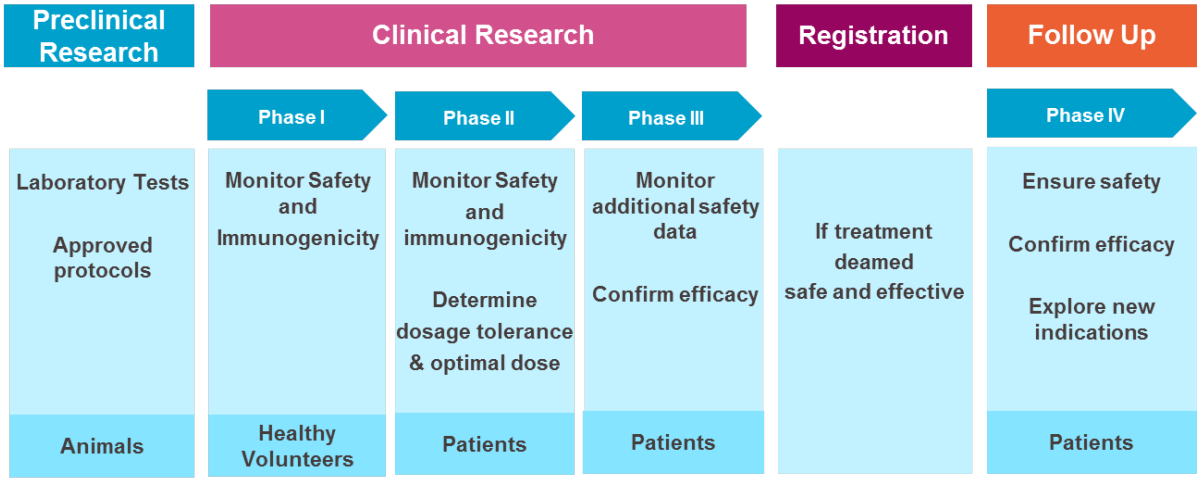
To complement the scientific review from Valneva's internal experts, the Group also resorts to external experts to ensure the approaches it adopts for its clinical trials are the most appropriate and effective.

When recruiting patients and healthy subjects for Valneva's clinical trials, the Group ensure it selects study sites with good clinical research infrastructures and that all study participants enrolled in any Valneva's clinical trial conducted have given their free and informed consent to participate in the trial. Individual informed consent must be obtained prior to any procedure or change in the procedure required by the study protocol, and before any data is collected. This consent process is the cornerstone of ethical recruitment of participants in Valneva's clinical trials.

To ensure respect for ethics across the Group's R&D activities, Valneva monitors and audit its processes, as it continuously seek to improve them:

+ Quality Control evaluates the performance of the manufacturing process to ensure adherence to specifications and limits, and assesses the suitability of incoming raw materials, components, containers, closures, labelling, in-process materials and final vaccine lots.
+ Quality Assurance involves the systematic and independent examination of all trial-related activities and documents. This includes sites audits, vendor audits and system/process audits, as well as inspections and pre-approval inspections.

How do clinical trials work?



Business Ethics

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. The Group's approach to business ethics is both proactive and preventive: we establish and enforce clear rules in accordance with the legislative framework and we implement rigorous in-house systems to prevent violations of internal rules. As ethics ambassadors, Valneva's employees are on the front line, working with integrity each day to ensure the business is run in a way that is ethical, sustainable and creates long-term value.

The Group's approach to business ethics and its commitment to preventing corruption have shaped the Valneva's Code of Conduct and the Anti-Bribery and Anti-Corruption Policy. In order to raise employee awareness and provide them with guiding principles on Ethics and Corporate Compliance, Valneva organized in 2016 mandatory Corporate Compliance and Anti-Bribery and Corruption trainings for all its employees.

Valneva's Code of Conduct

According to its Code of Conduct, Valneva is committed to conducting business ethically and responsibly and in compliance with applicable laws, rules and regulations. Valneva commits itself and expects every employee to live up to the highest standards of integrity in the common mission to develop new vaccines. The Group shares the vision to serve the medical community's needs and to seek significant returns to its stockholders in continued pursuit of excellent science for the fight against infectious diseases. Valneva tries to motivate and help every employee to contribute to the Group's success in achieving its goals.

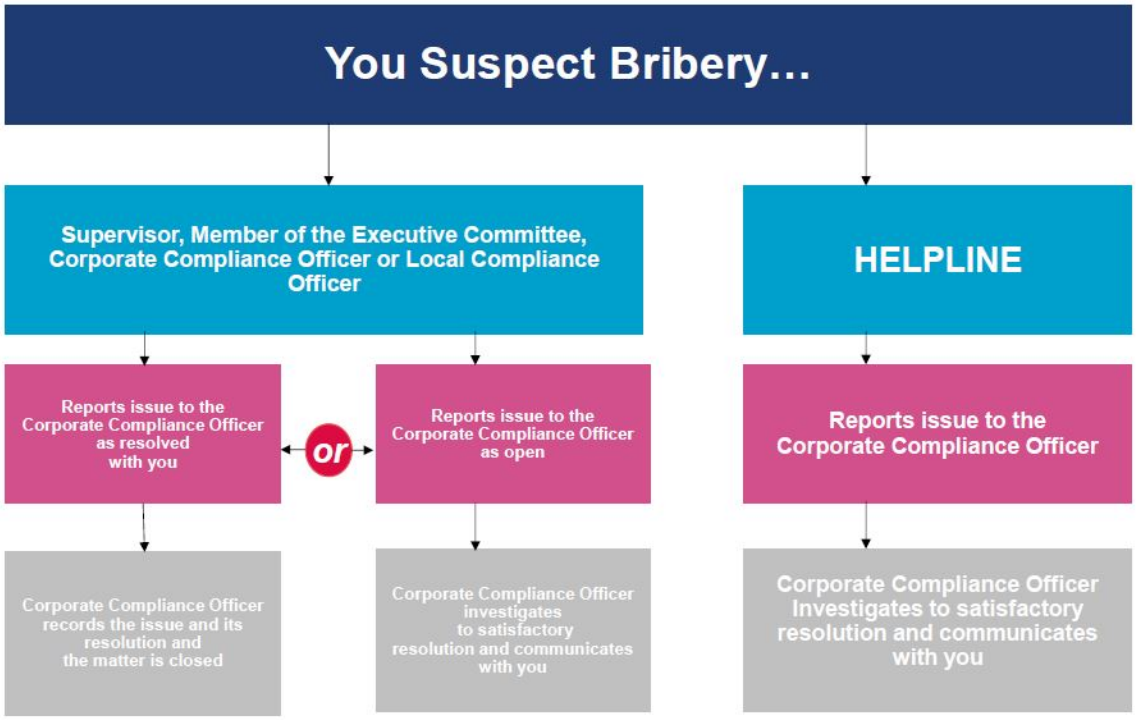
Valneva's Code of Conduct applies to all Supervisory Board Members, Management Board Members, directors and employees of Valneva SE and its subsidiaries.

Valneva's Anti-Bribery and Anti-Corruption Policy

In 2016, Valneva instituted its Anti-Bribery and Anti-Corruption Policy ("**ABAC**") to align its business with the best practices in the industry and the highest compliance and ethics standards. The ABAC policy builds upon the Code of Conduct by providing minimum standards, applicable worldwide, to ensure Valneva's business activities are conducted ethically and with integrity and do not attempt to improperly influence others (including by paying, offering, or accepting bribes in any form, directly or indirectly), and in compliance with all global anti-bribery and anti-corruption laws (including, but not limited to, the UK Bribery Act, the US Foreign Corrupt Practices Act (FCPA) and the Canadian Criminal Code and Corruption of Foreign Public Officials Act). Valneva has zero tolerance for bribery or corruption of any kind.

To further strengthen its ABAC compliance program, Valneva is using, since 2016, an external software allowing the Group to request, on a case-by-case basis, screenings of potential or existing counterparties, including distributors, consultants, business partners, key suppliers, etc. Screenings include financial and background checks identifying and prioritizing risks related to adverse media, issued sanctions, politically exposed persons, etc.

Valneva's Anti-bribery procedure

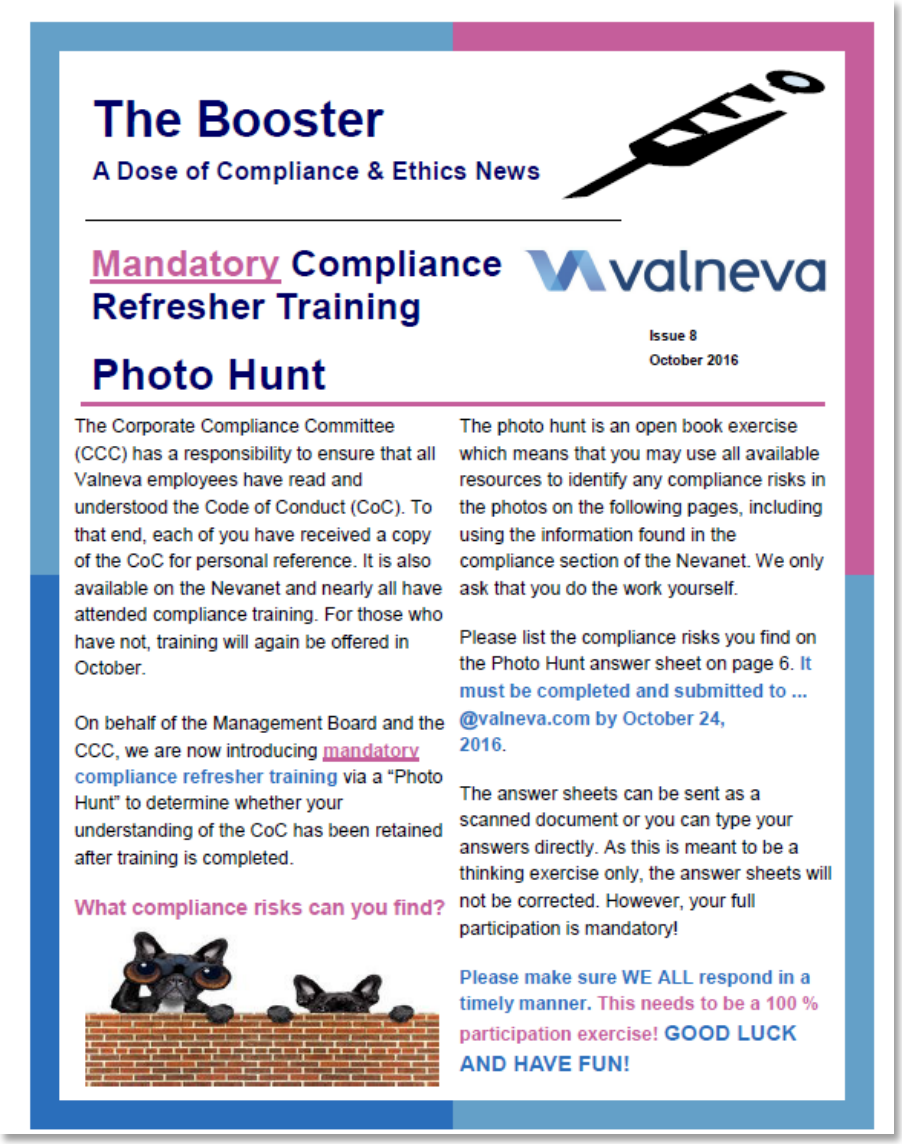


All Valneva employees have access to a secured compliance helpline system available 24/7. If an employee has a concern or believes in good faith that a law, a rule or one of the principles in Valneva's Code of Conduct has been, or is about to, be violated, such employee can inform its manager or one of Valneva's Compliance officers, or use the compliance helpline. Employees will not be disciplined or discriminated against for making any report, even if the facts reported prove to be inaccurate, provided that they have acted in good faith.

The Booster: A dose of Compliance & Ethics News

Valneva designates each September as Compliance & Ethics Month to bring greater awareness of compliance and ethics matters to employees. In 2016, the theme was "Compliance & Ethics Universe", which encouraged employees to re-familiarize themselves with specific compliance risk areas by visiting information booths each week on their respective site to collect an information brochure and have an opportunity to discuss with a Compliance team member.

In addition, Valneva's Corporate Compliance team published in 2016 four issues of its periodic compliance newsletter named "The Booster: A dose of Compliance & Ethics News".



The Booster

A Dose of Compliance & Ethics News

Mandatory Compliance Refresher Training

valneva

Issue 8
October 2016

Photo Hunt

The Corporate Compliance Committee (CCC) has a responsibility to ensure that all Valneva employees have read and understood the Code of Conduct (CoC). To that end, each of you have received a copy of the CoC for personal reference. It is also available on the Nevanet and nearly all have attended compliance training. For those who have not, training will again be offered in October.

On behalf of the Management Board and the CCC, we are now introducing mandatory compliance refresher training via a "Photo Hunt" to determine whether your understanding of the CoC has been retained after training is completed.

What compliance risks can you find?

The photo hunt is an open book exercise which means that you may use all available resources to identify any compliance risks in the photos on the following pages, including using the information found in the compliance section of the Nevanet. We only ask that you do the work yourself.

Please list the compliance risks you find on the Photo Hunt answer sheet on page 6. It must be completed and submitted to ... @valneva.com by October 24, 2016.

The answer sheets can be sent as a scanned document or you can type your answers directly. As this is meant to be a thinking exercise only, the answer sheets will not be corrected. However, your full participation is mandatory!

Please make sure WE ALL respond in a timely manner. This needs to be a 100 % participation exercise! GOOD LUCK AND HAVE FUN!

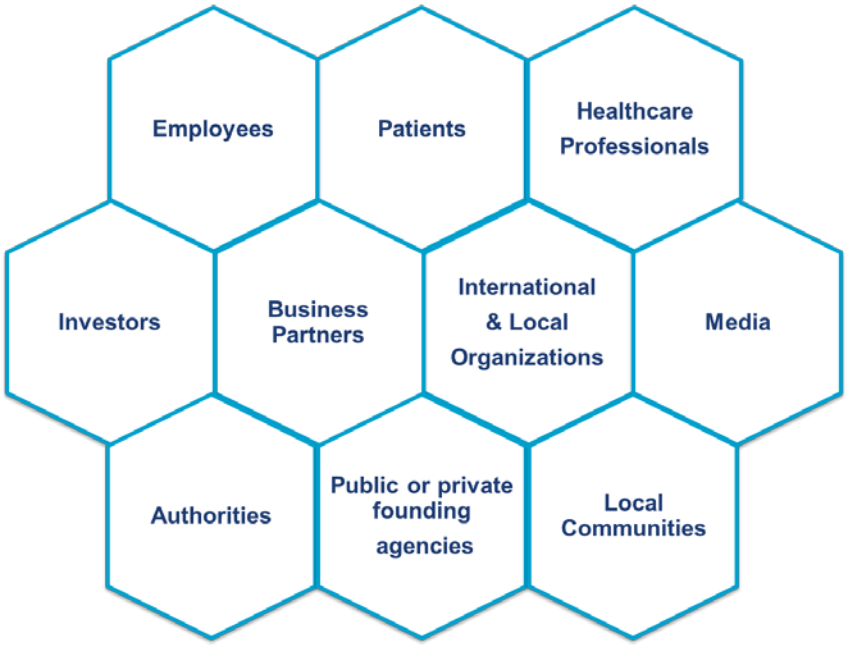
Transparency with stakeholders: a key component in Valneva's CSR approach

Valneva's commitment to its stakeholders

The Group seeks to maintain close relationships with its stakeholders. Representatives from all areas of Valneva's business, such as the R&D division, the industrial and commercial operations team, the Medical Affairs team and the Investor Relations Department, engage with the Group's stakeholders and help understanding the expectations of patients, healthcare professionals, investors, authorities,

among many others. Vital to building trust with its stakeholders, transparency is one of the key components in Valneva's CSR approach.

Valneva's main Stakeholders



Building a sustainable business is the foundation of Valneva's engagement to its stakeholders and has been at the heart of the Company's strategy since its creation in May 2013.

A business model based on sustainable growth

To ensure lasting business success, the Group bases its business model on sustainable growth that protects the interests of its shareholders and creates long-term value. This sustainable business success rests on the Group's global vaccine distribution and its innovative Research & Development, to meet the major challenge of providing healthcare solutions for current and future unmet medical needs.

This sustainable business model was rewarded in 2016 by Deloitte | In Extenso, who granted Valneva the "Fastest Growing Listed Company" Award for France in the 2016 Technology Fast 50™ ranking. Award winners are selected for demonstrating innovation, leadership, and rapid revenue growth over their last four years of operations.

Deloitte. | In Extenso

50 | Technology Fast 50 2016 LAURÉAT



Communication with the capital markets

During the 2016 financial year, Valneva continued to strengthen its communication with the capital markets, one of its key stakeholders. The Group took part in 17 international investor conferences and held several roadshows and private meetings in both Europe and the United States. Valneva noted a strong interest from specialized Healthcare investors headquartered in the US and this was illustrated by the acquisition of a 7.5% shareholding in the Company by 2 funds managed by MVM Life Science Partners LLP, a specialist Healthcare investor based in Boston and London. Valneva also hosted a Key Opinion Leader lunch for the financial community in New York to provide more information on its Lyme disease clinical program. With the Group's publication of the annual, half-yearly and quarterly results, the Management Board held conference calls to report past and expected business developments, and answer questions from analysts and investors. A new landing page dedicated to investors and shareholders and the launch of new social media tools also strengthened Valneva's external communication. The Company was awarded France's Les Echo's Best Shareholder and Investor Relations Award in the Small cap category. The evaluation included notably the quality of financial reporting, the IR website and investor presentations.



PEOPLE

Valneva's success stems from the work and expertise of more than 400 employees. The employees are the Group's single largest asset. Because a diverse workforce performs better, Valneva commits to diversity and professional development of its employees.



Valneva's HR Approach

- Attract and retain talents;
- Develop employees' capabilities at every level;
- Assess and reward performance;
- Value and support diversity;
- Protect workforce.

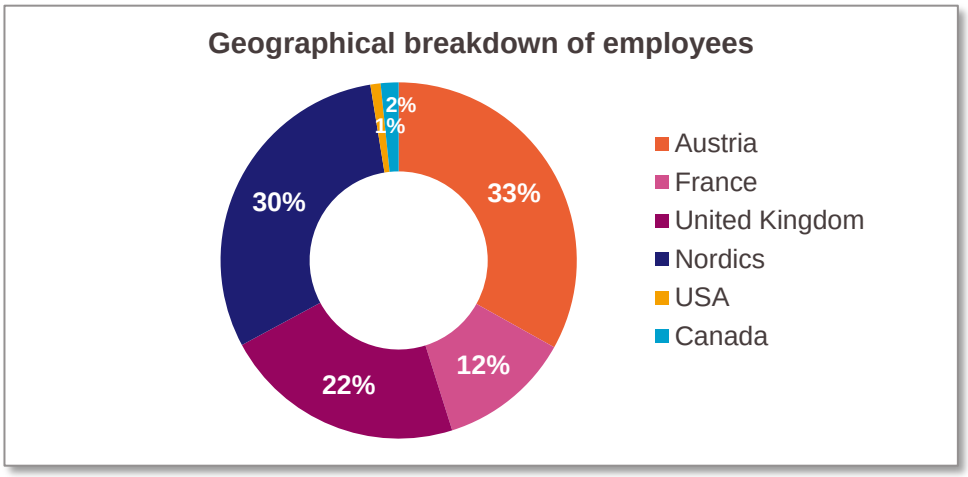


Valneva: a unique corporate identity

Valneva is an international and multicultural Group where enthusiasm, innovation and strong execution skills are driving forces. With operations in six countries across the globe, Valneva's teams are diverse, multidisciplinary and multicultural. The result is a unique identity reflecting the 29 different nationalities represented within the Group.

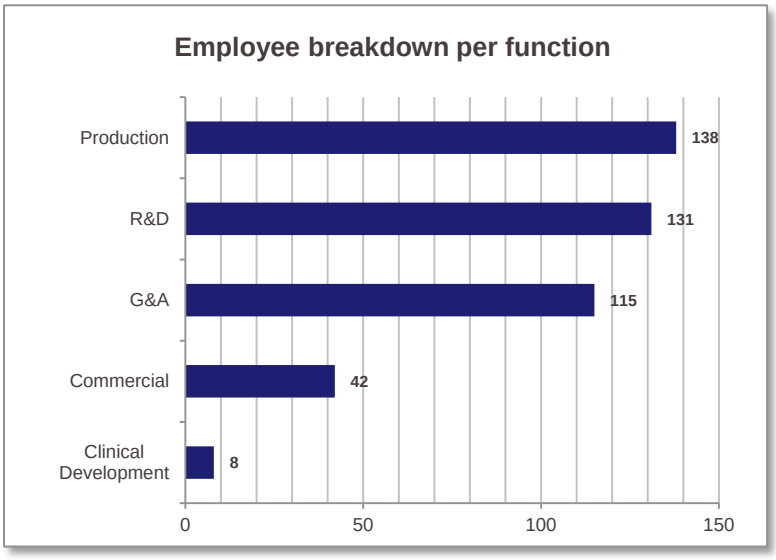
Headcount by region

On December 31, 2016, the Group had 434 employees working in Austria, Canada, United Kingdom, France, Sweden, and in the United States.



Headcount by function

The majority of employees works in the areas of production and Research & Development. Production is based in Scotland and Sweden. The Support functions ("G&A") are spread across the four sites. The Business Development function has grown significantly over the last three years, with teams now located in Canada, United States, United Kingdom, Austria, and in the Nordic countries.



Attract and retain talents

Valneva promotes equal opportunity and the maximization of talent for all employees. A dynamic performance management system was rolled out for all employees. Concerning employees occupying global functions, a review of the organization and talent was put into place in 2016.

The technical, scientific, organizational and human challenges are inherent to the sector in which Valneva operates.

Valneva applies a dynamic, multicultural and flexible human resources strategy. The Human Resources and Communications teams work with the teams of all countries and activities to develop a common Group culture while paying particular attention to local characteristics.

An experienced Human Resources department builds and deploys at both the local and Group levels a policy designed to strengthen talent and organizational efficiency.

The Valneva Human Resources strategy is built around three pillars and associated processes.

Talent	**Recruitment** **Training & Coaching** **Development planning**
Organization	**Performance management** **Compensation principles** **Key Performance Indicators (KPIs) & processes**
Culture	**Communication** **Corporate & Local events**

Valneva's goal is to create a working environment able to attract and retain over the long-term the most talented employees within the Group. The employees must be given challenging assignments within an environment of strong ethical standards and encouraging internal relations. Valneva's employees are characterized by their strong commitment, shared enthusiasm, capacity for innovation, responsible execution and teamwork.



Valneva's performance management system creates reciprocal benefits and responsibilities between an employee, its manager and the company wherein the activities are exercised.

All employees of the Group (including the managers) are trained in the use of this performance management system.

Working hours

Reflecting the diverse locations of its operations, working hours are governed by different national agreements in compliance with local regulations.

Most of French teams work according to a days-per-year basis. Operations in Austria, Sweden, Canada, and in the United States apply a workweek of 40 hours, while operations in the United Kingdom apply a workweek of 37.5 hours.

Excluding the production teams, flexible working hours arrangements exist to facilitate a better balance between professional and personal lives.

Partnering with local schools

For a number of years, Valneva Austria has been partnering with schools and educational institutions to assist 13-15-year-olds choose their vocational orientation.

After presenting the company, and based on their capacity and interests, they are given an opportunity to immerse themselves in the universe of Valneva and the world of business. Managers actively participate in this program, which also helps them pose questions about their own professional future and guides them in the process.

Develop employees' capabilities at every level

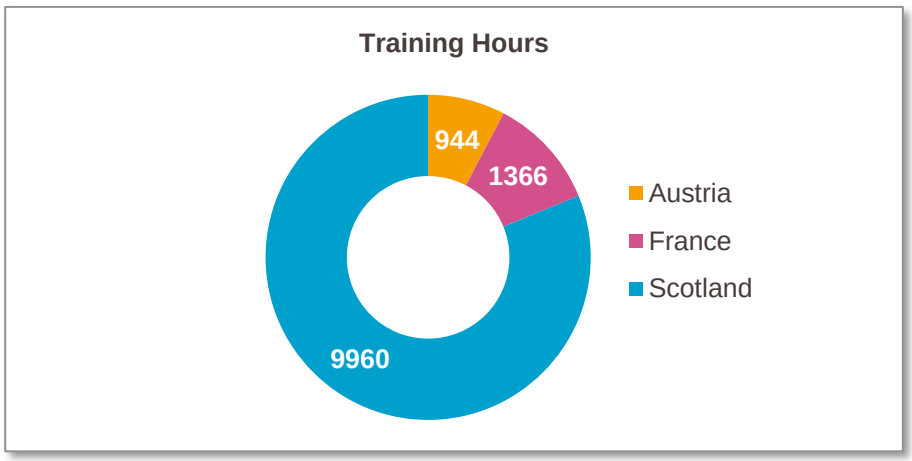
Valneva's skills and training development initiatives are focused primarily on operational needs to develop technical qualifications and expertise. They also seek to strengthen leadership and communications tools.

Valneva is strongly committed to developing its teams, in particular through two key tools: the performance management system in place since 2015, and the Group's training program rolled out in 2016.

Training

In 2016, Valneva's employees benefited from more than 12,000 hours of training (excluding GMP quality training in Austria). This represents an average of 43 hours per employee.

This data applies to 67% of the reporting boundary.



Several areas are covered by internal or external training: biological risks management and communications, Green Belt certifications, training courses on first aid as well as language courses: French, English, German.

The trainings are conducted by instructors for experts in their field, whether in-house or external.



Valneva Corporate training program

In 2016, Valneva created a portfolio of development programs focusing on leadership and communications.

Valneva's objective is to offer two programs a year, destined to supplement local initiatives.



In 2016, the Finance for the Non-Financial staff program was developed and launched in France and Sweden, spearheaded by the Corporate Management Control Manager. This program familiarizes employees with the key financial indicators and offers them a better understanding of the financial workings of the company.

The Talent development policy

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. Development initiatives proposed by Valneva are mainly linked to the need to improve and develop operational expertise, but also to develop communications and management skills. 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.

To guide employees, including the managers, in their development, the Human Resources Department created the "Expectations Guide" based on the contributions provided by a multi-country team who worked on the "Employee Value Proposition".

This tool makes it possible for each employee to develop in a manner that is aligned with Valneva's expectations.

Internal mobility

For the first time in 2016, Valneva provided Group internal mobility opportunities for temporary or permanent assignments

On that basis, three employees joined a new country and new teams. These included namely a transfer of an employee based in France to the Austrian site, while another employee based in France moved to Canada, and finally, a third employee based in Austria joined the Swedish site.

Valneva's Human Resources policy allows employees at every level and from all countries, based on their skills, qualifications and experience, to develop and pursue new career opportunities through internal mobility.

Valneva's People Development principles in action: Bettina Grondin's portrait



After working three years as an accountant based at Valneva's site in Nantes, French native Bettina is now the Finance Leader for Valneva's operations in North America. Currently based in Quebec, she seized the opportunity to both further her career and discover the world as an integral part of Valneva's finance organization.

Professional Advancement and Global Curiosity

Bettina's journey to Montreal demonstrates Valneva's commitment to professional advancement and internal mobility on an international level.

"I've been bitten by the travel bug," says Bettina, whose post-graduate experience in Australia solidified her global interest. Merging her professional goals and her sense of adventure, she recognizes the significance of her international promotion with the Group: "I jumped at the opportunity to move to a new place with Valneva".

As a multinational corporation, Valneva leverages employees' varied talents and comprehensive worldview to foster professional and personal development. For Bettina, this took the form of a new opportunity, with increased responsibilities, miles away from Nantes where her career began.

Value and support diversity

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 nationality, ethnic or national origin, gender, physical or mental disability, age, religion or beliefs, family situation or sexual orientation.

As a global Group that respects all cultures, Valneva strongly believes that the diversity of its teams and talent is a valuable asset contributing to greater innovation, efficiency and competitiveness. 29 nationalities are represented within Valneva teams.

Diversity Charter Signatories

Valneva France and Valneva Austria are signatories of the Diversity Charter, as part of an initiative seeking to ban discrimination from the workplace. This demonstrates the Group's devotion to promote diversity. The Charter's six commitments, as described below, are integrated within Valneva's Human Resources strategy.

CHARTE DE LA diversité EN ENTREPRISE

charta der vielfalt

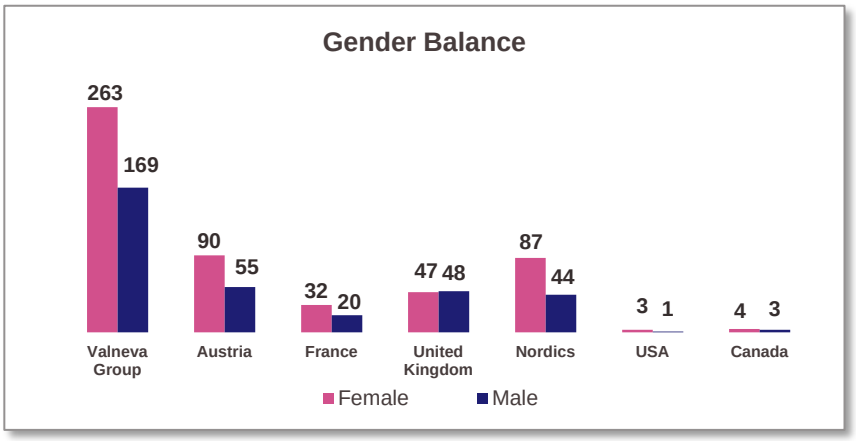
1. **Raise awareness of non-discrimination and diversity issues among top management and staff** involved in recruitment, training and career development and to educate them in these matters;
2. **Respect and promote the application of all aspects of the principle of nondiscrimination** at every stage of the human resources management, in particular in the recruitment, training, promotion and career development of employees;
3. **Endeavour to reflect the diversity of the society,** particularly in its cultural and ethnic dimension, at every level of the Group's workforce;
4. **Make all employees aware of Valneva's commitment** to non-discrimination and diversity, and keep them informed of the practical results of this commitment;
5. Make the development and implementation of the diversity policy a subject of **a dialogue with the employees' representatives**;
6. **Insert a chapter in the annual report** describing the Group's commitment to nondiscrimination and diversity, including details of the measures implemented, internal procedures and results achieved.

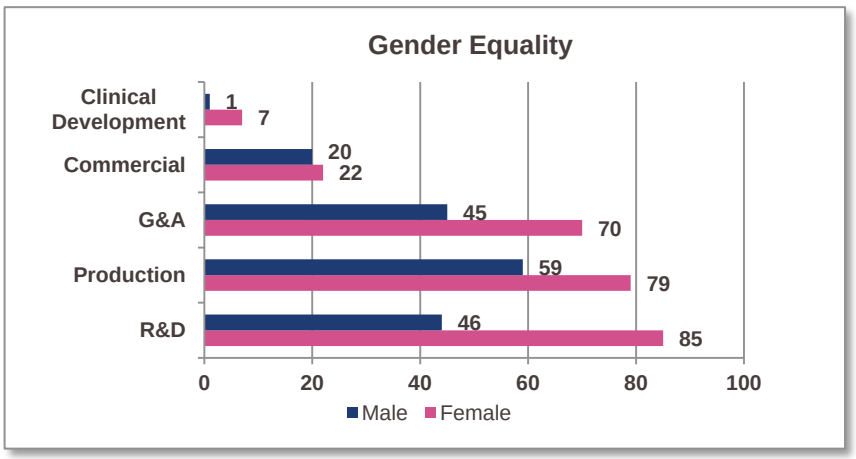
Equal opportunity and treatment

In its Code of Conduct, Valneva has emphasized its commitment to promoting equal opportunity and maximizing the talent and expertise of all employees.

Gender breakdown

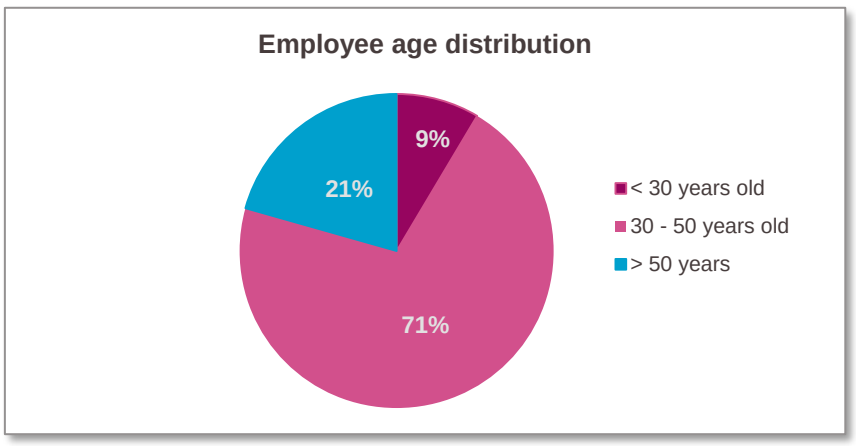
Women are more highly represented than men at Valneva (61% females).





Average age at Valneva

The average age of employees at Valneva is 42.



The feminization of the Supervisory Board

Particular attention was paid to the issue of diversity when the terms of office of Valneva SE's Supervisory Board members were renewed in June 2016. Women currently represent 37.5% of the membership of this board.

Assess and reward performance

Compensation policy

Valneva implemented a Group compensation policy based on international benchmarks in 2013. The principles of this policy are consistent and have been harmonized across the different sites.

In 2016, Valneva confirmed its goal of proposing competitive compensation for the Biotech sector.

Total payroll has risen approximately 2.5% per year over the last 2 years.



Protect workforce

Valneva is committed to treating all employees with dignity and respect, and ensure they do not become victims of intimidation or harassment, regardless of the form.

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

Labor relations

Since Valneva's creation, European employees are represented by an International Works Council ("**IWC**"). This body has 12 members who were elected in 2013 for a four-year term and meet at least twice a year. They are informed about and consulted on cross-border operations carried out by Valneva and contribute to a better understanding of the cultural and organizational specificities of each Group site.

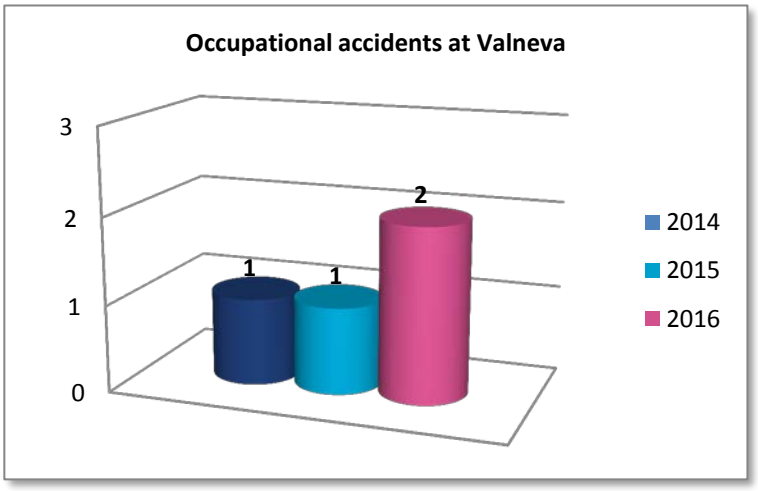
The breakdown of members within this body has evolved, after four new Swedish members joined the team following the acquisition of Crucell Sweden AB.

Health and Safety

To safeguard employee health and safety, and in line with its commitments to employees, risk prevention at its different sites is an ongoing priority for Valneva.

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 that may at times be hazardous.

Year after year, prevention and protection measures are implemented at each site to ensure the protection of Valneva employees, and the number of occupational accidents remains extremely low within the Group.



To date, the severity and frequency rates, which are generally excellent indicators to assess the level of safety for companies, are not really meaningful for Valneva due to the very low number of accidents in the Group. For that reason these two indicators are not published in this Report.

In 2016, eliminating or reducing health and safety risks for its employees has remained a continuing priority for the Group. With that goal, a Health-Safety-Environment ("**EHS**") team was formed and several initiatives were implemented at the Group's different sites.

Implementation of the Group EHS organization

In 2016, Valneva implemented under the leadership of Mr. Thomas Lingelbach, its President & CEO, an inter-site Health-Safety-Environment team, at the Group level. Its purpose is to improve the efficiency of work on-site and provide for the exchange of inputs between the different teams devoted to health, safety and environment within Valneva. Every two months, members of this team hold a teleconferencing meeting focusing on HSE issues and objectives shared across all sites. Members of this group met for the first time in June 2016 in Solna (Sweden). One of the first actions taken by the HSE team was to work on developing common objectives for 2017. This group made it possible for Valneva employees working thousands of kilometers from each other to see that Austria, Scotland, Sweden or France face the same health, safety and environmental issues.

When creating this structure, the Nantes site implemented an HSE regulatory intelligence software application designed to continuously monitor changes in health, safety and environmental regulations. This new tool enabled the Nantes site to monitor the publication of regulations applying to its activity and in this way make sure that it remained in compliance with the most recent regulations.

Prevention initiatives at Valneva France

In compliance with French regulations governing human exposure to hazardous chemical products in connection with its research activities, and to make sure that all prevention measures in place function efficiently, the exposure of employees was measured at the Nantes site. Over four months, 35 samples were collected to measure human exposure to around ten substances considered hazardous for health. These samples made it possible to validate the prevention measures in place for manipulating chemical products (personal protective equipment, fume hoods, PSM-fume cupboard, quantities, etc.), as only a few traces were identified in a single air sample. For the other samples collected, the quantities present in the air were so low that the measurement devices were unable to detect the presence of the hazardous chemical substances in question.

The results accordingly confirmed that Valneva is in full compliance with its commitments *vis-à-vis* its employees regarding the use of and exposure to chemical products.

Audit and Inspection at Valneva Scotland

An inspection of the facility and the Environmental and Occupational Health Sciences ("**EOHS**") management system was carried out by EOHS consultants Peninsula Business Services at Valneva Scotland to determine compliance with legislation and best practices. The overall standard of health and safety management was demonstrated to be Satisfactory, with no findings of non-compliance or requirement for action to improve health and safety noted.

Employee Health and Safety Training at Valneva Sweden

As a new routine for all employees and contractors, personnel have to complete a questionnaire on Good Manufacturing Practice and Environment Health and Safety area needs, before receiving their badge at reception. New routines for EHS introduction started in 2016, and all employees are required to receive proper overall EHS introduction during the two first weeks of employment. The introduction program is expanded to include the overall EHS system at Valneva Sweden. Managers have a separate EHS training by the EHS Department connected to their EHS Delegate from the Chair of the Swedish Management Board.



In December 2016, 12 employees were trained in first aid and 6 employees in the use of defibrillators. These training sessions are provided routinely since the last 10 years, with the goal of having at least one trained person in each Department.

Training initiatives on benefits of near miss reporting - Valneva Scotland and Valneva Sweden

Training initiatives were completed on the Scottish and Swedish sites to emphasize the benefits of near miss reporting and the impact on reducing the number of serious accident events on site.

A "near miss" is an unplanned event that did not result in injury or damage, but had the potential to do so. Recognizing and reporting near miss incidents can significantly improve employees' safety and enhance the Group's safety culture.

Training were carried out in group sessions using a PowerPoint presentation, a DVD and a group quiz based on interpretation of a scenario and identification of the near miss events, with the impact of completing simple corrective measures identified to prevent a serious accident from occurring.

The initiative led to the reporting of 27 near miss incidents at the Swedish site in 2016, compared to 7 in 2015, illustrating the increase in the level of safety awareness among Swedish employees.

At the Scottish site, 76 near miss events were reported in 2016, with 11 reported minor accidents and 2 work days lost. A continuing campaign for near miss event reporting will be undertaken in 2017 with a target to increase near miss events reported by 20% at Valneva Scotland.

Measures for preventing Musculoskeletal Disorders at Valneva France

After an ergonomic study conducted in 2015, the occupational health department at the Nantes site adopted measures to prevent Musculoskeletal Disorders ("**MSDs**") for employees' lab workers.



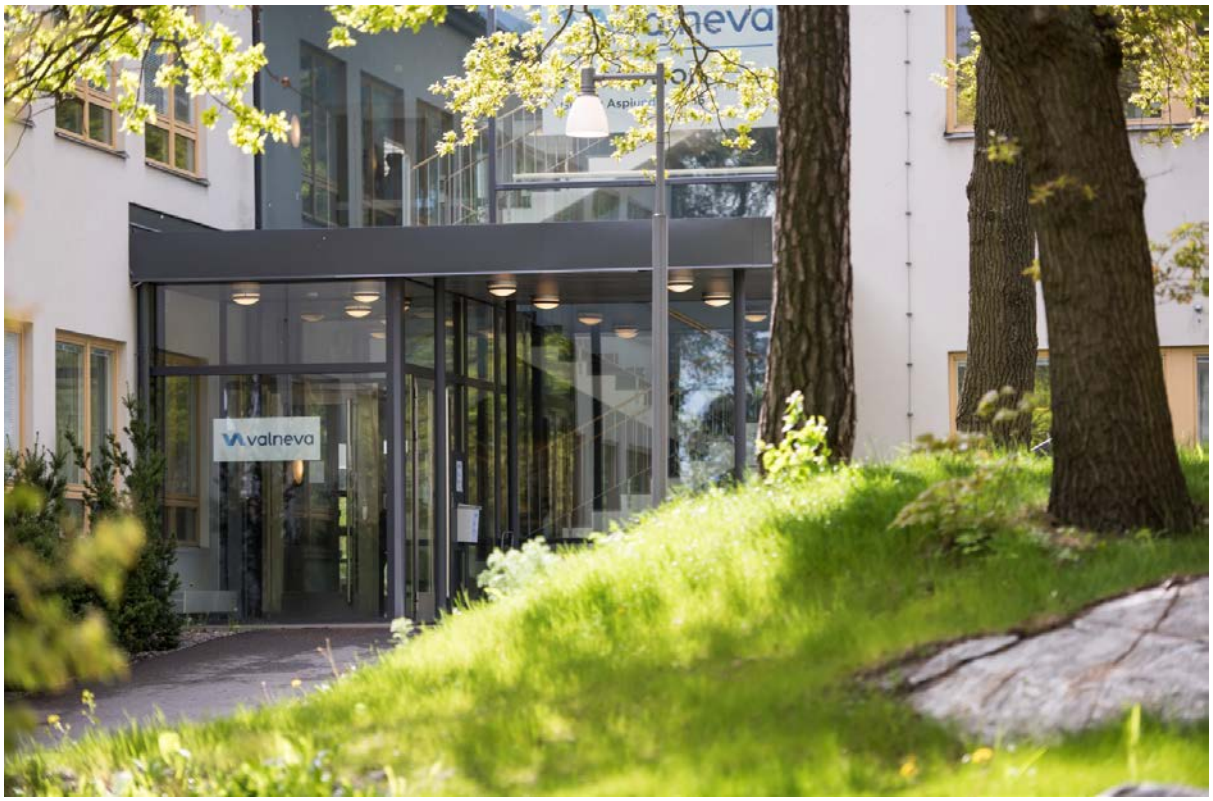
Training/information on the ergonomic study's results and recommendations for measures to be implemented in the day-to-day practice, were provided as a first step. Then, several thousand euros were invested to replace the older generation of pipettes by the most recent generation of pipettes providing greater ergonomics for employees performing microbiology lab work.

Work place evaluation at Valneva Austria

Following an internal office move at Valneva Austria in 2016, a new office layout was made to accommodate employees. Under the supervision of the external partner Health Consult, work stations were adjusted in accordance with ergonomic rules.

ENVIRONMENT

As a vaccine company, Valneva is aware that the environment directly affects people's health. The Group feels that it has a responsibility to reduce its own carbon footprint and manage its waste consumption.



Valneva's environmental approach

Environmental sustainability is a guiding principle at Valneva. The Group aims to use natural resources efficiently and minimizes the environmental impact of its activities and products during their lifecycles. It integrates sustainable operations & supply chains, innovative products & packaging and environmental sustainability into its business decisions process. Valneva pursues its development in strict compliance with a number of corporate social responsibility rules and environmental sustainability guidelines.

The energy transition act enacted in France on August 17, 2015 established obligations to promote the circular economy and waste recycling. Good practices for waste separation, recycling and monitoring have been adopted by the Group. These practices are a major priority and procedures have already been implemented for all sites.

Research laboratories are set up at the Nantes and Vienna sites. Upstream vaccine testing is performed at the Vienna site.

The Japanese encephalitis vaccine production unit is in Livingston (Scotland), and the production site for the vaccines against cholera and LT-ETEC diarrhea in Solna (Sweden).

Biotechnology risks were identified at Valneva's four R&D and production sites. Dedicated teams have been accordingly tasked with implementing and monitoring the necessary procedures for managing these risks and monitoring the installations and equipment. In 2016, under the leadership of its President & CEO, Mr. Thomas Lingelbach, Valneva formed an inter-site Health-Safety-Environment (HSE) team, at the Group level. Its purpose is to improve the efficiency of work on-site and provide for

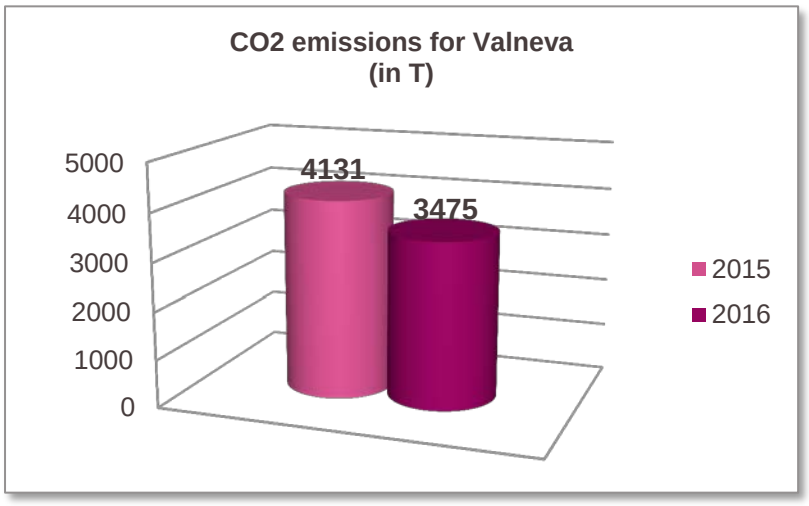
the exchange of inputs between the different teams devoted to health, safety and the environment within Valneva.

Carbon Footprint

As a vaccine company, Valneva feels that the Group has a responsibility to reduce its own carbon footprint. Since energy constitutes the main source of its CO_2 emissions, the Group seeks to optimize energy consumption and energy security for all its business activities.

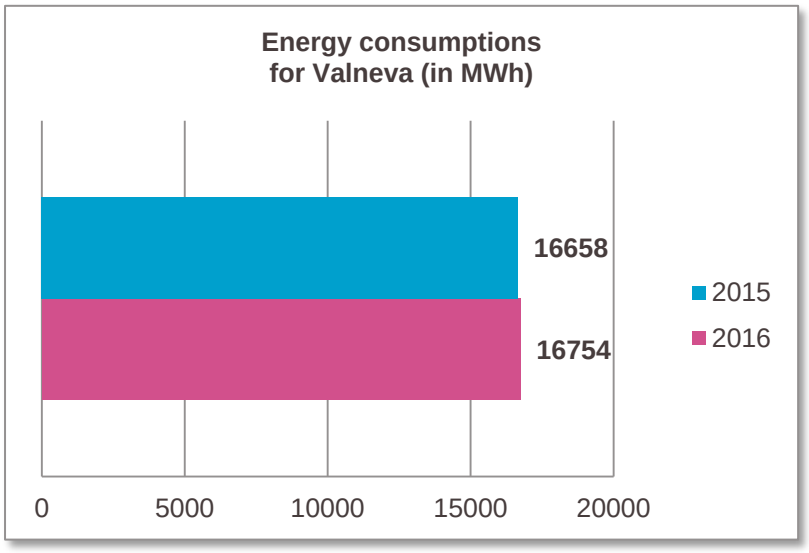
There were many projects in 2016 aiming to improve the Group's energy consumption and reducing its environmental footprint.

CO_2 emissions for Valneva Group



Work focusing on energy consumption or the nature of energy used at all manufacturing and R&D sites made it possible to reduce CO_2 emissions in 2016 by approximately 650 tons in relation to the prior year.

Energy consumptions for Valneva Group



The marginal increase in energy consumption in 2016 in relation to the previous year is mainly due to increased production activity at the Solna site (Sweden).

Optimizing energy consumption of the Nantes site

In 2015, an energy audit was carried out to identify measures making it possible to reduce energy consumption at the Nantes site. In 2016, some of the ideas developed from this audit were implemented: changes in practices for managing equipment, and investments for the purpose of optimizing certain existing equipment.

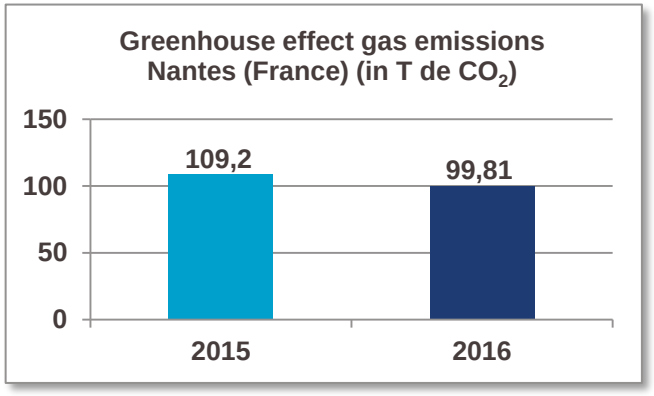


A new burner unit was installed on the boiler in order to regulate gas consumption of the hot water system, which contributes heating the building.

In addition to this investment, the Nantes site modified the parameters of the building's air-conditioning management application. This measure made it possible to control the startup for this equipment based on actual needs and room occupancy.

Other actions were taken to reduce energy consumption. These included idling the boiler during the summer season, lowering the temperature of water used to heat the building, as well as continuing the efforts implemented in 2015 (such as turning on the autoclaves on specific days).

These measures contributed to greater energy efficiency at the Nantes site in 2016 and a reduction in CO_2 emissions.



Energy savings by engineering department at Valneva Sweden

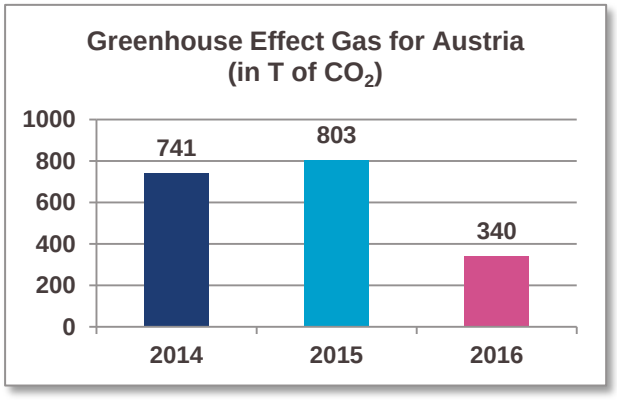
The Engineering Department at Valneva Sweden has accomplished some substantial energy savings during 2016 by:

- replacing old and broken isolations on heat and steam plumbing;
- optimizing return of condensates from steam production;
- Replacing old heat exchangers and other technical measures to reduce consumption and energy losses.



Successful reduction of CO_2 emissions at Valneva Austria

In 2015, Valneva Austria began exploring the possibility of reducing CO_2 emissions. This began with an investigation into which areas were producing most CO_2 emissions. Like any other facility, the Vienna site needs energy for its functioning. This energy is consumed as electricity (about 3 GWh a year), natural gas (about 1.7 GWh a year) and district heating (about 1 GWh a year). District heating is used for all heating tasks up to about 70°C. Natural gas is used exclusively to fire process steam generators. In addition to examining effective energy use, an additional way of reducing CO_2 emissions is to look at the CO_2 emission profile of each energy supplier. A supplier change for natural gas and district heating would have had no effect; however, when Valneva Austria considered its electricity supplier in 2015, it detected that its current supplier did not have the best CO_2 emission profile. Therefore, the contract was terminated and Valneva Austria switched to an electricity supplier guaranteeing electricity production that was completely free of CO_2 (86.54% water, 8.06% wind, 3.59% biomass, 1.81% solar and biogas) at an even lower price. The new contract began January 1st, 2016 and allowed Valneva to save in total 426.3 tons of CO_2 in 2016 compared to the former electricity supplier.

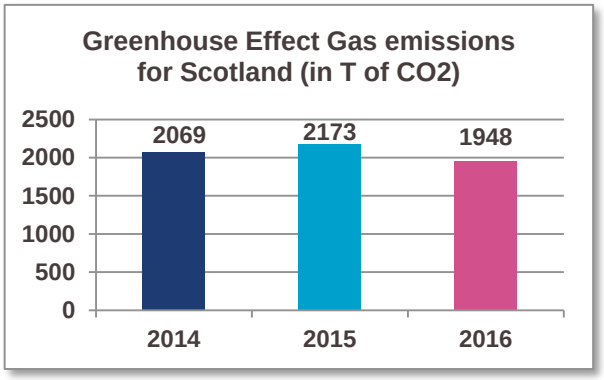


Work for reducing energy use and carbon footprint at Valneva Scotland

A program of preventive maintenance (PPM), which is governed by the facility and equipment maintenance scheduler, controls and minimizes the natural gas and electricity consumption of the facilities, equipment, and manufacturing processes.

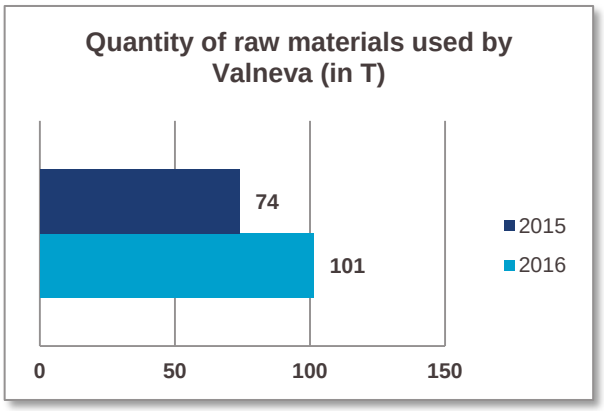
The continued review of the Bill of Materials (BOM), for the manufacturing process and standardization of raw material use, is an ongoing activity that minimizes chemical and raw material waste. Waste generation and raw material use are linked to the manufacturing schedule and are thus impacted by increases in production. The following improvements were initiated in 2016 to reduce energy consumption and Valneva's carbon footprint:

- new raw steam gas boiler installed in January 2016;
- new variable speed compressors installed for the Japanese encephalitis vaccine manufacturing facility, to reduce energy costs with replacement of the OB1 Pilot Plant compressors (scheduled for completion in Q2 2017);
- program to install low energy LED lighting throughout the facility initiated at the OB1 Pilot Plant and the Japanese encephalitis vaccine manufacturing facility - installation in mezzanine areas is complete and further installations are scheduled over the next two years;
- decommission of the waste autoclave planned.



Raw material consumption of the Group

Reflecting the Group's growth in business in 2016, the consumption of raw materials increased slightly at Valneva's two manufacturing sites.



Consumption at the Solna and Livingston sites

Waste Management

Waste has an enormous impact on the environment, causing pollution and greenhouse gas emissions and generating substantial costs for the Group. Proper waste management including appropriate re-use, recycling and energy recovery is a key factor in optimizing resource efficiency.

Pollution prevention and waste management

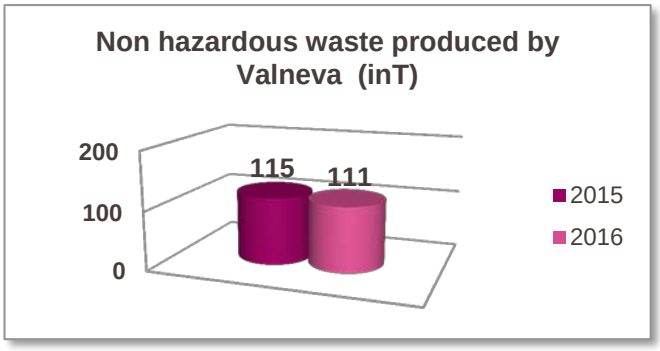
Valneva's activities produce both hazardous and non-hazardous waste, which is then eliminated at the different sites in a manner which respects applicable local and European regulations. Separating, recycling and monitoring waste are major priorities for Valneva. For that reason, procedures have been implemented and indicators adopted to closely monitor its environmental impacts.

Two types of waste are produced by the four sites within the reporting boundary of this Report:

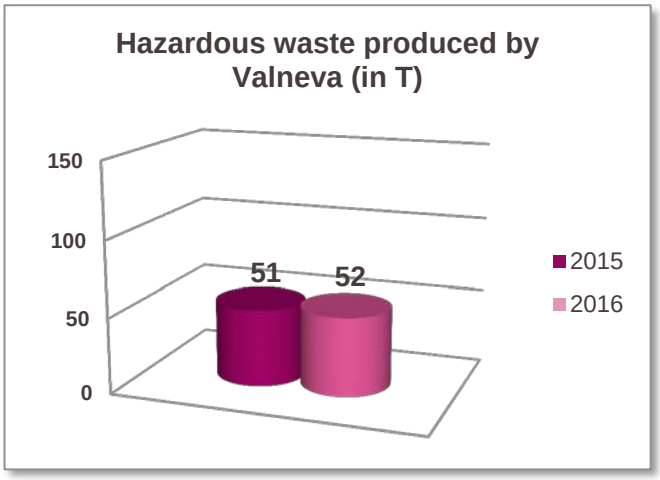
- nonhazardous waste (paper, cardboard, plastic, etc.);
- hazardous waste (used chemical products, contaminated plastic, electrical and electronic equipment waste, etc.).

This last category includes very specific waste associated with the Group's activities in the biotech field: biological waste.

It exists in two forms, liquid and solid. This category of waste is subject to specific monitoring procedures by the teams of each site.



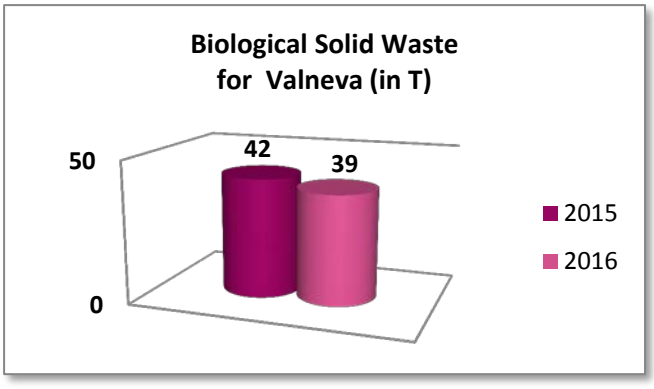
The production of nonhazardous waste slightly decreased in 2016 compared to the prior year.



The quantity of hazardous waste produced remained stable in 2016, despite increased production at the Livingston and Solna manufacturing sites.

Note: The liquid biological waste of the Nantes site is not included in the calculation, in order to permit comparability with 2015.

Quantity of solid biological waste for Valneva Group:

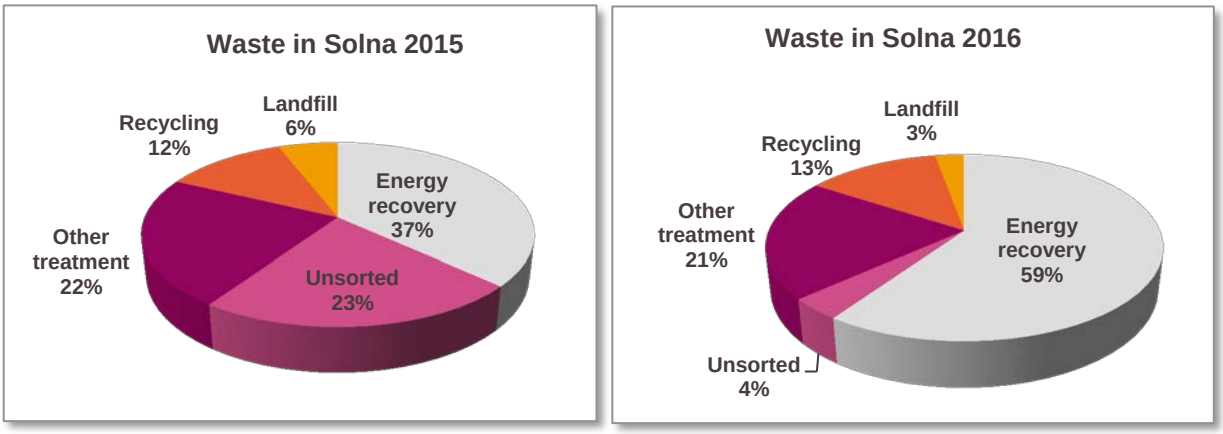


The quantity of biological waste produced by the different sites slightly decreased in 2016, compared to the prior year.

Improvement in Waste Management at Valneva Sweden

Cross-functional work between EHS and the Quality Department was done to meet the Good Manufacturing Practice regulation on handling waste from Manufacturing. Updated instructions and destruction certificates were written and training sessions took place with all employees that handle waste in the GxP arena during November and December 2016.

Valneva Sweden's new way of handling waste has resulted in a shift towards more energy recovery from waste and less unsorted waste destined for landfills.



Evolution of the Waste management procedure at Valneva Scotland

All aspects of waste management and pollution prevention at Valneva Scotland are governed by the PPC/E/20022 permit issued by the government authority, Scottish Environment Protection Agency ("**SEPA**"). The following were completed in 2016.

+ inspections completed by SEPA and a letter of compliance received on February 26, 2016, with no breeches of the permit conditions determined;
+ regular recording of waste quantities generated was completed on a monthly basis and following a review of treatment of solid biological waste a change was introduced to stop autoclaving solid waste on site and transfer directly to the external licensed waste contractor (Healthcare Environmental Ltd.) for autoclave treatment and incineration. Following this change in procedure, the waste autoclave was decommissioned and taken out of use. This change was approved by SEPA.

Waste management evaluation at Valneva Austria

Valneva Austria's waste management approach has been evaluated in 2016. The result of this evaluation was that the existing approach was well suited and only minor adaptations were necessary. The main change in 2016 was that the Vienna site took over the marketing and distribution of vaccines for Austria. Distribution is done by an external logistic partner, but costs for waste belong to Valneva. The additional expected waste amounts were reported to ARA ("Altstoff Recycling Austria AG").

Procedures for measuring the quantity of liquid biological waste discharged at Valneva France

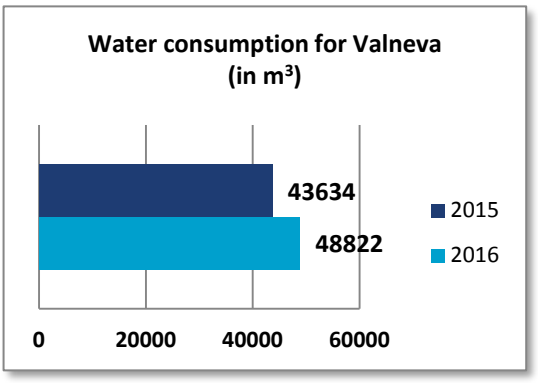
Reflecting the priority of constantly improving the procedures for monitoring waste produced at the site, Valneva France installed in 2015 a meter in the waste evacuation pipe of its biological waste treatment facility, and has since been measuring the amount of liquid waste produced on a monthly basis. The Nantes site is accordingly continuing to improve its procedures for monitoring its environmental and CSR data.

Water Management

Valneva is committed to managing water responsibly to safeguard the health of individuals and communities. Water consumption is very limited at Valneva SE and Valneva Sweden accounts for 72% of the Group's overall water consumption.

Water consumption for Valneva Group

Growth in DUKORAL® vaccine production in Sweden resulted in higher water consumption for the Group in 2016, compared to the prior year.



Managing wastewater discharge responsibly

In 2016, Valneva Sweden reviewed its chemicals management system and excluded around 100 chemicals from old manual lists. This information was communicated to Käppala, the Stockholm water purification plant. These lists will be presented to the authorities during their next visit.

The site also installed a computer near the chemical waste room to facilitate log-in to iChemistry, its chemicals management system, in order to get the latest Material Safety Data Sheet for all its chemicals registered in the system and ensure the highest safety.

Water management at Valneva Scotland

Use of mains (town) water is limited to the facility boiler which has a system of re-use of condensate to minimize water consumption. As an improvement introduced for 2016, routine monitoring of water main use was introduced. Control of waste water and biological waste into the environment (ground water) is managed by the SEPA permit to ensure no release into ground water which can have an impact on Biodiversity.

Getting real with sustainability: The Honey Bee Initiative



Bees are disappearing globally at an alarming rate due to pesticides, parasites, diseases and habitat destruction. In order to educate people about the vital role bees and other pollinators play in a healthy ecosystem, Valneva Nantes installed four hives in a green part of the campus containing 20,000 bees each. In 2016, the hives produced a very respectable honey harvest which was distributed to employees. The bee population will continue to grow and each hive should contain approximately 50,000 bees by the end of the summer 2017, meaning a bigger contribution to bee conservation and nature.

VALNEVA'S CSR INDICATORS PERFORMANCE

Scope of the CSR reporting 2016

The scope of reporting adopted in 2016 covers UK sites (Livingston and London), Sweden (Solna), Austria (Vienna), Canada (Kirkland), USA (Gaithersburg) and France (Saint-Herblain and Lyon), or 99.8% of the Group's total headcount in 2016. The Japanese subsidiary is excluded from this scope because the business has been reduced. In 2016, the only remaining activities were development and license and partnership management, with one person active for 20% of standard working hours (0.2% of the Group's total headcount).

Note: the scope of reporting adopted in 2015 excluded Canada (6 employees were recruited during the year 2015, and therefore, comparison of data based on homogeneous calendar periods was not possible), the United-States (only 2 employees worked on site) and Japan (for the reason explained above), and represented 97.3% of the Group's total headcount in 2015.

Hours of training mentioned are strengthened on three sites (France, Austria and Scotland), which represents 67% of the Group's total headcount in 2016.

The data for the evaluation of the impact on the environment of Valneva are strengthened on all the production sites (2 sites) and R&D sites (2 sites). These four sites represent 96% of the Group's total headcount in 2016.

The environmental impact of the commercial offices of Valneva is not integrated into the scope of this Report.

Performance indicators related to "Protecting lives" and "Ethics"

Indicator Definition	GRI 4	Grenelle II environmental law		
Regional, economic and social impact of the Company's activity				
In terms of employment and regional development				
Group	EC8	3.a	Communications actions (see page 175 of this Report)	
On neighboring or local populations				
Group	EC8	3.a	No actions	
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				
Group	EC8	3.b	Communications actions (see page 163 of this Report)	
Sponsorship or partnership initiatives				
Group	EC8	3.b	Communications actions (see page 163 of this Report)	
Subcontracting and suppliers				
Taking into account social and environmental issues in the purchasing policy **Importance of subcontracting and taking into account social and environmental responsibility in relations with suppliers and subcontractors**				
Group	HR7	3.c	Purchasing policy	
Fair practices				
Actions taken to prevent corruption				
Group	PR3-PR5	3.d	Code of conduct Anticorruption policy Company compliance	
Percentage of persons who received training on the Code of Conduct in 2016 Number of training planed cross-sites in 2016 Number of employees trained in 2016 (new employees or employees never trained before)				100% 12 99
Percentage of persons who received ABAC in 2016 Number of training planed cross-sites in 2016 Number of employees trained in 2016				100% 10 442
Measures taken in favor of consumer health and safety				
Group	PR3-PR5	3.d	Pharmacovigilance / Medical information process	
Actions undertaken in favor of the Human Rights				
Group	PR3-PR5	3.e	Communication actions	

Employment-related performance indicators

Indicator Definition	GRI 4	Grenelle II environmental law	Unit of measurement	2014	2015	2016
Employment						
Total headcount	10/LA1	1.a	Number	278	414	434
By country						
Austria	10/LA1	1.a	Number	132	146	145
Canada	10/LA1	1.a	Number	N/A	N/A	7
United Kingdom	10/LA1	1.a	Number	86	92	95
United States	10/LA1	1.a	Number	2	2	4
France	10/LA1	1.a	Number	60	47	52
The Nordics	10/LA1	1.a	Number	N/A	129	131
By gender						
Women	LA12	1.a	Number	162	252	263
Men	LA12	1.a	Number	116	162	171
By age						
Less than 30	LA12	1.a	Number	25	37	39
30 to 50 years	LA12	1.a	Number	220	294	306
More than 50 years	LA12	1.a	Number	33	83	89
Average age	LA12	1.a	Years	39.54	41.49	42
By type of contract						
Permanent contracts	10/LA1	1.b	Number	274	408	424
Temporary contracts	10/LA1	1.b	Number	4	6	10
By function						
R&D	N/A	1.a	Number	124	132	131
Production	N/A	1.a	Number	58	138	138
Support and Administration	N/A	1.a	Number	96	108	115
Clinical development	N/A	1.a	Number	N/A	11	8
Sales and Marketing	N/A	1.a	Number	N/A	25	42
Recruitments and departures						
Recruitment	10/LA1	1.a	Number	30	70	69
Dismissals	10/LA1	1.a	Number	6	10	8
Voluntary departures	10/LA1	1.a	Number		27	48
Organization of working hours						
Illness	LA6	1.b	Average number of days per employee	6.14	7.8	6.4

Indicator Definition	GRI 4	Grenelle II environmental law	Unit of measurement	2014	2015	2016
Occupational illness	LA6	1.b	Number	0	0	0
Occupational accidents resulting in lost time days	LA6	1.b	Number	1	1	2
Labor relations						
Organization of employee-management dialogue	11	1.c	Health, Safety and Working Conditions Committee (CHSCT) report for Nantes, Local Committees, IWC (see page 180 of this Report)			
Collective bargaining agreements	11	1.c	98% of the Group employees are covered by a collective bargaining agreement			
Code of Conduct and equal opportunity	11/56	1.c 1.f	Code of conduct Anti-bribery and Anti-corruption policy			
Training						
Training policy	LA9	1.e	Training is managed both at the Group level and locally and applicable laws vary significantly with respect to reporting obligations.			
France	G4-LA9	1.e	Number of hours	970	1,453	1,366
Average number of training hours per employee per year for France	G4-LA9	1.e	Number of hours	21.5	38	32.5
Austria	G4-LA9	1.e	Number of hours	N/A	1,507.77	944
Scotland	G4-LA9	1.e	Number of hours	N/A	1,958.5	9,960
Workplace equality / Diversity						
Percentage of women employed	LA12	1.a	%	58	61	61
Supervisory Board	LA12	1.f	%	14,3	14,3	37,5
Number of employees with disabilities	LA12	1.f	%	0	0	0
Compliance with the core conventions of the International Labor Organization	EC9	1.f	N/A	Not relevant		

Environmental performance indicators

Indicator Definition	GRI 4	Grenelle II environmental law	
General environmental policy			
Organization of the company for addressing environmental issues and, as applicable, environmental assessments or certification approaches			
Group	EC2	2.a	Good Quality Practice (GQP-0008(02)
Austria	EC2	2.a	VIE-SOP-0054/03IE Index Vönix VIE-SOP-0074
United Kingdom	EC2	2.a	EOHS Guidance document Valneva Livingston Statement of Intent SEPA permit PPC/E/20022 SAPO licence Environmental monitoring report
France	EC2	2.a	Declaration ICPE- 2009- Safety Action Plan
Sweden	EC2	2.a	Operating authorization from the Swedish authorities Report & program for environmental self-assessments
Training and employee information actions relating to environmental protection			
Austria	EC2	2.a	All employees receive training on the VIE-SOP-0054[03] procedure
United Kingdom	EC2	2.a	Controlling documents LIV/SOP/0333 Waste Disposal and Spills Procedure
France	EC2	2.a	Safety booklet for new employees Nantes "Single Assessment Document"
Sweden	EC2	2.a	EHS Training system
Resources devoted to preventing environmental risks and pollution			
Austria	EN31	2.a	VIE-SOP-0074 (02) - waste management
United Kingdom	EN31	2.a	Controlling documents PPC/E/20022 LIV/SOP/0333
France	EN31	2.a	Declaration ICPE -2009- Mandatory waste management record Waste management procedures
Sweden	EN31	2.a	Operating authorization from the Swedish authorities Waste handling procedures
Amount of provisions and guarantees for environmental risks			
Group	EN29 - EN31	2.a	In the absence of financial and non-financial sanctions for failure to comply with regulations, no financial provisions have been set aside for environmental risks.
Austria	EN31	2.a	Business RA #39 Contamination

Indicator Definition	GRI 4	Grenelle II environmental law				
Pollution and waste management						
Measures for preventing, reducing and repairing discharges in the air, water and ground causing serious environmental impacts						
Group	EN8	2.b	Summary graphs (see page 185 of this Report)			
Austria	EN8	2.b	VIE-SOP-0074 (02) monitoring of energy media consumption			
United Kingdom	EN8	2.b	PPC/E/2002 Annual report PPC Nov. 2014			
France	EN8	2.b	Mandatory waste management record Waste management procedures			
Sweden	EN8	2.b	Waste handling procedures Test and annual replacement of the HVAC filters, program for collecting water samples annual maintenance of the wastewater tanks. Action plan to reduce the discharge of chemical products in wastewater based on Swedish regulations			
Waste* exclusively for the manufacturing and R&D sites generating a significant quantity of waste						
Measures for prevention, recycling and eliminating waste						
Austria	EN22	2.b	VIE-SOP-0074 (02)			
United Kingdom	EN22	2.b	Controlling document LIV/SOP/0333			
France	EN22	2.b	DASRI and Reach regulations Waste separation table			
Sweden	EN22	2.b	SLN-OTI-0020			
Production sites*				**2014**	**2015**	**2016**
Total water discharge	EN8	2.b	N/A	N/A	N/A	N/A
Total Hazardous Waste	EN23	2.b	In Tons	15.4	27.9	26.5
Biological	EN23	2.b	In Tons	14.7	25.7	21.7
Chemical	EN23	2.b	In Tons	0.7	1.6	0.75
WEEE	EN23	2.b	In Tons	0	0.6	4.1
Total Non-Hazardous Waste	EN23	2.b	In Tons	18.8	41.2	35.6
Recycled	EN23	2.b	In Tons	12.6	27.8	27
Non-recycled nonhazardous waste (household waste)	EN23	2.b	In Tons	6.2	13.4	8.6
R&D sites*				**2014**	**2015**	**2016**
Total water discharge	EN22	2.b	N/A	N/A	N/A	N/A
Total Hazardous Waste	EN23	2.b	In Tons	20.2	23	25.6
Biological	EN23	2.b	In Tons	17.9	21.8	95.7

Indicator Definition	GRI 4	Grenelle II environmental law				
Chemical	EN23	2.b	In Tons	1.057	0.1	1.234
WEEE	EN23	2.b	In Tons	1.25	1.13	1.95
Total non-hazardous waste	EN23	2.b	In Tons	64.7	73.7	75.9
Recycled	EN23	2.b	In Tons	21.5	23.1	22.9
Non-recycled nonhazardous waste (household waste)	EN23	2.b	In Tons	43.2	50.6	52.8
Production sites: Livingston (United Kingdom), Solna (Sweden) - R&D sites Nantes (France), Vienna (Austria)						
Food waste				Not relevant		
Energy				**2014**	**2015**	**2016**
Electricity	EN3	2.c	MWh	6,950	11,660	11,787
Gas	EN3	2.c	MWh	4,535	4,997	4,967
Raw materials for production sites* only				**2014**	**2015**	**2016**
Total	EN16	2.c	Tons	56.217	73.885	101.4
Solna (SE)	EN16	2.c	Tons	N/A	2.03	3.1
Livingston (UK)	EN16	2.c	Tons	56.217	71.855	98.312
Production sites*: Livingston (United Kingdom), Solna (Sweden)						
Water				**2014**	**2015**	**2016**
Total consumption	EN8	2.c	m^3	13,825	43,634	48,822
Total production sites	EN8	2.c	m^3	5,900	35,466	39,628
Total other sites	EN8	2.c	m^3	7,925	8,168	9,194
CO_2 emissions				**2014**	**2015**	**2016**
Relating to energy consumption	EN15	2.d	Teq CO_2	N/A	4131.2	3,475
Taking into account noise pollution and other forms of pollution specific to an activity						
Austria	EN25	2.b	Installation of an active charcoal filter against odor pollution. These filters are changed annually			
Scotland	EN25	2.b	Preventative maintenance program for installations and equipment Biannual report to the Scottish Environment Protection Agency (SEPA) on noise pollution			
Group / other sites	EN25	2.b	N/A			
Energy consumption, measures taken to improve energy performance and recourse to renewable energy						
Austria	N/A	2.c	Monthly consumption monitoring and documentation for identifying unusual consumption Signature of a "zero-greenhouse gas emission" contract in 2015 (effective starting in 2016)			

Indicator Definition	GRI 4	Grenelle II environmental law	
United Kingdom	N/A	2.c	Controlling document LIV-SOP-0008 Preventive Maintenance Plan (monitoring consumption and equipment calibration)
France	N/A	2.c	Monitoring consumption and centralized control system (heating, air conditioning, air treatment, lighting) Use of the energy audit results to reduce energy and water consumption and minimize discharges.
Sweden	N/A	2.c	Electric steam boiler turned off during the summer season. Installation of a presence detection system for new lighting systems. Preventive Maintenance Plan (monitoring consumption and equipment calibration)
Soil use	N/A	2.c	No actions
Climate change			
Adapting to the consequences of climate change			
Austria	EN14	2.d	Signature in 2015 of a zero-greenhouse gas emission
United Kingdom	EN14	2.d	Controlling document; Environmental Monitoring Report of Emissions to Atmosphere.
France	EN14	2.d	Use of the energy audit results to reduce energy and water consumption and minimize discharges.
Sweden	EN14	2.d	Electric steam boiler turned off during the summer season. Installation of a presence detection system for new lighting systems
Measures taken to preserve and/or develop biodiversity			
United Kingdom	EN14	2.e	Compliance with SEPA license for waste disposal and emissions
France	EN14	2.e	Installation of 4 beehives on the site (see page 191 of this Report)

THE FRAMEWORKS USED TO DRAW UP THIS REPORT

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 Annual 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 French Decree n°2016-1138 of August 19, 2016

French Decree related to circular economy and greenhouse gas generated by the company's activities and modified the article L. 225-102-1 of the French Commercial code.

METHODOLOGICAL NOTE

Methodological note on Group CSR data reporting

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 is consolidated at the Group level for the collection of information in 2016. These data are 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, Vienna, Solna and Nantes).

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 2016 required application of a working method and different steps that are presented below:

1. maintaining the resource persons identified in 2015 to report quantitative and qualitative employment, social and environmental data for each site in order to optimize the collection process;
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.

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 to coordinate, where possible, and transmit 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 (installed on the internal server) to improve the data storage and facilitate access for the resource persons.

Comparison of data between the 2015 and 2016 CSR reports

The comparability of data is sometimes still partial, since all information collected is not based on the same scope of reporting. Besides, certain items cannot harmonized at the Group level.

Valneva's social responsibility policy

In 2016, the Valneva Group concentrated efforts on integrating the Solna production unit and developing the sales and marketing activities, and has defined more precisely a CSR policy organized around four pillars as follows:

- Protecting lives
- Ethics
- People
- Protecting environment

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 within the Group, in particular in areas related to product liability (pharmacovigilance).

However, consultation of the stakeholders is not carried out in a formalized and exhaustive manner.

Potential improvements

Improvements can be considered for future years, including a materiality test adapted to the Group, in order 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, 2016, then divided by 365.25 for each employee with an employment contract (permanent or fixed term) with a company of the Valneva Group, and divided again 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, corporate officers ("*mandataires sociaux*") in France, and two Management 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.

Sickness 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

Number of internal and 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

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 m^3.

Biodiversity

This refers to a qualitative description of impacts linked to activities, products and services.

Emissions, effluents and waste

Direct emissions of greenhouse gas emission are taken into account. Direct emissions of greenhouse gas emission 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).

The Group defined more precisely its social policy, and focused around two pillars: “Protecting lives” (inherent to its R&D and vaccine commercial activities) and “Ethics” (in consideration of the Health, products’ safety and Compliance issues).

INDEPENDENT AUDITOR'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 31/12/2016.

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 31/12/2016, 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, prepared in conformity with the guidelines.

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 7th October 2016 and the 2nd March 2017 during a 10 day period, with an on-site audit on 2nd February 2017 in Solna and on 8th February 2017 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

Nature and scope of our work

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, with the limits mentioned in the guidelines presented in the 2016 Reporting Scope paragraph of the management report.

Conclusion

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 8 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:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understanding, and taking into account industry best practices where appropriate;
- 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: measures implemented for the health & safety of employees;
- Environmental information: measures taken to prevent environmental risks and pollutions; prevention, mitigation and reduction of air, water and ground emissions or waste; energy consumption;
- Ethics information: health & safety of products and users; actions implemented to prevent corruption.

Regarding the CSR Information that we considered to be the most important:

- at parent entity level and the Solna site in Sweden, 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 Solna, 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 30% of headcount and 48% of quantitative environmental information.

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, March 21, 2017

THE INDEPENDENT THIRD PARTY

SAS CABINET DE SAINT FRONT

Jacques de SAINT FRONT

D. FINANCIAL STATEMENTS 2016

D.1. Consolidated financial statements as of December 31, 2016

VALNEVA

A European Company (*Societas Europaea*) with a Management and a Supervisory Board
Registered offices: World Trade Center Lyon - Tour Oxygène
10-12 boulevard Marius Vivier Merle, 69003 Lyon - France
Lyon Companies Register (RCS) No. 422 497 560

Consolidated financial statements
at December 31, 2016

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, 2016 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. CONSOLIDATED INCOME STATEMENT AND COMPREHENSIVE INCOME STATEMENT

1.1. Consolidated income statement

€ in thousand (except per share amounts)	Note	Year ended December 31,	
		2016	2015
Product sales	5.5	80,428	61,545
Revenues from collaborations, licensing and services	5.5	13,634	16,814
Revenues		**94,062**	**78,360**
Grant income		3,830	4,975
Revenues and grants		**97,892**	**83,335**
Cost of goods and services	5.6/5.7	(43,076)	(46,961)
Research & Development expenses	5.6/5.7	(24,589)	(25,367)
Marketing and distribution expenses	5.6/5.7	(16,639)	(9,121)
General and administrative expenses	5.6/5.7	(14,412)	(14,394)
Other income and expenses, net	5.8	(498)	(152)
Amortization and impairment of fixed assets/intangibles	5.6	(41,246)	(7,273)
Bargain purchase gain (1)	5.30	-	13,183
OPERATING LOSS		**(42,568)**	**(6,751)**
Finance income	5.9	290	5,073
Finance expenses	5.9	(6,550)	(9,716)
Result from investments in associates	5.15	-	(8,999)
LOSS BEFORE INCOME TAX		**(48,828)**	**(20,393)**
Income tax	5.10	(356)	(224)
LOSS FOR THE YEAR		**(49,184)**	**(20,617)**
Losses per share for loss for the year attributable to the equity holders of the Company, expressed in € per share (basic and diluted)	5.11	**(0.66)**	**(0.28)**

(1) The presentation of the gain on bargain purchase is revised and now included in the operating result (see Note 5.2).

1.2. Consolidated statement of comprehensive income

€ in thousand	Note	Year ended December 31,	
		2016	2015
Loss for the year		**(49,184)**	**(20,617)**
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Currency translation differences	5.22	(3,880)	(2,584)
Items that will not be reclassified to profit or loss			
Defined benefit plan actuarial losses	5.27.2	(55)	-
Other comprehensive income/(loss) for the year, net of tax		**(3,935)**	**(2,584)**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		**(53,119)**	**(23,200)**

2. CONSOLIDATED BALANCE SHEET

€ in thousand	Note	At December 31,	
		2016	2015
ASSETS			
Non-current assets		**115,686**	**158,804**
Intangible assets	5.13	58,959	98,567
Property, plant and equipment	5.14	39,039	42,439
Other non-current assets	5.19	17,688	17,797
Current assets		**91,197**	**116,383**
Inventories	5.17	22,701	26,687
Trade receivables	5.18	16,912	15,754
Other current assets	5.19	9,404	31,374
Cash, cash equivalents and short-term deposits	5.20	42,180	42,567
TOTAL ASSETS		**206,883**	**275,187**
EQUITY			
Capital and reserves attributable to the Company's equity holders		**100,051**	**144,335**
Share capital	5.21	11,638	11,205
Share premium and other regulated reserves	5.21	252,937	245,965
Retained earnings and other reserves	5.21	(115,339)	(92,219)
Net result for the period		(49,184)	(20,617)
LIABILITIES			
Non-current liabilities		**67,941**	**84,489**
Borrowings	5.24	61,544	76,568
Deferred tax liability	5.10	65	112
Other non-current liabilities and provisions	5.27	6,333	7,810
Current liabilities		**38,891**	**46,363**
Borrowings	5.24	20,959	25,687
Trade payables and accruals	5.25	7,808	10,698
Current tax liability		561	425
Tax and employee-related liabilities	5.26	7,123	6,889
Other current liabilities and provisions	5.27	2,439	2,664
TOTAL LIABILITIES		**106,832**	**130,852**
TOTAL EQUITY AND LIABILITIES		**206,883**	**275,187**

3. CONSOLIDATED CASH FLOW STATEMENT

€ in thousand	Note	Year ended December 31,	
		2016	2015
Cash flows from operating activities			
Loss for the year		(49,184)	(20,617)
Depreciation and amortization	5.13/ 5.14	11,269	11,442
Impairment	5.13/ 5.14	34,109	-
Share-based payments	5.23	1,428	1,018
Income tax	5.10	357	238
Other adjustments for reconciliation to cash used in operations	5.28	6,026	2,829
Changes in working capital	5.28	3,032	(14,585)
Cash generated from/(used in) operations	5.28	**7,037**	**(19,674)**
Income tax paid	5.10	(532)	(153)
Net cash generated from/(used in) operating activities (1)		**6,505**	**(19,828)**
Cash flows from investing activities			
Acquisition of other businesses, net of cash acquired	5.30	15,279	(22,181)
Purchases of property, plant and equipment	5.14	(1,758)	(1,854)
Proceeds from sale of property, plant and equipment	5.28	1	128
Purchases of intangible assets	5.13	(1,924)	(792)
Investments in associated companies	5.15	-	(1,999)
Interest received		3,290	133
Net cash generated from/(used in) investing activities		**14,888**	**(26,565)**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares, net of costs of equity transactions	5.21	7,471	42,010
Disposal of treasury shares		2	63
Proceeds from borrowings, net of transaction costs	5.24	1,481	26,472
Repayment of borrowings	5.24	(24,813)	(4,350)
Interest paid (1)	5.9	(10,932)	(4,506)
Net cash generated from/(used in) financing activities		**(26,792)**	**59,689**
Net change in cash and cash equivalents		**(5,399)**	**13,296**
Cash at beginning of the year		41,907	28,857
Exchange gains/(losses) on cash		(1,241)	(246)
Cash at end of the year	5.20	**35,267**	**41,907**
Cash, cash equivalents and short-term deposits at end of the year		**42,180**	**42,567**

(1) Presentation revised - See Note 5.2.

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, 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 stock option plans:						
+ value of employee services	5.22	-	-	1,018	-	1,018
+ exercise of stock options	5.21/5.23	17	299	-	-	317
Treasury shares	5.22	-	-	63	-	63
Issuance of ordinary shares, February 2015	5.21	2,735	42,297	-	-	45,032
Cost of equity transactions, net of tax	5.21	-	(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**
Balance at January 1, 2016		**11,205**	**245,965**	**(92,219)**	**(20,617)**	**144,335**
Total comprehensive loss		-	-	(3,935)	(49,184)	(53,119)
Income appropriation		-	-	(20,617)	20,617	-
Employee stock options plans:						
+ value of employee services	5.22	-	-	1,429	-	1,429
Treasury shares	5.22	-	-	2	-	2
Issuance of ordinary shares, December 2016	5.21	433	7,067	-	-	7,500
Cost of equity transactions, net of tax	5.21	-	(96)	-	-	(96)
		433	6,971	(23,120)	(28,567)	(44,284)
Balance as of December 31, 2016		**11,638**	**252,937**	**(115,339)**	**(49,184)**	**100,051**

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1. General information

Valneva is a fully integrated, commercial stage biotech company focused on developing innovative lifesaving vaccines.

Valneva seeks financial returns through focused Research & Development 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:

+ IXIARO®/JESPECT®, indicated for the prevention of Japanese encephalitis; and
+ DUKORAL®, indicated for the prevention of cholera and, in some countries, prevention of diarrhea caused by *Enterotoxigenic escherichia coli*.

The Group has proprietary vaccines in development including candidates against *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, Great Britain, Sweden, Canada and the US, with over 400 employees.

List of direct or indirect interests:

No changes to the Group structure were made during the year.

Name	Country of incorporation	Consolidation method	Interest held at December 31,	
			2016	2015
BliNK Biomedical SAS	FR	Equity method	43.29%	48.22%
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%	100%
Valneva Scotland Ltd.	UK	Full	100%	100%
Valneva Sweden AB	SE	Full	100%	100%
Valneva Toyama Japan K.K.	JP	Full	100%	100%
Valneva UK Ltd.	UK	Full	100%	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 operates commercial activities.

The Valneva SE site in Nantes (France) includes both general and administrative functions and R&D facilities which are used for the development of the EB66® cell line and preclinical research on vaccine programs.

Valneva Austria GmbH (Vienna, Austria) focuses on vaccines and pre-clinical and clinical development activities. The facilities accommodate departments for vaccine research, (technical/clinical) product development, quality and regulatory affairs, as well as general and administrative functions.

Valneva Scotland Ltd. (Livingston, United Kingdom) is primarily involved in the production of Valneva's Japanese encephalitis vaccine, IXIARO®/JESPECT®.

Valneva Toyama Japan KK (Toyama, Japan) was established on April 18, 2011 as part of the asset acquisition from the Japanese company SC World. 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 (spun off into BliNK Biomedical SAS as of January 2015). Today, few business development activities remain in the Japanese site.

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 5.30). Based in Solna (Sweden), Valneva Sweden AB 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.

Valneva USA Inc. (based in Gaithersburg, United States) is focusing on marketing and sales of Valneva's Japanese encephalitis vaccine to the US military, the US private market, and on international sales through distribution partners.

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

Valneva UK Ltd. (based nearby London, United Kingdom) was created in October 2015 following the Company's decision to take direct control over the marketing and distribution of the IXIARO® vaccine, and to terminate the marketing & distribution agreement with GSK. Valneva UK Ltd. sells DUKORAL® and IXIARO® in the United Kingdom, as well as MOSKITO GUARD® products.

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The "Brexit" vote had no significant impact other than FX rate implications on the Group's financial statements as of December 31, 2016. Future events following the vote and their implications on the Group's business will be monitored by Valneva's management.

These consolidated financial statements have been approved and authorized for issue by the Management Board on March 21, 2017.

5.2. Summary of significant accounting policies

FY 2016 and FY 2015 IFRS results are not fully comparable because of the acquisition of the Crucell Sweden AB business in February, 2015 (see Note 5.30). As a result of the acquisition, which included all assets, licenses and privileges related to DUKORAL®, as well as a vaccine distribution business in the Nordics, the comparator period of 2015 includes specific acquisition-related transaction effects, and the results of the acquired business are only included from the acquisition closing date on February 9, 2015.

Taking into consideration the increased importance of the group's financing structure on the cash flow statement in 2016 and going forward, and to provide more relevant information, interest payments are being presented within the cash flow from financing activities instead of the cash flow from operating activities in the condensed consolidated interim cash flow statement. The previous year comparative period was adjusted accordingly.

Upon the request of the French Financial Market Authority, the Company changed the presentation of the "Bargain purchase gain (BPG)" compared to the consolidated annual financial statements for the year ended December 31, 2015 and presents such gain within "Operating profit/(loss)". Furthermore, EBITDA, as calculated by the Company, has been removed from the face of the income statement. A detailed reconciliation of EBITDA to operating profit/(loss) is presented in Note 5.12.

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 2016 Consolidated Financial Statements have been prepared in accordance with the International financial reporting standards, 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	Defined Benefit Plans: Employee Contributions	February 1, 2015	None.
	Annual improvements to IFRSs 2010-2012 Cycle	February 1, 2015	No material impact.
IFRS 14	Regulatory Deferral Accounts	January 1, 2016	None.
IFRS 10 / IFRS 12 / IAS 28 Amendment	Investment Entities: Applying the Consolidation Exception	January 1, 2016	None.
IAS 1 Amendment	Disclosure Initiative	January 1, 2016	No material impact.
IAS 27 Amendment	Equity Method in Separate Financial Statements	January 1, 2016	None.
IAS 16 / IAS 41 Amendment	Bearer Plants	January 1, 2016	None.
IAS 16 / IAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016	None.
IFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016	None.
	Annual improvements to IFRSs 2012-2014 Cycle	January 1, 2016	No material impact.

There are no other IFRSs or IFRIC interpretations effective for the first time for the financial year beginning on or after January 1, 2016 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, 2016 and not early adopted

Standard - Interpretation - Amendment		Effective Date	Expected Effects
IFRS 9	Financial instruments: Classification and Measurement	January 1, 2018	Change in the accounting treatment of fair value changes in financial instruments previously classified as available for sale.
IFRS 15 / IFRS 15 Clarification	Revenue from Contracts with Customers	January 1, 2018	While for the product sales no material impact is expected, the analysis on other revenue contracts is still ongoing and the impact to be assessed.
IFRS 16	Leases	January 1, 2019	While the building in Vienna is already treated as finance lease, the material impact of this standard will be the lease agreements for the buildings in Sweden and France.
IAS 12 Amendment	Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017	No material impact.
IAS 7 Amendment	Disclosure Initiative	January 1, 2017	The Group needs to give information on changes in liabilities arising from finance activities, including both changes from cash flows and non-cash changes.
IFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions	January 1, 2018	None.
IFRS 4 Amendment	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts	January 1, 2018	None.
	Annual Improvements to IFRSs 2014-2016 Cycle	January 1, 2018 January 1, 2017	None.
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018	No material impact.
IAS 40 Amendment	Transfers of Investment Property	January 1, 2018	None.
IFRS 10 / IAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely	None.

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 a bargain purchase gain.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated.

Associates

Associates are entities over which the Company has significant influence.

For further details, see Note 5.2.11.

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.

(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:

+ assets and liabilities presented for each balance sheet are converted according to the exchange rate valid on the balance sheet date;
+ 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
+ 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 when it is probable that future 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, discounts and payments to customers, 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 transferred 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 material loyalty program. 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. Payments to customers are a reduction of the transaction price, and therefore revenue, unless the payment is in exchange for a distinct good or service and the payment does not exceed fair value of that good or service. 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 component is considerably more significant than any other component, 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 IAS 20. 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 component 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 periods of between 5 and 18 years.

(c) Development costs

Research expenses are recognized as expenses when 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:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and to utilize or sell it;
- there is an ability to utilize or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;

+ adequate technical, financial and/or other resources to complete the development and to utilize or sell the intangible asset are available; and
+ 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 expenses when they incurred. Development costs 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 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 obligations 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. 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 5.2.15).

5.2.13. Derivative financial instruments

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

The valuation techniques utilized for measuring 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.

5.2.14. Inventories

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

5.2.15. Trade receivables and other assets

Trade receivables and other assets are initially recognized at fair value.

The carrying amount of trade receivables is reduced through an allowance for doubtful account. When a trade receivable is considered uncollectible, it is written off against this 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.

5.2.16. Cash, cash equivalents and short-term deposits

Cash includes cash in hand and deposits held at call with banks. Cash equivalents include time deposits and medium-term notes that can be assigned or sold on very short notice and are subject to insignificant risk of changes in value in response to fluctuations in interest rates. Restrictions on the remittance of cash and cash equivalents are described in Note 5.20.

5.2.17. Share capital, share premium and other regulated reserves - Retained earnings and other reserves and net result

Ordinary shares are classified as equity.

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

When the Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly-attributable incremental costs (net of income taxes, if any) is deducted from equity attributable to the Company's equity holders until the shares are 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.

5.2.18. Trade payables

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

5.2.19. Borrowings

Borrowings are initially recognized at fair value if determinable, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of

transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

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

5.2.20. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively. The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the 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.

5.2.21. 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.

5.2.22. 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.

5.2.23. Deferred revenues

Deferred revenues are comprised of advanced payments from collaboration partners (especially option fees) and conditional advances from subordinated grants. These are recognized under “Other non-current liabilities and provisions” and “Other current liabilities and provisions” according to their maturity.

5.3. Financial risks management

5.3.1. Financial risks 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 risks arising from various currencies, primarily with respect to the British Pound (GBP), the Canadian Dollar (CAD), the Swedish Krona (SEK) and the US Dollar ($). The foreign exchange risks from exposure to other currencies, including the Danish Krone, the Swiss Franc, the New Zealand Dollar and the Japanese Yen, is relatively limited.

Foreign exchange risks arise 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, 2016, 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 €475 thousand higher (2015: €446 thousand). Income was more sensitive to fluctuations in the €/GBP exchange rate at the balance sheet date in 2016 than it was in 2015 mainly because of the increased amount of GBP-denominated trade receivables.

At December 31, 2016, 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 €613 thousand higher (2015: €201 thousand). Income was more sensitive to fluctuations in €/CAD exchange rate at the balance sheet date in 2016 than it was in 2015 mainly because of the increased amount of CAD-denominated cash equivalents and trade receivables.

At December 31, 2016, 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 €767 thousand higher (2015: €1,516 thousand), mainly as a result of foreign exchange losses on the translation of SEK-denominated cash equivalents and trade receivables.

At December 31, 2016, 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 €1,986 thousand (2015: €3,251 thousand), mainly as a result of foreign exchange gains on the translation of $-denominated borrowings and trade payables, partly offset by a negative effect from cash equivalents and trade receivables. Income was less sensitive to fluctuations in the €/$ exchange rate at the balance sheet date in 2016 than it was in 2015 mainly because of the increased $-denominated cash equivalents and trade receivables.

Interest rate risks

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 rate expose the Group to cash flow interest rate risks, which is offset by cash and financial assets held at variable rate. During 2015 and 2016, 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 change. The same interest rate

change 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 €1 thousand (2015: €5 thousand).

(b) Credit risks

The Group is exposed to credit risk. Valneva holds bank accounts, cash balances, and securities at sound 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 risks 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, when there is no independent rating, a risk assessment of the credit quality of the customer is performed, taking into account its financial position, past payment experience, and other relevant factors. Individual credit limits are set based on internal or external ratings in accordance with signature authority limits as set by the Management Board. The credit quality of financial assets is described in Note 5.16.3.

(c) Liquidity risks

The Group is exposed to liquidity risk due to the maturity of its financial liabilities and the fluctuations of its operating cash-flow, and the potential implementation of early repayment clauses in loan or grant agreements. Furthermore, fluctuations in the Group's operating cash flow during accounting periods also generate liquidity risks. Prudent liquidity risk management therefore implies maintaining sufficient cash resources, 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, 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) (1)	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 (2)	4,982	-	-	-	4,982
Other liabilities and provisions (3)	26	-	178	47	251
	44,766	**43,327**	**18,811**	**25,766**	**132,671**
At December 31, 2016 **€ 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) (1)	22,505	38,163	1,204	-	61,872
Finance lease liabilities	978	1,955	1,955	24,208	29,096
Trade payables and accruals	7,808	-	-	-	7,808
Tax and employee-related liabilities (2)	5,229	-	-	-	5,229
Other liabilities and provisions (3)	17	-	178	69	264
	36,537	**40,118**	**3,338**	**24,276**	**104,270**

(1) The categories in this disclosure are determined by IAS 39. Finance leases are mostly outside the scope of IAS 39 but they remain within the scope of IFRS 7. Therefore, finance leases have been shown separately.
(2) 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.
(3) Deferred income and provisions are excluded from the other liabilities and provisions balance, as this analysis is required only for financial instruments.

The fair values as well as the book values of the Group's borrowings are disclosed in Note 5.24. 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.

In order to pursue its business strategy to grow into a major, self-sustainable vaccine company through organic growth and opportunistic mergers & acquisitions, the Group may rely on additional 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.

5.4.1. Critical accounting estimates and assumptions

To produce this financial information, the Group's management makes 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 a fund managed by Pharmakon Advisors, 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 components 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 vaccines IXIARO®/JESPECT®, DUKORAL®, as well as third-party products);
- "Vaccine candidates" (proprietary Research & Development programs aiming to generate new approvable products in order to generate future cash flows from product sales or from commercialization through partnering with pharmaceutical companies);
- "Technologies and services" (services and inventions at a commercialization stage, *i.e.* revenue generating through collaborations, service and licensing agreements, including EB66® and IC31®).

5.5.1. Income statement aggregated by segment

Income statement aggregated by segment for the year ended December 31, 2015

€ in thousand	Commer-cialized vaccines	Vaccine candidates	Techno-logies and services	Corporate overhead	Total
Revenues and grants	62,052	8,691	12,591	-	83,335
Cost of goods and services	(41,943)	-	(5,020)	-	(46,963)
Research & Development expenses	(3,273)	(19,794)	(2,299)	-	(25,365)
Marketing and distribution expenses	(8,390)	(102)	(629)	-	(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)
Bargain purchase gain	-	-	-	13,183	13,183
Operating profit/(loss)	**1,735**	**(11,204)**	**4,081**	**(1,363)**	**(6,751)**
Finance income/expenses, result from investments in affiliates and income tax	-	-	-	(13,866)	(13,866)
Profit/(loss) for the year	**1,735**	**(11,204)**	**4,081**	**(15,229)**	**(20,617)**

Income statement aggregated by segment for the year ended December 31, 2016

€ in thousand	Commer-cialized vaccines	Vaccine candidates	Techno-logies and services	Corporate overhead	Total
Revenues and grants	80,815	6,991	10,086	-	97,892
Cost of goods and services	(36,906)	-	(6,169)	-	(43,076)
Research and development expenses	(4,675)	(18,815)	(1,100)	-	(24,589)
Marketing and distribution expenses	(15,866)	(48)	(725)	-	(16,639)
General and administrative expenses	-	-	-	(14,412)	(14,412)
Other income and expenses, net	-	-	-	(498)	(498)
Amortization and impairment of fixed assets/intangibles	(6,674)	(34,133)	(439)	-	(41,246)
Operating profit/(loss)	**16,694**	**(46,005)**	**1,653**	**(14,910)**	**(42,568)**
Finance income/expenses, result from investments in affiliates and income tax	-	-	-	(6,616)	(6,616)
Profit/(loss) for the year	**16,694**	**(46,005)**	**1,653**	**(21,526)**	**(49,184)**

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 and grants per geographical segment

€ in thousand	Year ended at December 31,	
	2016	2015
France	3,722	3,768
Europe - Without France	40,908	39,147
North America	48,608	33,933
Other	4,654	6,486
Revenues and grants	**97,892**	**83,335**

Non-current assets per geographical segment

€ in thousand	At December 31,	
	2016	2015
France	6,249	7,050
Europe - Without France	90,946	133,194
North America	803	763
Other	-	-
Non-current assets	**97,998**	**141,007**

Non-current assets consist of property, plant and equipment and intangible assets.

5.5.3. Information about major customers

Product sales to the largest customers amounted to €22,201 thousand (2015: €30,309 thousand). Collaboration and licensing revenue from the two largest customers amounted to €5,452 thousand (2015: €5,014 thousand) and €3,056 thousand (2015: €4,626 thousand), respectively.

5.6. Expenses by nature

The consolidated income statement line items cost of goods and services, Research & Development expenses, marketing and distribution expenses, general and administrative expenses and amortization and impairment of fixed assets/intangibles include the following items by nature of cost:

€ in thousand	Year ended December 31,	
	2016	2015
Impairment (Note 5.13.2)	34,109	-
Employee benefit expense (Note 5.7)	37,311	33,651
Consulting and other purchased services	20,981	22,251
Cost of sales from inventory produced in prior year	11,758	19,724
Depreciation and amortization	11,269	11,442
Building and energy costs	7,401	7,166
License fees and royalties	5,478	2,173
Raw materials and consumables used	3,973	2,036
Advertising costs	3,081	1,763
Supply, office and IT-costs	3,054	1,434
Travel and transportation costs	1,166	1,120
Other expenses	383	357
Cost of goods and services, Research & Development expenses, marketing and distribution expenses, general and administrative expenses and amortization and impairment of fixed assets/intangibles	**139,962**	**103,116**

Fees charged to the Group by the Statutory Auditors and members of their network:

€ in thousand excl. VAT	Year ended December 31,			
	2016		2015	
	PwC Audit	Deloitte & Associés	PwC Audit	Deloitte & Associés
Certification of accounts	253	165	270	171
Services other than certification of accounts (*)	14	11	37	153
TOTAL	**267**	**176**	**307**	**324**

(*) This line includes fees in connection with diligences directly linked to the audit mission (cancelled with effect as from June 17, 2016).

5.7. Employee benefit expense

Employee benefit expenses include the following:

€ in thousand	Year ended December 31,	
	2016	2015
Salaries	25,853	23,705
Social security contributions	8,602	7,557
Training and education	474	542
Stock options granted to management and employees	1,428	1,018
Other employee benefits	953	830
Employee benefit expense	**37,311**	**33,651**

During the year 2016, the Group had an average of 417 employees (2015: 390 employees).

5.8. Other income/(expenses), net

€ in thousand	Year ended December 31,	
	2016	**2015**
Taxes, duties, fees, charges, other than income tax	(145)	(116)
Profit/(loss) on disposal of fixed assets, net	(124)	29
Miscellaneous income/(expenses), net	(229)	(66)
Other income/(expenses), net	**(498)**	**(152)**

5.9. Finance income/(expenses), net

€ in thousand	Year ended December 31,	
	2016	**2015**
Finance income		
+ Interest income from bank deposits	31	43
+ Interest income from other parties	259	3,053
+ Foreign exchange gains, net	-	1,977
	290	**5,073**
Finance expense		
+ Interest expense to banks and government agencies	(144)	(148)
+ Interest expense on other loans	(5,943)	(9,569)
+ Foreign exchange losses, net	(463)	-
	(6,550)	**(9,716)**
Finance income/(expenses), net	**(6,260)**	**(4,643)**

The net finance result amounted to minus €6,260 thousand for the year 2016 compared to minus €4,643 thousand in the year 2015. This increase in net finance expenses was mainly due to negative exchange rate effects in 2016, as opposed to positive effects in the previous year and reduced interest expense due to the decrease in borrowings.

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 5.24.

5.10. Income tax

5.10.1. Income tax

Income tax is comprised of current and deferred tax.

€ in thousand	Year ended December 31,	
	2016	**2015**
Current tax	(387)	(549)
Deferred tax	32	325
Income tax	**(356)**	**(224)**

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,	
	2016	**2015**
Loss before tax	(48,828)	(20,393)
Tax calculated at domestic tax rates applicable to profits in the respective countries	13,367	6,919
Income not subject to tax	1,216	5,085
Expenses not deductible for tax purposes	(644)	(5,350)
Deferred tax asset not recognized	(14,429)	(6,721)
Utilization of previously unrecognized tax losses	69	-
Deemed income	(119)	(117)
Adjustments in respect of prior years	224	6
Effect of change in applicable tax rate	10	5
Exchange differences	(17)	(21)
Income tax of prior years	-	(22)
Minimum income tax	(26)	(2)
Withholding tax	(7)	(7)
Income tax	**(356)**	**(224)**

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

5.10.2. Deferred tax

As of December 31, 2016 the deferred tax asset of €113,444 thousand (2015: €106,002 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, 2016, the Group has tax losses carried forward of €434,298 thousand (2015: €433,078 thousand), of which €105,522 thousand are related to Valneva SE (2015: €91,469 thousand), €324,727 thousand are related to Valneva Austria GmbH (2015: €318,135 thousand), €3,568 thousand are related to Intercell USA, Inc. (2015: €20,180 thousand) and €481 thousand are related to Valneva Sweden AB (2015: €1,970 thousand).

Tax losses carried forward in France, Austria and Sweden have no expiry date, whereas the tax loss from US entities will begin to expire in the year 2033 if unused.

The offset amounts are as follows:

€ in thousand	At December 31,	
	2016	**2015**
Deferred tax assets		
+ Deferred tax asset to be recovered after more than 12 months	7,674	18,275
+ Deferred tax asset to be recovered within 12 months	1,618	428
Total deferred tax assets	**9,292**	**18,703**
Deferred tax liabilities		
+ Deferred tax liability to be recovered after more than 12 months	(9,107)	(18,457)
+ Deferred tax liability to be recovered within 12 months	(250)	(357)
Total deferred tax liability	**(9,357)**	**(18,815)**
Deferred tax, net	**(65)**	**(112)**

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

€ in thousand	**2016**	**2015**
Beginning of year	(112)	(103)
Exchange differences	14	(6)
Income statement charge	33	(2)
End of year	**(65)**	**(112)**

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

€ in thousand	**At December 31,**	
	2015	**2015**
Deferred tax asset from		
Tax losses carried forward	117,902	118,888
Fixed assets	1,431	2,230
Borrowings	1,629	1,478
Other items	1,776	2,109
Non-recognition of deferred tax assets	(113,444)	(106,002)
Total deferred tax assets	**9,292**	**18,703**
Deferred tax liability from		
Fixed assets	(286)	(526)
Intangible assets	(8,870)	(18,130)
Other items	(201)	(159)
Total deferred tax liability	**(9,357)**	**(18,815)**
Deferred tax, net	**(65)**	**(112)**

The income tax rate in the United Kingdom will be 19% from starting April 1, 2017 (substantively enacted). The deferred tax assets and liabilities presented above as at December 31, 2016 have been adjusted for this change in tax rates.

The income tax rate in France will impact 2018 for a positive result under €500 thousand and still remain 33.33% for the positive result over €500 thousand. The new rate will impact full result in 2019. There is no impact for the change in tax rates for the deferred tax assets and liabilities presented as at December 31, 2016.

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 5.22).

	Year ended December 31,	
	2016	**2015**
Net loss from continuing operations attributable to equity holders of the Company (€ in thousand)	(49,184)	(20,617)
Weighted average number of outstanding shares	74,658,929	72,740,348
Basic earnings/(losses) from continuing operations per share (€ per share)	**(0.66)**	**(0.28)**

Diluted losses per share equal basic losses per share, because the conversion of all potentially dilutive shares (outstanding preferred shares, stock options, free shares and equity warrants) (see Notes 5.21 and 5.23) 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 of tangible and intangible assets as well as bargain purchase gain (negative goodwill) from the operating loss.

€ in thousand	Year ended December 31,	
	2016	**2015**
Operating loss	(42,568)	(6,751)
Depreciation	4,389	4,437
Amortization	6,880	7,005
Impairment on intangibles and fixed assets	34,109	-
Bargain purchase gain (negative goodwill)	-	(13,183)
EBITDA	**2,810**	**(8,492)**

5.13. Intangible assets and goodwill

€ in thousand	Software	Acquired R&D techno-logy and projects	Develop ment costs	Advance payments	Total
January 1, 2015					
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**
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 5.30)	-	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**
December 31, 2016					
Opening net book value	315	94,021	4,167	65	98,567
Exchange rate differences	(2)	(443)	(82)	-	(528)
Additions	1,000	-	27	1,433	2,460
Reclassification	-	-	-	-	-
Disposals	-	-	(59)	-	(59)
Amortization charge	(229)	(6,370)	(751)	-	(7,350)
Impairment charge	-	(34,132)	-	-	(34,132)
Closing net book value	**1,083**	**53,076**	**3,302**	**1,498**	**58,959**
December 31, 2016					
Cost	3,571	117,058	10,060	1,498	132,186
Accumulated amortization and impairment	(2,488)	(63,982)	(6,758)	-	(73,228)
Net book value	**1,083**	**53,076**	**3,302**	**1,498**	**58,959**

5.13.1. Significant intangible assets

Intangible assets primarily relate to in-process R&D projects, the Japanese encephalitis vaccine and in 2015 the *Pseudomonas* vaccine.

During the second quarter of the 2016, Valneva announced that the Phase II/III trial results of its *Pseudomonas aeruginosa* vaccine candidate did not confirm the all-cause mortality reduction observed in previous studies. While the trial confirmed good immunogenicity and an acceptable safety profile, all-cause mortality (primary endpoint) and overall survival (secondary endpoint) did not differ

between the VLA43 treatment group and the placebo group. The Company has discontinued the program.

5.13.2. Impairment testing

The book values of capitalized in-process Research & Development projects have been assessed annually for impairment testing purposes using the risk-adjusted discounted cash flow method. 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 11.53% to 11.73% (2015: 11.66% to 11.83% per annum).

The discount rate of 11.53% to 11.73% (2015: 11.66% to 11.83% per annum) is based on 1.04% risk-free rate (2015: 1.58%), 7.00% market risk premium (2015: 7.00%), 0.99% to 1.35% country risk premium (2015: 0.93% to 1.16%), 0.71% to 0.84% currency risk (2015: 0.49% to 0.52%), a beta of 1.44 (2015: 1.44) and a peer group related equity-capital ratio.

The long range business model covers a period of 19 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.

In 2016, the *Pseudomonas* intangible asset, amounting to €34,132 thousand, has been fully impaired as a result of negative Phase II study results of the *Pseudomonas aeruginosa* vaccine candidate. There was no impairment of in-process Research & Development projects in the year 2015.

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 11.53% to 11.73% (2015: 11.66% to 11.83%). An increase in the discount rate of 0.61 basis points would trigger an impairment loss (2015: 2.70 basis points). Furthermore, an increase in the discount rate of one percentage point would result in an impairment loss of €2.2 million (2015: none).

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, expected royalty income or expected milestone payments. A reduction in revenues of 10% would result in €2.9 million additional impairment loss

(2015: none). A reduction of expected revenues/royalties/milestone payments of 5.30% (2015: 25.50%) would trigger an impairment loss.

5.14. Property, plant and equipment

€ in thousand	Land, buildings and leasehold improvements	Manufacturing and laboratory equipment	Computer hardware	Furniture, fittings and other	Assets in the course of construction	Total
January 1, 2015						
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**
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 5.30)	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**
December 31, 2016						
Opening net book value	36,329	4,452	182	469	1,009	42,439
Exchange rate differences	(369)	(206)	(5)	(18)	(59)	(657)
Additions	155	1,235	148	103	166	1,806
Reclassification	260	(94)	5	132	(303)	-
Disposals	-	(39)	-	(1)	(667)	(708)
Depreciation charge	(2,212)	(1,380)	(100)	(149)	-	(3,841)
Impairment charge	-	-	-	-	-	-
Closing net book value	**34,162**	**3,967**	**229**	**536**	**146**	**39,039**
December 31, 2016						
Cost	51,746	19,697	1,536	1,657	146	74,781
Accumulated depreciation and impairment	(17,583)	(15,730)	(1,307)	(1,122)	-	(35,742)
Net book value	**34,162**	**3,967**	**229**	**536**	**146**	**39,039**

Depreciation and amortization expenses of €1,429 thousand (2015: €1,346 thousand) were charged to Research & Development expenses, €47 thousand (2015: €20 thousand) were charged to marketing

and distribution expenses and €117 thousand (2015: €110 thousand) were charged to general and administrative expenses.

Operating property leases amounting to €2,497 thousand (2015: €2,170 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	Total
December 31, 2015		
Cost	34,795	34,795
Accumulated depreciation	(5,919)	(5,919)
Net book value	**28,876**	**28,876**

€ in thousand	Buildings and leasehold improvements	Total
December 31, 2016		
Cost	34,795	34,795
Accumulated depreciation	(6,739)	(6,739)
Net book value	**28,056**	**28,056**

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,	
			2016	2015
BliNK Biomedical SAS	FR	Equity method	43.29%	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.

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. Valneva does not have control over the company in the regards of IFRS 10, but rather holds a significant influence in BliNK Biomedical SAS in accordance with IAS 28.3, and therefore the investment is consolidated at equity according to IAS 28.16.

BliNK Biomedical SAS is a loss-making development stage company and Valneva has fully impaired the book value of its shares in 2015. As a result, no share in losses has been recorded in 2016.

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,	
	2016	2015
BliNK Biomedical SAS		
Non-current assets	6,478	12,469
Current assets	3,761	3,833
Non-current liabilities	1,999	1,999
Current liabilities	1,934	1,900
Revenue	1,482	1,054
Profit/(loss) from continuing operations	(9,232)	(3,172)
Total comprehensive income	(7,750)	(2,117)

5.15.2. Reconciliation to the carrying amount

€ in thousand	At December 31,	
	2016	2015
Net assets of associate	6,306	12,403
Proportion of the Company's ownership interest in BliNK Biomedical SAS	43.29%	48.22%
Company's share in net assets	2,730	5,948
Additional investment - Convertible bonds	-	1,999
	2,730	7,946
Impairment	(2,730)	(7,946)
Balance as of 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 show a positive value. BliNK Biomedical SAS'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 SAS's business plan. The investment has therefore been impaired at the end of 2015 and remains at zero in 2016. BliNK Biomedical SAS is private company and its shares are not listed on a stock exchange.

5.16. Financial instruments

5.16.1. Financial instruments by category

December 31, 2015 € in thousand	Loans and receivables	Total
Assets as per balance sheet		
Trade receivables	15,754	15,754
Other assets (1)	31,073	31,073
Cash, cash equivalents and short-term deposits	42,567	42,567
Assets	**89,394**	**89,394**

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

	Liabilities at fair value through profit and loss	Other financial liabilities	Total
Liabilities as per balance sheet			
Borrowings (excluding finance lease liabilities) (2)	-	73,039	73,039
Finance lease liabilities	-	29,217	29,217
Trade payables and accruals	-	10,698	10,698
Tax and employee-related liabilities (3)	-	4,982	4,982
Other liabilities and provisions (4)	2	249	251
Liabilities	**2**	**118,183**	**118,185**

(2) The categories in this disclosure are determined by IAS 39. Finance leases are mostly outside the scope of IAS 39 but they remain within the scope of IFRS 7. Therefore, finance leases have been shown separately.
(3) Social security and other tax payables are excluded from the tax and employee-related liabilities balance, as this analysis is required only for financial instruments.
(4) Deferred income and provisions are excluded from the other liabilities and provisions balance, as this analysis is required only for financial instruments.

December 31, 2016 € in thousand	Loans and receivables	Total
Assets as per balance sheet		
Trade receivables	16,912	16,912
Other assets (1)	12,223	12,017
Cash, cash equivalents and short-term deposits	42,180	42,180
Assets	**71,315**	**71,110**

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

	Liabilities at fair value through profit and loss	Other financial liabilities	Total
Liabilities as per balance sheet			
Borrowings (excluding finance lease liabilities) (2)	-	54,131	54,131
Finance lease liabilities	-	28,372	28,372
Trade payables and accruals	-	7,808	7,808
Tax and employee-related liabilities (3)	-	5,229	5,229
Other liabilities and provisions (4)	2	262	264
Liabilities	**2**	**95,802**	**95,804**

(2) The categories in this disclosure are determined by IAS 39. Finance leases are mostly outside the scope of IAS 39 but they remain within the scope of IFRS 7. Therefore, finance leases have been shown separately.
(3) Social security and other tax payables are excluded from the tax and employee-related liabilities balance, as this analysis is required only for financial instruments.
(4) Deferred income and provisions are excluded from the other liabilities and provisions balance, as this analysis is required only for financial instruments.

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).

December 31, 2015 € in thousand	Level 2	Total
Other liabilities and provisions		
Derivative financial instruments	2	2
Other liabilities and provisions	**2**	**2**

December 31, 2016 € in thousand	Level 2	Total
Other liabilities and provisions		
Derivative financial instruments	2	2
Other liabilities and provisions	**2**	**2**

At December 31, 2016, the fair value of these swaps was not material.

Since 2010, the Company has been covered by interest rate hedging contracts through Groupe Grimaud.

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,	
	2016	2015
Trade receivables		
Receivables from governmental institutions	5,214	284
AAA	-	307
A	1,799	5,280
Counterparties without external credit rating	9,899	9,884
Trade receivables	**16,912**	**15,754**
Other assets		
Receivables from governmental institutions	-	189
AAA	474	19,159
A	240	237
Counterparties without external credit rating or rating below A	11,509	11,488
Other assets	**12,223**	**31,073**
Cash, cash equivalents and short-term deposits		
AA	1,921	357
A	24,722	25,178
Counterparties without external credit rating or rating below A	15,538	17,032
Cash, cash equivalents and short-term deposits	**42,180**	**42,567**

The rating information refers to long-term credit ratings 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,	
	2016	2015
Raw materials	1,853	1,715
Work in progress	13,302	17,322
Finished goods	7,546	7,651
Inventory	**22,701**	**26,687**

The cost of inventories recognized as an expense and included in the position "Cost of goods and services" amounted to €32,821 thousand (2015: €40,890 thousand). Thereof an expense of €6,555 thousand (2015: €17,377 thousand) related to write-downs of inventory to the 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,	
	2016	2015
Trade receivables	16,912	15,754
Less: provision for impairment of receivables	-	-
Trade receivables, net	**16,912**	**15,754**

During the years 2016 and 2015, no material impairment losses have been recognized. The amount of trade receivables past due in 2016 amounted to €1,074 thousand (2015: €1,361 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,	
	2016	2015
Prepaid expenses	1,652	1,876
Non-current financial assets	426	403
Other receivables	25,013	46,892
	27,092	**49,172**
Less: non-current portion	(17,688)	(17,797)
Current portion	**9,404**	**31,374**

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 decrease compared to the previous year mainly results from a receivable on balance in 2015 from Johnson & Johnson amounting to €18,279 thousand in connection with the acquisition of Crucell Sweden AB (see Note 5.30).

5.20. Cash, cash equivalents and short-term deposits

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

As of December 31, 2016, cash and cash equivalents include €6,913 thousand (December 31, 2015: €660 thousand) for which there are restrictions on remittances. The increase in 2016 relates mainly to payments for a loan, which were due in January 2017.

€ in thousand	At December 31,	
	2016	2015
Cash in hand	4	7
Cash at bank	34,262	38,174
Short-term bank deposits (maturity less than 3 months)	1,002	3,726
Restricted cash	6,913	660
Cash, cash equivalents and short-term deposits	**42,180**	**42,567**

5.21. Share capital, share premium and other regulated reserves

€ in thousand (except numbers of shares)	Number of shares	Share capital	Share premium	Other regulated reserves (1)	Total share capital, share premium and other regulated reserves
Balance at January 1, 2015	**56,351,833**	**8,453**	**153,887**	**52,820**	**215,160**
Employee stock option plan:					
+ exercise of stock options and full vesting of free shares	115,874	17	299	-	317
+ issuance of ordinary shares, 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**
Balance at January 1, 2016	**74,699,173**	**11,205**	**193,145**	**52,820**	**257,170**
Employee stock option plan:					
+ issuance of ordinary shares, December 2016	2,884,615	433	7,067	-	7,500
+ cost of equity transactions, net of tax	-	-	(96)	-	(96)
Balance at December 31, 2016	**77,583,788**	**11,638**	**200,117**	**52,820**	**264,574**

(1) Regulated non-distributable reserve relating to the merger with Intercell AG.

Increases of share capital

The Company issued 2,884,615 new ordinary shares in connection with the investment by two funds of MVM Life Science Partners LLP in the Company. The investment consists of a combined purchase of new shares together with a tranche of shares from existing undisclosed shareholders of the Company. The transaction was effective on December 14, 2016 and resulted in an increase of the share capital of €433 thousand and an increase of the share premium of €7,067 thousand.

Conditional and authorized capital

On December 31, 2016, the Company had 19,870,481 shares of conditional capital in connection with:

+ the possible exercise of existing stock options;
+ the final grant of free ordinary shares;
+ the possible exercise of existing equity warrants;

+ the possible conversion of existing preferred shares;
+ the possible conversion or final grant of existing convertible preferred shares;

(see Note 5.23)

Pursuant to resolution No. 27 of the General Meeting held on June 30, 2016, 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.

Besides, in accordance with the authorization given by Valneva's shareholders at the Combined the General Meeting of June 30, 2016 and in order to maintain the Company's financial flexibility, Valneva SE renewed its Equity Line with Crédit Agricole CIB. The new Equity Line, which replaces a previous instrument expired in May 2016, will enable Valneva to issue up to 5,474,633 new ordinary shares.

This program, which expands the Group's existing financing capabilities, represents an integral part of the financing tools available to the Company and will be used according to Valneva's needs.

The Equity Line has been implemented by way of issuance of 5,474,633 equity warrants subscribed by Crédit Agricole CIB, which are exercisable, upon Valneva's request, in several tranches over the next 24 months (or until June 2018). Should the Company trigger the exercise of the warrants, the newly issued shares would be subsequently sold on the market by Crédit Agricole CIB.

For each tranche, the subscription price of the shares issued upon exercise of the equity warrants will represent a 5% discount to the volume weighted average price of the ordinary Valneva SE share for the three trading days preceding the pricing date.

5.22. Retained earnings and other reserves

€ in thousand	Other comprehensive income	Treasury shares	Retained earnings	Total
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 stock option plan:				
+ value of employee services	-	-	1,018	1,018
Purchase/sale of treasury shares	-	63	-	63
Balance at December 31, 2015	**(3,544)**	**(1,009)**	**(87,667)**	**(92,219)**
Balance at January 1, 2016	**(3,544)**	**(1,009)**	**(87,667)**	**(92,219)**
Currency translation differences	(3,880)	-	-	(3,880)
Defined benefit plan actuarial losses	(55)	-	-	(55)
Income appropriation	-	-	(20,617)	(20,617)
Employee stock option plan:				
+ value of employee services	-	-	1,429	1,429
Purchase/sale of treasury shares	-	2	-	2
Balance at December 31, 2016	**(7,479)**	**(1,006)**	**(106,854)**	**(115,339)**

The Company has not received or paid a dividend to its shareholders in the years ended December 31, 2016 and 2015.

5.23. Share-based payments

5.23.1. Stock option plans

Stock options are granted to members of the Management Board and to employees.

Part of the stock options granted in the year 2010 can be exercised as long as certain objectives conditioned to entity stock market performances have been achieved.

Stock 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 periods). All options expire no later than ten years after being granted. Stock options are not transferable or negotiable and unvested options lapse without compensation upon termination of employment with the Group (cancelation). Stock 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 stock options outstanding and their related weighted average exercise prices are as follows:

	2016			2015		
	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	1,587,700	1,707,554	3.48	955,340	1,072,860	3.07
Granted	584,250	584,250	2,71	712,000	712,000	3.92
Adjusted	-	-	-	-	97,998	-
Forfeited	(131,800)	(168,383)	3.02	(78,940)	(95,504)	3.17
Exercised	-	-	-	(700)	(79,800)	1.80
Outstanding at year end	**2,040,150**	**2,123,421**	**3.31**	**1,587,700**	**1,707,554**	**3.48**
Exercisable at year end	420,950	462,935		448,725	524,439	

No stock options have been exercised in 2016 (2015: 700).

Stock 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**	**2016**	**2015**
2020	5.19	7,000	7,000
2023	2.919[(1)]	827,900	882,950
2025	3.92	655,750	697,500
2026	2.71	549,500	-
		2,040,150	**1,587,700**

(1) Adjusted in accordance with French law requirements.

In 2016, 584,250 stock options were granted (2015: 712,000). The weighted average grant date fair value of options granted during the year 2016 was €0.80 (2015: €1.06). The fair value of the granted options was determined using the Black Scholes valuation model. The significant inputs into the models were:

	2016	2015
Expected volatility (%)	49.18	41.76
Expected vesting period (term in years)	2.00 – 4.00	2.00 – 4.00
Risk-free interest rate (%)	(0.67) – (0.61)	(0.26) – (0.12)

5.23.2. Free ordinary shares

Over the years, the Company established free ordinary 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. Then a subsequent holding period of two years follows.

Changes in the free ordinary shares outstanding are as follows:

	Number of free shares	
	2016	**2015**
Outstanding at January 1	1,000	39,000
Granted	-	-
Forfeited	-	(3,000)
Definitively granted	-	(35,000)
Outstanding at year end	**1,000**	**1,000**

5.23.3. Equity warrants

In 2011 and 2015, the Company granted equity warrants to members of the Supervisory Board. The warrants granted in 2011 were exercisable in four equal portions after one, two, three and four years. The warrants granted in 2015 are exercisable in four equal portions after 2, 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	
	2016	**2015**
Outstanding at January 1	153,000	5,625
Granted	-	153,000
Forfeited	(38,250)	(5,625)
Outstanding at year end	**114,750**	**153,000**

5.23.4. 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 euros)
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 granted 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.

5.24. Borrowings

Borrowings of the Group at yearend include the following:

€ in thousand	At December 31,	
	2016	2015
Non-current		
Bank borrowings	1,586	2,812
Other loans	32,438	45,384
Finance lease liabilities	27,520	28,372
	61,544	**76,568**
Current		
Bank borrowings	1,274	2,885
Other loans	18,833	21,957
Finance lease liabilities	851	845
	20,959	**25,687**
Total borrowings	**82,503**	**102,255**

The maturity of non-current borrowings is as follows:

€ in thousand	At December 31,	
	2016	2015
Between 1 and 2 years	31,524	26,424
Between 2 and 3 years	3,018	21,803
Between 3 and 4 years	1,345	1,537
Between 4 and 5 years	1,608	1,345
Over 5 years	24,049	25,460
Non-current borrowings	**61,544**	**76,568**

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

€ in thousand	At December 31,	
	2016	2015
EUR	38,609	61,710
USD	43,894	40,546
Total borrowings	**82,503**	**102,255**

5.24.1. Finance lease liabilities

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

5.24.2. Bank borrowings and other loans secured

As at December 31, 2016, €10,155 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 research and development expenses, fixed assets and CIR (R&D tax credit in France) 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 8.57% at year-end 2016:

€ in thousand	**At December 31, 2016**	
	Carrying amounts	**Fair values**
Bank borrowings	2,784	2,657
Other loans (excluding the other loans described in Note 5.24.3)	7,371	6,251
Guaranteed, secured, or pledged borrowings	**10,155**	**8,908**

5.24.3. Other loans

On December 20, 2013, the Group received a $30 million financing from an investment fund managed by Pharmakon Advisors for 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. 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. At December 31, 2016, the book values of the assets pledged amounted to €231,315 thousand (2015: €267,019 thousand).

The loan is included in the balance sheet item "Borrowings".

€ in thousand	**2016**	**2015**
Balance at January 1	**40,546**	**26,105**
Proceeds of issue	-	9,985
Transaction costs	-	(91)
Accrued interest and royalty expense	5,351	4,061
Payment of interest, royalties and loan	(3,736)	(2,589)
Foreign exchange valuation	1,734	3,074
Balance at December 31	**43,894**	**40,546**
Less: non-current portion	(27,304)	(39,691)
Current portion	**16,591**	**854**

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.

At December 31, 2016 the loan is included in the balance sheet item "Borrowings" as follows:

€ in thousand	**2016**	**2015**
Balance at January 1	**18,184**	**-**
Proceeds of issue	-	15,000
Transaction costs	-	(390)
Accrued interests and prepayment fees	156	4,985
Payment of interest, prepayment fees and loan	(18,340)	(1,410)
Balance at December 31	**-**	**18,184**
Less: non-current portion	-	-
Current portion	**-**	**18,184**

In July 2016, Valneva entered into a finance contract with the European Investment Bank ("**EIB**") by which the Company was granted a €25 million term loan facility as part of the European Horizon 2020 initiative. Subject to fulfillment of certain conditions precedent, the loan may be drawn in one or several tranches within a 24-month period from signing. Each tranche is repayable at the end of a five-year period starting from the drawing date. The loan is secured by collateral over Valneva's material subsidiaries, mainly ranking behind securities in connection with Valneva's existing indebtedness. Until December 31, 2016, no drawings have been made under the EIB loan facility, which has been granted at no commitment fee and will carry a favorable fixed interest rate on the amounts drawn. Transaction costs in connection with this finance contract amounted to € 232 thousands in 2016 and were recorded as prepaid expenses in order to be recognized pro rata to the outstanding principal when drawn.

5.25. Trade payables and accruals

Trade payables and accruals include the following:

€ in thousand	**At December 31,**	
	2016	**2015**
Trade payables	2,554	6,325
Accrued expenses	5,255	4,372
	7,808	**10,698**
Less: non-current portion	-	-
Current portion	**7,808**	**10,698**

5.26. Tax and employee-related liabilities

€ in thousand	**At December 31,**	
	2016	**2015**
Social security and other taxes	1,894	1,907
Employee-related liabilities	5,229	4,982
	7,123	**6,889**
Less: non-current portion	-	-
Current portion	**7,123**	**6,889**

5.27. Other liabilities and provisions

€ in thousand	At December 31,	
	2016	2015
Deferred income	7,382	9,467
Other financial liabilities	264	251
Provisions for employee commitments	278	188
Other liabilities	38	53
Other provisions	810	514
	8,772	**10,474**
Less: non-current portion	(6,333)	(7,810)
Current portion	**2,439**	**2,664**

5.27.1. Deferred Income

€ in thousand	At December 31,	
	2016	2015
Arising from collaboration and licensing agreements	6,879	8,681
Arising from government grants	502	785
	7,382	**9,467**
Less: non-current portion	(5,805)	(7,379)
Current portion	**1,577**	**2,087**

5.27.2. Provisions for employee commitments

(a) Assumptions used

	At December 31,	
	2016	2015
Discount rate	1.40%	1.90%
Salary increase rate	2.00%	2.00%
Turnover rate	0% - 33.24%	0% - 45.90%
Social security rate	47.00% - 48.00%	47.00% - 48.00%
Average remaining lifespan of employees (in years)	23	20

(b) Changes in defined benefit obligation

Present value of obligation development:

€ in thousand	2016	2015
Balance at January 1	**189**	**163**
Current service cost	35	2
Actuarial losses	55	23
Balance at December 31	**278**	**189**

5.27.3. Other provisions

€ in thousand	At December 31,	
	2016	2015
Non-current	-	-
Current	810	514
Provisions	**810**	**514**

	2016	2015
Balance at January 1	**514**	**135**
Charged to the income statement:		
+ Additional provision	608	502
+ Reversed provision	-	(113)
Used provisions	(312)	(11)
Exchange differences	-	1
Balance at December 31	**810**	**514**

The position includes a remaining amount of €226 thousand from a provision for restructuring costs recorded in 2015, in connection with the acquisition of the production site in Solna, Sweden. Furthermore, a provision for restructuring costs of €320 thousand was added in 2016 for the site in Nantes, France, in connection with an effort to reduce the Research & Development expenses of the Company. Finally, a provision of €250 thousand was recorded for expected legal and settlement costs under a court proceeding relating to the Intercell AG/Vivalis SA merger.

5.28. 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 at December 31,**	
		2016	**2015**
Loss for the year		(49,184)	(20,617)
Adjustments for			
+ Depreciation and amortization	5.13/5.14	11,269	11,442
+ Impairment fixed assets/intangibles	5.13	34,109	-
+ Share-based payments	5.14	1,428	1,018
+ Income tax	5.23	357	238
+ Profit/(loss) from disposal of fixed assets	5.10	124	(29)
+ Bargain purchase gain	5.8	-	(13,183)
+ Share of (profit)/loss from associates	5.30	-	8,998
+ Other non-cash income/expense	5.15	1,466	1,651
+ Interest income		(290)	(3,096)
+ Interest expense	5.9	6,087	9,716
+ Changes in other long-term assets and liabilities		(1,361)	(1,229)
Changes in working capital (excluding the effects of acquisition and exchange rate differences on consolidation):			
+ Inventory		2,950	7,537
+ Trade and other receivables		2,361	(3,235)
+ Trade and other payables and provisions		(2,280)	(18,887)
Cash used in operations		**(7,037)**	**(19,674)**

The following table shows the adjustments to reconcile profit/loss from the disposal of fixed assets to proceeds from the disposal of fixed assets:

€ in thousand	At December 31,	
	2016	2015
Net book value	126	99
Profit/(loss) on disposal of fixed assets	(124)	29
Proceeds from disposal of fixed assets	**1**	**128**

5.29. Commitments and contingencies

(a) Capital commitments

There were no capital expenditure contracted for at December 31, 2016 and December 31, 2015.

(b) Operating lease commitments

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

€ in thousand	At December 31,	
	2016	2015
Not later than 1 year	2,226	2,248
Later than 1 year and not later than 5 years	7,012	8,135
Later than 5 years	539	596
Operating lease commitments	**9,778**	**10,980**

The Group leases office space, cars and equipment.

(c) Other commitments and guarantees

The other commitments consisted of:

€ in thousand	At December 31,	
	2016	2015
Loans and grants	1,984	2,607
Royalties	15,643	16,278
Other	21	34
Other commitments	**17,648**	**18,919**

The guarantees and pledges consisted of:

€ in thousand	At December 31,	
	2016	2015
Equipment pledge	257	429
Pledges on consolidate investments	231,315	324,292
Guarantees for non-consolidated investments	300	300
Guarantees and pledges	**231,872**	**325,021**

In connection with the foundation of BliNK Biomedical SAS, Valneva SE 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, the Company guarantees to pay up to an amount of €300 thousand.

In July 2016, a claim for additional payment was raised, and litigation was filed in December 2016, in connection with the 2009 acquisition of Humalys SAS, by which Vivalis (now Valneva) had acquired a technology which was later combined with other antibody discovery technologies and spun off to Blink Biomedical in early 2015. Former shareholders of Humalys claimed additional consideration as a result of the spin-off transaction. Valneva, after consultation with its external advisors, believes that this claim is unsubstantiated and the filed litigation not likely to succeed in court. Detailed information

on the potential specific financial consequences which might result from a successful claim could adversely affect Valneva's ability to defend its interests in this case, and therefore is not provided, in accordance with IAS 37.92.

5.30. Business combination

On February 9, 2015, the Group completed the acquisition of the company Crucell Sweden AB, (subsequently renamed Valneva Sweden AB), including all assets, licenses and privileges related to the vaccine DUKORAL®. Valneva Sweden AB is now an indirect wholly-owned subsidiary of Valneva SE.

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 €45.0 million. The debt part of the acquisition financing was raised through a loan facility put in place with Athyrium in an amount of €15.0 million, which was repaid in January 2016.

In December 2015 changes to the Canadian DUKORAL® product monograph that Health Canada had requested became effective. The updated product monograph and subsequent labeling may negatively impact DUKORAL® sales in Canada going forward. In order to reflect these business changes Valneva and the seller 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.

Therefore, the Company adjusted the preliminary purchase price accounting retrospectively in December 2015 in accordance with IFRS 3.45. The purchase price, intangible assets, fixed assets, inventories and deferred taxes were adjusted accordingly. The resulting €13.2 million bargain purchase gain related to the acquisition was retrospectively included in the income statement of Q1 2015. Adjustments to asset values also led to changes in the income statements of the subsequent quarters, in particular affecting costs of goods sold through changes in depreciation and amortization relating to the revalued assets.

The final allocation of the purchase price was presented in the consolidated annual financial statements for the year ended December 31, 2015.

The cash consideration paid, net of cash acquired through the acquisition includes the final payment from Johnson & Johnson of €15 million in January 2016 due to the label-change in Canada and is as follows:

€ in thousand	
Cash consideration paid	35,000
Cash and cash equivalents in acquired business	(2,795)
Payments received from Johnson & Johnson (WC adjustment, label-change Canada, other liabilities)	(25,303)
Cash outflow through acquisition	6,902

5.31. Related-party transactions

5.31.1. Purchases of services

Services provided by companies of Groupe Grimaud La Corbière SA are considered related party transactions and included the provision of services and miscellaneous items to Valneva SE. These services were rendered by Group Grimaud La Corbière in connection with operating activities (interest rate swap allocation agreement) or with regulated activities (guarantees).

€ in thousand	Year ended December 31,	
	2016	**2015**
Purchases of services:		
+ Operating activities	5	7
Purchases of services	**5**	**7**

5.31.2. Key management compensation

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

€ in thousand	Year ended December 31,	
	2016	**2015**
Salaries and other short-term employee benefits	1,530	1,379
Other long-term benefits	24	24
Share-based payments (expense of the year)	795	498
Key management compensation	**2,349**	**1,901**

5.31.3. Supervisory Board compensation

The aggregate compensation of the members of the Company's Supervisory Board amounted to €251 thousand (2015: €250 thousand). In the years 2011 and 2015, the Company granted equity warrants to members of the Supervisory Board.

For more information, see Note 5.23.3.

5.32. Events after the reporting period

No events that are expected to have a material effect on the financial statements occurred after the reporting period until March 21, 2017.

D.2. Statutory 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

World Trade Center Lyon - Tour Oxygène
10-12, boulevard Marius Vivier Merle
69003 LYON

Statutory auditors' report on the consolidated financial statements

Year ended December 31, 2016

PricewaterhouseCoopers Audit

63, rue de Villiers
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VALNEVA

Société Européenne

World Trade Center Lyon - Tour Oxygène
10-12, boulevard Marius Vivier Merle
69003 LYON

Statutory auditors' report on the consolidated financial statements

Year ended December 31, 2016

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the 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 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, 2016 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, 2016 and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the matter set out in Note 5.2 “Summary of significant accounting policies” to the consolidated financial statements, which discloses the changes operated in the income statement as of December 31, 2015 from the previous version of the consolidated financial statements issued in the prior year and to the matter set out in Note 5.13 “Intangible assets and Goodwill” to the consolidated financial statements regarding the €34.1 million impairment charges related to the Pseudomonas development project.

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 €59 million as of December 31, 2016, 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 21, 2017

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
French original signed by	French original signed by
Thierry CHARRON	Vincent GROS

D.3. Separate financial statements as of December 31, 2016

VALNEVA

A European Company (*Societas Europaea*) with a Management and a Supervisory Board
Share capital: €11,815,935.39
Registered offices: World Trade Center Lyon - Tour Oxygène
10-12 boulevard Marius Vivier Merle, 69003 Lyon - France
Lyon Companies Register (RCS) No. 422 497 560

Annual financial statements
at December 31, 2016

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, 2016 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	Amortization, depreciation and provisions	December 31, 2016	December 31, 2015
INTANGIBLE FIXED ASSETS	4.3.1				
Research & Development expenditures		7,856	6,665	1,191	1,785
Concessions, patents and similar rights		231	130	101	165
Goodwill		0	0	0	0
Other intangible assets in process		76	0	76	4
PROPERTY, PLANT AND EQUIPMENT	4.3.2				
Land		679	178	501	527
Constructions		6,230	2,649	3,581	3,925
Plant, machinery and equipment		3,594	2,690	904	968
Other PPE		521	402	119	122
Tangible fixed assets under construction		71	0	71	15
Prepayments		0	0	0	0
LONG-TERM INVESTMENTS	4.3.3				
Non-consolidated investments		169,526	8,999	160,528	154,929
Receivables on non-consolidated investments		0	0	0	0
Loans		155	0	155	142
Other financial assets		1,287	592	694	823
TOTAL NON-CURRENT ASSETS		**190,225**	**22,304**	**167,921**	**163,403**
INVENTORIES AND WORK IN PROGRESS	4.3.4				
Raw materials and supplies		181	0	181	159
Work-in-progress		0	0	0	0
RECEIVABLES					
Trade receivables and related accounts	4.3.5	728	0	728	163
Other receivables	4.3.6	31,887	156	31,731	45,584
Called up capital		0	0	0	0
OTHER CURRENT ASSETS					
Marketable securities		0	0	0	0
Cash at bank and in hand	4.3.7	10,050	0	10,050	12,184
ACCRUAL ACCOUNTS					
Prepaid expenses	4.3.8	734	0	734	427
TOTAL CURRENT ASSETS		**43,580**	**156**	**43,424**	**58,517**
Unrealized losses on foreign exchange		135	0	135	50
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**233,940**	**22,460**	**211,480**	**221,970**

1.2. Liabilities and equity

(In € thousand)	Note No.	December 31, 2016	December 31, 2015
Share capital or individual share		11,816	11,383
Additional paid-in capital		221,272	214,300
Regulated reserves		52,832	52,832
Retained earnings/(accumulated deficit)		(76,335)	(58,716)
NET INCOME (LOSS) FOR THE YEAR		**(12,588)**	**(17,619)**
Investment grants	4.3.11	135	172
Tax-driven provisions		311	467
SHAREHOLDERS' EQUITY	4.3.10	**197,443**	**202,820**
Subordinated grants	4.3.12	2,286	2,516
OTHER EQUITY		**2,286**	**2,516**
Provisions for contingencies		397	62
Provisions for losses		598	189
PROVISIONS FOR CONTINGENCIES AND LOSSES	4.3.13	**995**	**250**
BORROWINGS			
Bank borrowings	4.3.14	6,452	8,396
OPERATING PAYABLES			
Trade payables and related accounts	4.3.15	823	1,073
Tax and employee-related liabilities	4.3.16	1,372	1,022
OTHER PAYABLES			
Payables on fixed assets and equivalent	4.3.17	63	115
Other financial liabilities	4.3.17	1,876	5,733
ACCRUAL ACCOUNTS			
Deferred income	4.3.18	32	33
TOTAL LIABILITIES		**10,618**	**16,370**
Unrealized losses on foreign exchange		138	14
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**211,480**	**221,970**

2. INCOME STATEMENT

(In € thousand)	France	Export	Note No.	As at December 31, 2016	2015
Sales of services	462	2,178		**2,640**	830
NET SALES	**462**	**2,178**	4.4.1	**2,640**	**830**
Change in inventory of own production of goods and services					
Own production of goods and services capitalized			4.4.2	61	107
Grants			4.4.3	(28)	86
Reversals of depreciation, amortization and provisions, expense reclassifications			4.4.5	69	141
Other income			4.4.4	1,972	3200
OPERATING INCOME				**4,715**	**4,364**
Purchase of trade goods					
Purchases of raw materials and other supplies (including customs duties)				532	466
Change in inventory (raw materials and supplies)				29	17
Other purchases and external expenses			4.4.6	11,464	8,404
Taxes other than on income and related payments			4.4.7	181	121
Wages and salaries			4.4.8	3,095	2,660
Employee benefit expense			4.4.8	1,356	1,283
ALLOWANCES FOR DEPRECIATION AND AMORTISATION, PROVISIONS					
For fixed assets			4.4.9	1,380	1,385
For current assets			4.4.9	0	0
For contingencies and losses			4.4.9	659	25
Other expenses				438	318
OPERATING EXPENSES				**19,134**	**14,680**
INCOME (LOSS) FROM ORDINARY ACTIVITIES				**(14,419)**	**(10,317)**
JOINT VENTURE OPERATIONS					
FINANCIAL INCOME					
Financial income from non-consolidated investments				516	545
Income from other marketable securities and receivables capitalized					
Other interests and similar income				19	98
Reversals of provisions and expense reclassifications			4.4.9	8	21
Foreign exchange gains				13	19
Net proceeds from the disposal of marketable securities				0	0
FINANCIAL INCOME				**556**	**683**
Amortization and charges to provisions for financial items			4.4.9	226	9,138
Interest and similar expenses				303	556
Foreign exchange losses				181	13
Net charges on disposals of marketable securities					
FINANCIAL EXPENSES				**710**	**9,708**
NET FINANCIAL INCOME (EXPENSE)			4.4.10	**(153)**	**(9,025)**
INCOME (LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX AND EXCEPTIONAL ITEMS				**(14,572)**	**(19,341)**

(In € thousand)	Note No.	As at December 31, 2016	2015
Exceptional income from non-capital transactions			268
Exceptional income from capital transactions		39	7,582
Reversals of provisions and expense reclassifications		179	6,954
EXCEPTIONAL INCOME		**218**	**14,803**
Exceptional expenses on non-capital transactions			
Exceptional expenses on capital transactions		131	14,932
Exceptional depreciation, amortization and provisions			
EXCEPTIONAL EXPENSES		**131**	**14,932**
NET EXCEPTIONAL ITEMS	4.4.11	**87**	**(129)**
Corporate income tax	4.4.12	**(1,897)**	(1,851)
TOTAL INCOME		**5,489**	**19,849**
TOTAL EXPENSES		**18,078**	**37,469**
PROFIT OR LOSS		**(12,588)**	**(17,619)**
Basic net earnings per share (in euros)	4.4.13	(0.16)	(0.24)
Diluted net earnings per share (in euros)		(0.16)	(0.24)

3. CASH FLOW STATEMENT

Cash flow statement (In € thousand)	Note No.	2016	2015
Cash flow from operating activities:			
Net profit/(loss)	2	(12,588)	(17,619)
Income and expenses with no impact on cash or unrelated to operating activities			
Operating depreciation and amortization expenses	4.4.9	2,039	1,411
Reversals of operating depreciation and amortization expenses	4.4.9	(51)	(114)
Financial depreciation and amortization expenses	4.4.9	218	9,117
Exceptional depreciation and amortization			
Reversals of exceptional provisions	4.4.9	(179)	(6,954)
Expense reclassifications on capitalized assets	4.4.2	(61)	(107)
Amount of grants recognized under income	4.4.11	(38)	(37)
(Gains)/losses on disposal of assets	4.4.11	106	7,418
Cancellation of operating/exceptional receivables			
Operating cash flows	4.3.7	**(10,554)**	**(6,885)**
Change in other current assets and liabilities:			
Inventories	4.3.4	29	527
Trade receivables and related accounts	4.3.5	(565)	241
Trade payables and related accounts	4.3.15	(249)	(760)
Other receivables	4.3.6	13,843	(13,300)
Prepayments and accrued income		(392)	(222)
Tax and employee-related liabilities	4.3.16	351	(115)
Other accruals and deferred income	4.3.17	(3,857)	3,911
Accruals and deferred income		123	47
Net cash from/(used in) operating activities		**(1,271)**	**(16,557)**
Cash flow from investing activities			
Purchase of intangible fixed assets:	4.3.1	(78)	(146)
Purchase of property, plant and equipment	4.3.2	(358)	(404)
Purchase of long-term investments	4.3.3	(5,606)	(18,539)
Net capital expenditure		0	39
Change in working capital requirements with regard to assets	4.3.17	(52)	(1,463)
Net cash used in investing activities		**(6,094)**	**(20,514)**
Cash flow from financing activities			
Proceeds from borrowings	4.3.14	1,481	1,769
Repayment of borrowings	4.3.14	(3,424)	(2,987)
Subordinated grants received/repaid	4.3.12	(230)	(642)
Investment grants received	4.3.11	0	(209)
Capital increase	4.3.10	7,501	45,168
Transaction costs charged to merger premium	4.3.10	(96)	(3,157)
Net cash from financing activities		**5,231**	**39,942**
Net change in cash and cash equivalents		**(2,134)**	**2870**
Opening cash, cash equivalents and marketable securities	4.3.7	12,184	9,314
Closing cash, cash equivalents and marketable securities	4.3.7	10,050	12,184
Net change in cash and cash equivalents		**2,134**	**2,870**

4. NOTES TO THE FINANCIAL STATEMENTS

4.1. Key events of the year

Annual highlights for 2016 included:

- the signature of a finance agreement with the European Central Bank providing €25 million in financing for Valneva's R&D activities. This loan was arranged on July 12, 2016 though will not impact the financial statements until 2017;
- renewal of the equity line program with Crédit Agricole CIB in June 2016;
- acquisition of 7.5% of the Company by two funds of MVM Life Science Partners LLP, an investment fund specializing in the healthcare sector.

4.2. Accounting policies and methods

4.2.1. General background

The separate 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 2016-07 of the French accounting standard setter (*Autorité des Normes Comptables* or ANC), and in accordance with the fundamental accounting principles of prudence, going concern, consistency and accruals, the time period concept and general financial statements preparation and presentation rules.

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

The financial information is expressed in thousands of euros and was approved by the Management Board on March 21, 2017.

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.

When the useful life of intangible assets is indefinite, they are not amortized but instead subject to systematic impairment tests.

4.2.5. Research and development expenditures

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 all 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 upon recognition of assets in accordance with the straight-line method over 5 years.

4.2.6. Concessions, patents and similar rights

Computer software is recognized at cost and amortized over two years using the straight-line method.

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.

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

Equity investments include costs for the acquisition of different subsidiaries of the Company.

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.

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 treasury shares (124,322 ordinary shares and 124,322 preferred 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. Amounts for impairment 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
- 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". When failure to complete a research and development project has been formally established, 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;
+ 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 *Crédit d'Impôt pour la Compétitivité et l'Emploi* ("**CICE**") corresponds to a tax credit granted to companies with salaried employees reducing social security charges. The CICE wage 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, 2015 and 2016 will be paid back in 2017, 2018, 2019 and 2020 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.

4.2.24. Corporate 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 December 29, 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 this early refund provision.

Receivables relating to Research Tax Credits 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, 2016 to December 31, 2016

(In € thousand)	January 1, 2016	Changes in the period			December 31, 2016
		Increase	Decrease	Other Changes in the period	
Preliminary expenses	0	0	0	0	0
Development expenditure	8,343	61	(548)	0	7,856
Goodwill	0	0	0	0	0
Concessions, patents and rights	168	0	(168)	0	0
Software	225	6	0	0	231
Intangible assets under development	4	72	0	0	76
Other	0	0	0	0	0
Gross intangible fixed assets	**8,740**	**139**	**(716)**	**0**	**8,163**
Preliminary expenses	0	0	0	0	0
Development expenditure (1)	6,558	595	(487)	0	6,666
Goodwill (2)	0	0	0	0	0
Concessions, patents and rights (3)	146	0	(146)	0	0
Software	83	46	0	0	129
Total amortization	**6,786**	**641**	**(633)**	**0**	**6,795**
Net intangible fixed assets	**1,954**	**(502)**	**(83)**	**0**	**1,368**
Development expenditure	467	0	(156)	0	311
Concessions, patents and rights	0	0	0	0	0
Software	0	0	0	0	0
Total accelerated tax depreciation or amortization	**467**	**0**	**(156)**	**0**	**311**
Net tax value of intangible fixed assets	**1,487**	**(502)**	**73**	**0**	**1,057**
(1) Of which exceptional depreciation	1,191	0	(23)	0	1,168
(2) Of which exceptional depreciation	0	0	0	0	0
(3) Of which exceptional depreciation	0	0	0	0	0

Development expenditure

In 2016, a new development expenditure of €61 thousand was capitalized in accordance with the accounting policy described in Note 4.2.5.

(b) Change from January 1, 2015 to December 31, 2015

(In € thousand)	January 1, 2015	Changes in the period			December 31, 2015
		Increase	Decrease	Other Changes in the period	
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 (*Transmission Universelle de Patrimoine*) 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.

4.3.2. Net intangible fixed assets

(a) Change from January 1, 2016 to December 31, 2016

		Changes in the period			
(In € thousand)	**January 1, 2016**	**Increase**	**Decrease**	**Other Changes in the period**	**December 31, 2016**
Land	677	2	0	0	679
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	2,624	23	0	0	2,647
Plant, machinery and equipment	3,449	227	(97)	15	3,594
General installations, miscellaneous improvements	9	0	0	0	9
Vehicles	5	0	0	0	5
Office, IT equipment, furniture	473	35	(3)	0	504
Recoverable packaging	2	0	0	0	2
Tangible fixed assets under construction	15	71	0	(15)	71
Prepayments	0	0	0	0	0
Gross intangible fixed assets	**10,837**	**358**	**(101)**	**0**	**11,094**
Land	150	28	0	0	178
Buildings on own land	738	133	0	0	871
Buildings on land of third parties	254	63	0	0	317
Building installations and improvements	1,290	171	0	0	1,461
Plant, machinery and equipment	2,470	306	(97)	0	2,678
General installations, miscellaneous improvements	3	1	0	0	3
Vehicles	5	0	0	0	5
Office, IT equipment, furniture	357	37	(3)	0	391
Recoverable packaging	2	0	0	0	2
Total depreciation	**5,270**	**738**	**(101)**	**0**	**5,907**
Impairment	0	0	0	0	0
Plant, machinery and equipment	11	0	0	0	11
Net intangible fixed assets	**5,556**	**(380)**	**0**	**0**	**5,176**

€358 thousand in capital expenditures were incurred for fixtures and laboratory equipment for the Saint-Herblain site.

(b) Change from January 1, 2015 to December 31, 2015

(In € thousand)	January 1, 2015	Changes in the period			December 31, 2015
		Increase	Decrease	Other Changes in the period	
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.

4.3.3. Financial assets

(a) Change from January 1, 2016 to December 31, 2016

(In € thousand)	January 1, 2016	Acquisitions / Contributions / Mergers	Disposals	December 31, 2016
Non-consolidated investments	163,927	10,000	(4,401)	169,526
Receivables on non-consolidated investments	0	0	0	0
Loans (1)	142	13	0	155
Deposits and bonds	47	8	(14)	41
Treasury shares	646	0	0	646
Liquidity agreement	600	0	0	600
Gross value	**165,362**	**10,021**	**(4,415)**	**170,968**
Non-consolidated investments	8,999	0	0	8,999
Depreciation of deposits and bonds	8		(8)	0
Treasury shares impairment	176	117	0	293
Liquidity agreement impairment	286	12	0	298
Total depreciation	**9,469**	**130**	**(8)**	**9,591**
Total net long-term investments	**155,893**	**9,892**	**(4,407)**	**161,378**

(1) Long-term loans in connection with social housing levies.

+ The increase in non-consolidated investments reflects the payment of €10 million in January 2016 to Valneva Austria GMBH, for the purpose of recapitalizing the subsidiary's equity capital.
+ The decrease of non-consolidated investments reflects the €4.4 million payment in October 2016 by Vaccines Holdings Sweden AB, following a decision of the Board of Directors on September 16, 2016. This payment reduces the initial capital contribution of €17 million made to this subsidiary in 2015.

124,322 ordinary and 124,322 preferred treasury shares, representing €646,350, 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, 2016. Assets held under this liquidity agreement included both cash and shares (21,571 shares at December 31, 2016). The portion in shares has been valued on the basis of the average trading price for December 2016 resulting in an allowance for impairment for €12 thousand. On that basis, the impairment at December 31, 2016 was €298 thousand.

An impairment charge of €117 thousand for treasury shares was recorded according to this same principle of valuation at December 31, 2016. At December 31, 2016, the remaining amount of this provision amounted to €293 thousand.

Portfolio of shares held in treasury:

(In € thousand)	Number of shares at December 31, 2016	Gross	Provision	Net
Liquidity agreement	21,571	360	298	61
Financial compensation:		646	293	353
+ Ordinary shares with a nominal value of €0,15	124,322			
+ Preferred shares with a nominal value of €0,15	124,322			

(b) Change from January 1, 2015 to December 31, 2015

(In € thousand)	January 1, 2015	Acquisitions / Contributions / Mergers	Disposals	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 ordinary and 124,322 preferred treasury shares, representing €646,350, 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:

(In € thousand)	Number of shares at December 31, 2015	Gross	Provision	Net
Liquidity agreement	20,110	363	287	76
Financial compensation:		646	176	470
+ Ordinary shares with a nominal value of €0,15	124,322			
+ Preferred shares with a nominal value of €0,15	124,322			

4.3.4. Inventories and work-in-progress

(a) Change from January 1, 2016 to December 31, 2016

(In € thousand)	January 1, 2016	Increase	Decrease	December 31, 2016
Raw materials and supplies	210	0	(29)	181
Impairment	(51)	0	51	(0)
Total	**159**	**0**	**22**	**181**

The impairment charge of €51 thousand recorded on December 31, 2015 was reversed after the devalued assets were definitively written off.

(b) Change from January 1, 2015 to December 31, 2015

(In € thousand)	January 1, 2015	Increase	Decrease	December 31, 2015
Raw materials and supplies	737	0	(527)	210
Impairment	(52)	0	1	(51)
Total	**685**	**0**	**(526)**	**159**

An amount 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.

4.3.5. Trade receivables and related accounts

(In € thousand)	December 31, 2016	December 31, 2015
Trade receivables	728	163
Doubtful trade receivables	0	0
Gross value	**728**	**163**
Impairment of trade receivables	0	0
Total trade receivables (net value)	**728**	**163**

(a) Trade receivables by maturity at December 31, 2016

(In € thousand)	Gross	Up to 1 year	More than 1 year
Trade receivables	668	668	0
Doubtful trade receivables	0	0	0
Trade receivables - Sales invoice accruals	60	60	0
Total	**728**	**728**	**0**

(b) 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**

4.3.6. Other receivables

(In € thousand)	December 31, 2016	December 31, 2015
Income tax	7,994	8,811
VAT	147	149
Grant income	0	189
Current account advances / Valneva Toyama Japan K.K.	156	144
Current account impairment charges / Valneva Toyama Japan K.K.	(156)	(144)
Current account advances / subsidiaries	23,535	36,411
Other operating receivables	54	25
Amounts receivable on disposal of assets	0	0
Total other receivables (net value)	**31,731**	**45,584**

The corporate income tax receivables virtually all concern the Research Tax Credit ("**RTC**") and the CICE (*Crédit d'Impôt Compétitivité Emploi*) wage tax credit.

(In € thousand)	December 31, 2016	December 31, 2015
2016 RTC	1,901	0
2015 RTC	1,851	1,851
2014 RTC	1,965	1,965
2013 RTC	2,039	2,039
2012 RTC	0	2,759
2016 CICE wage tax credit	45	0
2015 CICE wage tax credit	52	52
2014 CICE wage tax credit	70	70
2013 CICE wage tax credit	71	71
Miscellaneous tax reductions	0	4
Total corporate income tax receivables (net value)	**7,994**	**8,811**

(a) Trade receivables by maturity at December 31, 2016

(In € thousand)	Gross	Up to 1 year	More than 1 year
Income tax	7,994	2,110	5,884
VAT	147	147	0
Grant income	0	0	0
Current account advances / Valneva Toyama Japan K.K.	156	156	0
Current account impairment charges / Valneva Toyama Japan K.K.	(156)	(156)	0
Current account advances / subsidiaries	23,535	23,535	0
Other operating receivables	54	54	0
Amounts receivable on disposal of assets	0	0	0
Total	**31,731**	**25,847**	**5,884**

(b) Trade receivables by maturity 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**

4.3.7. Net cash

Net cash flow items

(In € thousand)	December 31, 2016	December 31, 2015
Cash at bank and in hand (1)	9,049	11,184
Fixed term deposits	1001	1,000
Marketable securities (2)	0	0
Cash assets	**10,050**	**12,184**
Bank facilities	0	0
Cash liabilities	**0**	**0**
Net cash flow	**10,050**	**12,184**
(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, 2016	December 31, 2015
Office supplies	4	5
Maintenance and repairs	31	23
Leasing expenses	0	0
Rent and service charges	41	42
Insurance premiums	98	109
Documentation	11	15
Conventions	38	29
Fees	466	157
Advertising, contributions	14	6
Bank services	12	15
Site security services	2	2
Royalties, concessions, patents	18	24
Total	734	**427**

4.3.9. Accrued income

(In € thousand)	December 31, 2016	December 31, 2015
Trade receivables and related accounts	60	10
Bank - Accrued interest on time deposits	0	1
Total accrued income (1)	**60**	**11**

(1) For 2016: amount up to one year: € 60 thousand.
For 2015: amount up to one year: €11 thousand.

4.3.10. Shareholders' equity

(a) Change from January 1, 2016 to December 31, 2016

		Changes in the period			
(In € thousand)	January 1, 2016	Increase	Decrease	Other changes	December 31, 2016
Share capital	11,383	433	0	0	11,816
Additional paid-in capital	214,299	6,971	0	0	221,270
Regulated reserves	52,832	0	0	0	52,832
Retained earnings/(accumulated deficit)	(58,715)	0	0	(17,619)	(76,334)
Net income/(loss) for the year	**(17,619)**	**0**	**(12,588)**	**17,619**	**(12,588)**
Net investment grants	173	0	(38)	0	135
Tax-driven provisions	467	0	(156)	0	311
Total shareholders' equity	**202,820**	**7,404**	**(12,781)**	**0**	**197,443**

Share capital

At December 31, 2016, the share capital in the amount of €11,816 thousand was comprised of 78,772,903 shares, including (a) 77,582,714 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 December 14, 2016, Valneva issued 2,884,615 new ordinary shares through a private placement with two funds of MVM Life Science Partners LLP, without preferential subscription rights, resulting in a 3.7% dilution in the Company's ordinary capital. This transaction generated €7.5 million in proceeds for Valneva.

This issue generated an increase in the share capital of €433 thousand and share premium of €7,067 thousand.

€96 thousand relating to the share issuance costs were charged against additional paid-in capital.

In 2016, there were no grants of free shares or preferred shares.

At December 31, 2016, the breakdown of the capital ownership structure was primarily as follows:

- 15.37% by the Groupe Grimaud La Corbière SA;
- 9.47 % by Bpifrance Participations SA; and
- 7.68% by two funds managed by MVM Life Science Partners LLP (MVM IV LP & MVM GP (No.4) Scottish LP).

The remaining capital is held by:

- 0.99% held by employees and management;
- 1.6% by other private persons as shareholders to the Company's knowledge (including two private persons of the Grimaud family - including Mr. Frédéric Grimaud, Chairman of the Supervisory Board and Financière Grand Champ SAS - in addition to independent members of the Supervisory Board, Messrs. Alain Munoz, James Sulat and Alexander Von Gabain); and
- the remaining 64.88% by the free float.

These rates are calculated in reference to a share capital of 78,772,903 Valneva SE shares, divided into (a) 77,582,714 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 convertible preferred shares (ISIN XFCS00X0I9M1), with a nominal value of €0.15 each.

Other equity

No dividend was paid in 2016.

Equity warrants (Bons d'émission d'actions or "BEA")

In accordance with the authorization given by Valneva's shareholders at the Combined the General Meeting of June 30, 2016 and in order to maintain the Company's financial flexibility, Valneva SE renewed its Equity Line with Crédit Agricole CIB. The new Equity Line, which replaces a previous instrument expired in May 2016, will enable Valneva to issue up to 5,474,633 new ordinary shares.

This program, which expands the Group's existing financing capabilities, represents an integral part of the financing tools available to the Company and will be used according to Valneva's needs.

The Equity Line has been implemented by way of issuance of 5,474,633 equity warrants subscribed by Crédit Agricole CIB, which are exercisable, upon Valneva's request, in several tranches over the next 24 months (or until June 2018). Should the Company trigger the exercise of the warrants, the newly issued shares would be subsequently sold on the market by Crédit Agricole CIB.

For each tranche, the subscription price of the shares issued upon exercise of the equity warrants will represent a 5% discount to the volume weighted average price of the ordinary Valneva SE share for the three trading days preceding the pricing date.

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(b) Change from January 1, 2015 to December 31, 2015

(In € thousand)	January 1, 2015	Changes in the period			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 was 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 (bonus 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 Bpifrance Participations SA and 69.95% by the free float. The remaining capital is held by financial investors, employees and corporate officers.

These rates are calculated in reference to a share capital of 75,888,288 Valneva SE shares, divided into (a) 74,698,099 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 convertible preferred shares (ISIN XFCS00X0I9M1), with a nominal value of €0.15 each.

Other equity

€3,338 thousand relating to the share issuance costs were charged against additional paid-in capital.

No dividend was paid in 2015.

4.3.11. Investment grants

(In € thousand)	MENRT 04G608	REGION EPF	REGION EPF
Amount granted	441	111	137
Grant date	January 05, 2005	October 12, 2006	October 12, 2006
Net amount at 01/01/2011	**75**	**50**	**81**
Grant for 2011	0	0	0
Amounts reclassified as operating grants	0	0	0
Grant transferred to 2011 net income	14	7	10
Net amount at 12/31/2011	**61**	**43**	**71**
Grant for 2012	0	0	0
Amounts reclassified as operating grants	0	0	0
Grant transferred to 2012 net income	15	6	10
Net amount at 12/31/2012	**46**	**37**	**61**
Grant transferred to 2013 net income	13	6	10
Net amount at 12/31/2013	**33**	**31**	**51**
Grant transferred to 2014 net income	7	6	10
Net amount at 12/31/2014	**26**	**25**	**41**
Grant transferred to 2015 net income	6	6	10
Decrease in the grant	0	0	0
Net amount at 12/31/2015	**20**	**19**	**31**
Grant transferred to 2016 net income	6	7	11
Decrease in the grant	0	0	0
Net amount at 12/31/2016	**14**	**12**	**20**

(In € thousand)	REGION EPF	REGION Energie	DEPT 44	TOTAL
Amount granted	115	15	87	
Grant date	October 12, 2006	December 15, 2008	October 13, 2009	
Net amount at 01/01/2011	**83**	**13**	**85**	**994**
Grant for 2011	0	0	0	0
Amounts reclassified as operating grants	0	0	0	(116)
Grant transferred to 2011 net income	10	3	3	146
Net amount at 12/31/2011	**73**	**10**	**82**	**732**
Grant for 2012	0	0	0	0
Amounts reclassified as operating grants	0	0	0	0
Grant transferred to 2012 net income	11	2	4	145
Net amount at 12/31/2012	**62**	**8**	**78**	**587**
Grant transferred to 2013 net income	11	2	3	**129**
Net amount at 12/31/2013	**51**	**6**	**75**	**458**
Grant transferred to 2014 net income	10	1	3	40
Net amount at 12/31/2014	**41**	**5**	**71**	**418**
Grant transferred to 2015 net income	10	1	3	36
Decrease in the grant	0	0	0	209
Net amount at 12/31/2015	**31**	**4**	**68**	**173**
Grant transferred to 2016 net income	10	1	3	38
Decrease in the grant	0	0	0	0
Net amount at 12/31/2016	**21**	**3**	**65**	**135**

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 01/01/2011	**894**	**2,770**	**894**	**4,558**
Grant for 2011	0	0	0	0
Repayment during 2011	0	0	0	0
Net amount at 12/31/2011	**894**	**2,770**	**894**	**4,558**
Grant for 2012	0	0	0	0
Repayment during 2012	(178)	0	0	(178)
Net amount at 12/31/2012	**716**	**2,770**	**894**	**4,380**
Grant for 2013	0	0	0	0
Repayment during 2013	(179)	0	0	(179)
Net amount at 12/31/2013	**537**	**2,770**	**894**	**4,201**
Repayment during 2014	(179)	0	(72)	(250)
Net amount at 12/31/2014	**358**	**2,770**	**822**	**3,951**
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 12/31/2015	**179**	**1,658**	**679**	**2,516**
Decrease in aid in line with actual expenses	0	0	0	0
Financial returns	0	198	0	198
Repayment during 2016	(179)	(70)	(179)	(428)
Net amount at 12/31/2016	**0**	**1,786**	**500**	**2,286**

4.3.13. Provisions for contingencies and losses

(a) Change from January 1, 2016 to December 31, 2016

		Changes in the period			
			Reversals		
(In € thousand)	January 1, 2016	Charge	Used	Not used	December 31, 2016
Disputes	12	0	0	0	12
Foreign exchange risk	50	85	0	0	135
Retirement severance benefits	189	89	0	0	278
Miscellaneous risks	0	250	0	0	250
Restructuring costs		320	0	0	320
Minimum annual CIT charge	0	0	0	0	0
Total provisions for contingencies and losses	**250**	**744**	**0**	**0**	**995**
+ of which operating	201	659	0	0	860
+ of which financial	49	85	0	0	135
+ of which exceptional	0	0	0	0	0

A provision for contingencies and expense was recorded for €250 thousand relating to a dispute with former Intercell employees.

A provision for restructuring costs was recorded for €320 thousand relating to the R&D department's reorganization.

(b) 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.

4.3.14. Borrowings

(In € thousand)		As at December 31, 2016	2015
CA €800 thousand loan of 12/31/2009[(1)]	3-month Euribor floating rate + 1.10%	240	320
CA €500 thousand loan of 07/16/12[(1)]	3-month Euribor floating rate + 1.40%	75	175
CM €1.2 million loan of 12/23/09[(1)]	3-month Euribor floating rate + 1.25%	180	240
CM €1,030 thousand loan of 06/18/10[(1)]	2.70% fixed rate	74	221
CM €1.2 million loan of 05/05/2011[(1)]	3-month Euribor floating rate + 0.70%	257	429
CM €500 thousand loan of 07/05/12[(1)]	3-month Euribor floating rate + 1.40%	75	176
CE €600 thousand loan of 12/23/09[(1)]	1-month Euribor floating rate + 1.20%	180	240
CA €500 thousand loan of 07/31/12[(1)]	1-month Euribor floating rate + 1.30%	78	180
LCL €500 thousand loan of 12/23/09[(1)]	1-month Euribor floating rate + 1.25%	150	200
LCL €470 thousand loan of 07/30/10[(1)]	3-month Euribor floating rate + 0.80%	51	118
RTC credit collateralization	1-month Euribor floating rate + 1.70%	5,090	6,095
Current bank facilities, bank credit balances		2	1
Total		**6,452**	**8,396**

(1) Of which accrued interest €7 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.

The Company was covered by an interest rate hedging contract implemented by Groupe Grimaud La Corbière SA in 2012 for an amount of €165 thousand at December 31, 2016.

This contract was implemented on October 17, 2012 for a 7-year period.

This interest rate swap agreement provides for payment to Groupe Grimaud La Corbière SA 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 thousand at December 31, 2016.

(a) At December 31, 2016

(In € thousand)		Gross	Up to 1 year	More than 1 year	More than 5 years
Total financial debt		**6,452**	**5,866**	**586**	**0**
+ of which loans secured during the year	5,085				
+ of which loans repaid during the year	3,424				

Loans obtained during the period correspond on the one hand to the renewed collateralization of the 2013 and 2014 Research Tax Credits, and on the other hand, the collateralization of the 2015 RTC with BPI.

Repayment of these loans includes the collateralization of the 2012 RTC.

(b) 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**	**1359**	**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, and on the other hand, the collateralization of the 2014 RTC with BPI.

Repayment of these loans includes the collateralization of the 2011 RTC.

4.3.15. Trade payables and related accounts

(a) At December 31, 2016

(In € thousand)	Gross	Up to 1 year	More than 1 year	More than 5 years
Operating payables	314	314	0	0
Notes payable	0	0	0	0
Operating payables - Purchase invoice accruals	509	509	0	0
Total	**823**	**823**	**0**	**0**

(b) 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**

4.3.16. Tax and employee-related liabilities

(In € thousand)	December 31, 2016	December 31, 2015
VAT due	22	16
Other taxes	7	7
Wages and salaries	719	621
Employee benefit expense	420	378
Other payables, repayable grants*	205	0
Total tax and employee-related liabilities[1]	**1,372**	**1,022**
(1) up to 1 year	1,372	1,022
More than 1 and less than 5 years	0	0
more than 5 years	0	0

*Grants (In € thousand)	Allocated	Reversed	Paid	Balance
DIACT (2008)	550	420	220	(90)
OSEO (2009)	6,016	1,594	4,422	0
NANTES (2009)	894	0	894	0
ANR (2010)	541	76	465	0
FEDER	1,500	366	1,118	16
FUI RHONES ALPES	374	276	112	(14)
FUI PAYS DE LOIRE	628	430	314	(116)
Total grants and advances	**10,503**	**3,162**	**7,545**	**205**

4.3.17. Other financial liabilities

(In € thousand)	December 31, 2016	December 31, 2015
Payables on non-consolidated investments	0	0
Amounts due in respect of fixed asset purchases	63	115
Other operating payables	1,876	5,733
Total other liabilities	**1,939**	**5,848**

The line item "Other operating liabilities" includes mainly the current account balance with Valneva Austria GmbH.

(a) At December 31, 2016

(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	63	63	0	0
Payables to fixed asset suppliers - Purchase invoice accruals	0	0	0	0
Other financial liabilities	1,876	1,876	0	0
Total	**1,939**	**1,939**	**0**	**0**

(b) 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**

4.3.18. Deferred income

(In € thousand)	December 31, 2016	December 31, 2015
Operating grants	0	0
Research services and royalties	32	33
Total deferred income	**32**	**33**

(a) At December 31, 2016

(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	32	0	0	0
Total	**32**	**0**	**0**	**0**

(b) 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**

4.3.19. Accrued expenses

(In € thousand)	December 31, 2016	December 31, 2015
Trade payables and related accounts	509	459
Tax and employee-related liabilities	1,066	930
Payables on fixed assets and equivalent	0	0
Borrowings and financial liabilities	7	12
Other financial liabilities	15	14
Total accrued expenses (1)	**1,596**	**1,415**

(1) Payables up to 1 year.

4.4. Notes to the income statement

4.4.1. Revenues

(In € thousand)	December 31, 2016	December 31, 2015
Research services	369	224
Other services	2,271	606
Total	**2,640**	**830**

(In € thousand)	December 31, 2016	December 31, 2015
Sales in France	462	549
Export sales	2,178	281
Total	**2,640**	**830**

4.4.2. Own production of goods and services capitalized

(In € thousand)	December 31, 2016	December 31, 2015
Development expenditure	61	107
Total	**61**	**107**

4.4.3. Operating grants

(In € thousand)	December 31, 2016	December 31, 2015
FEDER	(68)	0
DIACT	40	0
OSEO		86
Total	**(28)**	**86**

4.4.4. Other income

(In € thousand)	December 31, 2016	December 31, 2015
Upfront and milestones	1,967	3,196
Other	5	4
Total	**1,972**	**3,200**

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

(In € thousand)	December 31, 2016	December 31, 2015
Reversals of provisions for trade receivables	0	0
Reversals of inventory provisions	51	1
Reversals of provisions for contingencies and losses	0	113
Operating expense reclassifications	18	27
Total	**69**	**141**

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, 2016	December 31, 2015
Work by various third parties	5,136	2,878
Fees	2,496	2,281
Maintenance and repairs	266	257
Administrative services	2,034	1,500
Temporary personnel	26	20
Travel expenses	356	310
Symposiums, seminars, conferences	101	110
Post and telephone expenses	78	89
Entertainment expenses	83	73
Property leasing	169	130
Leasing expenses	54	55
Equipment leasing	16	14
Sundry transport expenses	53	42
Advertising, publications, public relations	90	112
Documentation	25	20
Insurance premiums	224	249
Waste management	30	27
Security services	7	7
Training fees	17	4
Bank services	56	64
Natural gas	22	22
Water	2	2
Electricity	94	115
Dues and related contributions	30	22
Total	**11,465**	**8,404**

4.4.7. Taxes, duties and related amounts

(In € thousand)	December 31, 2016	December 31, 2015
Taxes on remuneration	**102**	**69**
Training	67	40
Apprentices tax	20	17
Other taxes/remuneration (FNAL)	15	13
Other taxes	**78**	**51**
Local taxes	55	52
CFE - CVAE regional business tax	3	(15)
Company vehicle tax	0	2
Corporate Social Solidarity Contribution C3S tax	0	(3)
Employer contribution for handicapped workers	11	8
Withholding taxes	8	4
Stamp and registration duties	1	1
Other taxes	0	2
Total	**180**	**121**

4.4.8. Personnel

(a) Employees

Average number of employees	December 31, 2016	December 31, 2015
Executives and higher intellectual professions	42	38
Intermediate professions	4	4
Office employees/workers	3	2
Workers	0	0
Seconded personnel	0	0
Total	**48**	**45**

+ Employees present at December 31, 2016: 51 employees of which 50 on permanent contracts and on 1 on fixed term contract
+ Employees present at December 31, 2015: 47 employees of which 47 on permanent contracts and on 0 on fixed term contract

(b) Staff costs

(In € thousand)	December 31, 2016	December 31, 2015
Wages and salaries	3,095	2,660
Employee benefit expense	1,364	1,284
CICE wage tax credit	(46)	(52)
Other personnel expenses	38	51
Total	**4,451**	**3,943**

(c) Remuneration paid to Management Board and Supervisory Board members

(In € thousand)	December 31, 2016	December 31, 2015
Fixed remuneration	244	219
Variable remuneration	131	139
Fringe benefits	8	7
All Management Board members	**383**	**365**
Attendance fees	251	250
All Supervisory Board members	**251**	**250**
Total	**634**	**615**

Restricted shares (bonus shares) (Restricted shares fully vested)	December 31, 2016	December 31, 2015
Management Board members	0	0
Supervisory Board members	0	0

Equity warrants (number of shares subscribed)	December 31, 2016	December 31, 2015
Management Board members	0	79,800
Supervisory Board members	0	0

Equity warrants (number of shares subscribed)	December 31, 2016	December 31, 2015
Management Board members	0	0
Supervisory Board members	0	0

(d) Employee benefits

Assumptions used for the valuation of pension benefits

	December 31, 2016	December 31, 2015
Discount rate	1.40%	1.90%
Salary increase rate	2%	2%
Social security charge rate	47.00%	47.00%
Employee turnover rate by age	Details below	Details below

2016 data	Supervisors	Managers	Office employees/workers
20-29 years	18.00%	33.24%	3.33%
30-29 years	9.00%	16.56%	1.68%
40-29 years	3.00%	5.52%	0.57%
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, 2016	December 31, 2015
Commitment at the beginning of period	**189**	**163**
Commitment at the end of period	**278**	**189**
Provision at the beginning of period	**189**	**163**
Charge for the period	89	25
Reversal of the period	0	0
Provision at the end of period	**278**	**189**

4.4.9. Depreciation, amortization & impairment of fixed assets

(In € thousand)	December 31, 2016	December 31, 2015
Intangible fixed assets	641	684
Property, plant and equipment	738	701
Total fixed assets (A)	**1,379**	**1,385**
Employee commitments	89	25
Provisions for operating contingencies and losses	570	(113)
Total provisions (B)	**659**	**(88)**
Total net charges excluding current assets (C=A+B)	**2,038**	**1,297**
Trade receivables and other current assets	(51)	(1)
Total assets (D)	**(51)**	**(1)**
Exceptional amortization (E=C+D)	**1,987**	**1,296**
Provisions for unrealized foreign exchange losses	85	46
Impairments of current account balances	12	15
Impairment of financial assets	121	9,057
Total financial assets (F)	**218**	**9,117**
Exceptional amortization of fixed assets (G)		
Impairment of fixed assets (H)	(23)	(6,761)
Accelerated tax depreciation or amortization of fixed assets (I)	(155)	(192)
Other provisions (J)		
Total exceptional items (K=G+H+I+J)	**(178)**	**(6,954)**

4.4.10. Net income/(expense) from financial items

(In € thousand)	December 31, 2016	December 31, 2015
Revenue from marketable securities and deposits	19	98
Interest on borrowings	(89)	(136)
Interest on repayable loans	(197)	(194)
Interest on current accounts	516	321
Translation adjustments	(253)	(40)
Impairment of financial assets /reversals	(133)	(9,072)
Other	(16)	(2)
Net financial income/(expense)	**(153)**	**(9,025)**

The impairment of the non-consolidated investment in BliNK Biomedical SAS had adversely impacted net financial income/(expense) in the amount of €8,998 thousand.

4.4.11. Net exceptional items

(In € thousand)	December 31, 2016	December 31, 2015
Net income on disposals	(106)	(7,418)
Depreciation and provisions, net of reversals on tangible fixed assets	0	23
Amortization and provisions, net of reversals on intangible fixed assets	23	6,739
Accelerated tax depreciation and amortization charges and reversals	156	192
Share of grant transferred to income	38	37
Other	(24)	299
Net exceptional items	**87**	**(129)**

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.

4.4.12. Income tax

(a) Income tax charges

Effective tax rate

(In € thousand)	December 31, 2016	December 31, 2015
Net profit/(loss)	(12,588)	(17,619)
Income tax	(1,897)	(1,851)
Net loss before tax	(14,485)	(19,470)
Effective tax rate	**0**	**0**

Tax losses carried forward

	December 31, 2016	December 31, 2015
Losses carried forward at the beginning of the period	91,469	81,084
Losses generated during period	14,053	10,385
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	**105,522**	**91,469**

(b) Deferred tax assets and deferred tax liabilities

(In € thousand)	December 31, 2016	December 31, 2015
Deferred tax assets (investment grants and accelerated tax depreciation or amortization)	149	213
Deferred tax liabilities		
+ Corporate Social Solidarity Contribution (C3S)	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)	**149**	**213**

4.4.13. Earnings per share

		December 31, 2016	December 31, 2015
Basic net loss (in euros)	(a)	(12,587,988)	(17,619,145)
Average number of shares outstanding:	(b)	78,689,549	74,012,127
Total number of potential shares	(c)	97,453,195	92,932,332
Basic net earnings per share (in euros)	**(a) / (b)**	**(0.16)**	**(0.24)**

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, 2016	December 31, 2015
Equipment pledge	257	429
Pledges on non-consolidated investments (1)	147,876	154,881
Pledge on Vaccines Holdings Sweden AB intercompany loans (2)	0	5,255

(1) A senior pledge of Valneva Austria GmbH securities in connection with the financing arrangement with Pharmakon and the second lien security arrangement ("Second Ranking Share Pledge Agreement") in connection with loan granted by the European Investment Bank. Following the repayment of the Athyrium loan in 2016, the Vaccines Holdings Sweden AB securities are no longer pledged as security.
(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).
The Athyrium loan was paid back in full in January 2016.

5.1.2. Off-balance-sheet commitments

(In € thousand)	As at December 31, 2016	2015
Commitments given		
+ Commitment on Pharmakon / Valneva Austria GMBH loan[1]	43,894	46,916
+ Commitment on the Athyrium loan[2]	0	18,340
+ Financial returns on OSEO2 reimbursable loans[3]	1,218	1,346
+ Property lease commitment	421	551
+ Equipment financing lease	21	34
+ Comfort letter in favor of Valneva GMBH[4]	6,600	7,794
+ Comfort letter in favor of the ERP fund for a loan relating to the *Pseudomonas* project	1,500	2,084
+ Comfort letter in favor of SC World	300	300
+ Comfort letter and guarantee for the benefit of Valneva Canada Inc. for a contract for vehicles	70	79
+ Financial returns and repayment of subordinated grants	0	220
+ Mortgage on loans	750	1,000
+ Interest payable on loans	16	41
Total commitments given	**54,491**	**78,705**
Commitments received	0	0
+ Grant from "Département 44" - Laennec construction	0	0
+ Bonds received from Groupe GRIMAUD	0	0
› CM 7-year loan	73	221
› CEP 5-year loan	77	180
› LCL 7-year loan	50	118
+ Securities received / bank accounts		50
Total commitments received	**201**	**568**

(1) Principal and interest until maturity for the Pharmakon loan guaranteed by Valneva SE.
(2) The Athyrium loan was paid back in full in January 2016.
(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 €1,786 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

In July 2016, the Company received an additional request for payment, accompanied by a threat of legal action, related to the acquisition of Humalys SAS in 2009, through which Vivalis SA (today Valneva SE) had acquired the technology that was subsequently combined with another antibody discovery technology and contributed to BliNK Biomedical SAS in early 2015. Humalys' former shareholders now demand additional payment pursuant to this disposal. At the end of 2016, this request was followed by a writ of summons before the High Court (Tribunal de Grande Instance) of Lyon. After consulting with its outside counsel, the Company considered that this request was without merits and that in consequence, the legal proceeding has limited prospects for success. In consequence, no provision was recorded by the Company on December 31, 2016. Additional information is not disclosed providing estimates on the specific financial effects should this legal action succeed that might adversely affect Valneva 's ability to defend its interests.

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

5.1.4. Statutory Auditors' fees

December 31, 2016	Fees to Statutory Auditors and members of their network			
	PWC Audit		Deloitte	
	€	%	€	%
Certification of accounts	90,132	87.39	98,848	87.84
Services other than certification of accounts (*)	13,000	12.61	12,571	12.16
Total	**103,132**	**100**	**103,419**	**100**

(*) This line includes fees in connection with diligences directly linked to the audit mission (cancelled with effect as from June 17, 2016).

5.2. Information concerning related parties

Related parties concern relations with Groupe Grimaud La Corbière SA and companies of the Groupe Grimaud La Corbière (1), relations with the subsidiary Valneva Toyama Japan K.K. (2), the subsidiary Valneva Austria GmbH (3), the subsidiary Vaccines Holdings Sweden AB (4), the subsidiary Valneva Canada Inc. (5) the subsidiary Valneva UK Ltd. (6), the subsidiary Intercell USA Inc. (7) and the subsidiary Valneva Sweden AB (8).

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 2016, €5 thousand excluding tax were invoiced for these services of which €5 thousand were presented under trade payables.

2. Valneva Toyama Japan K.K invoiced Valneva €65 thousand for operating expenses with €74 thousand under trade payables at December 31, 2016.

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 US$11 million) whereby Valneva SE charges interest to Valneva Austria of

0.77% applied to the remaining loan amount outstanding. For 2016, interest thus invoiced amounted to €302 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 2016 Valneva SE re-invoiced €1,395 thousand and Valneva Austria GmbH re-invoiced €6,615 thousand.

These invoices were recognized in the current account and settled by a payment at the beginning of each quarter (with a credit balance for the net of €1,753 thousand at December 31, 2016).

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% (€145 thousand invoiced in 2016) with €15 million maturing on December 31, 2017 (€12,000 thousand were repaid as of December 31, 2016). €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% (€10 thousand were invoiced for 2016). 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 2016 sets guidelines for re-invoicing services by Valneva SE Under this agreement, €0.2 thousand was invoiced for fiscal 2016.

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 loan amount represents €3.4 million at December 31, 2016 and €50 thousand for interest were invoiced in 2016.

   An agreement between Valneva SE and Valneva Canada Inc. entering into effect starting in 2015 sets the guidelines for re-invoicing services by Valneva SE. The amount charged back under this agreement represented income of €31 thousand for 2016.

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 loan amount represents €1.5 million at December 31, 2016 and €8 thousand for interest were invoiced in 2016.

7. An agreement between Valneva SE and Intercell USA Inc., entering into effect in 2015 sets the guidelines for the re-invoicing of services between these two companies. The amount charged back under this agreement represented income of €17 thousand and an expense of €155 thousand for Valneva SE for 2016.

8. An agreement between Valneva SE and Valneva Sweden AB entering into effect in 2015 sets the guidelines for re-invoicing services by Valneva SE. The amount charged back under this agreement represented income of €511 thousand for 2015 and 2016.

(In € thousand)	December 31, 2016	December 31, 2015
Financial assets*		
+ Equity investments (1)	169,526	163,927
Receivables		
+ Other receivables	23,535	36,411
Payables		
+ Trade payables and related accounts	79	62
+ Other financial liabilities	1,836	5,693
Revenues	**1,955**	**239**
Financial income	**516**	**545**
Operating expenses		
+ Other purchases and external expenses	6,839	4,184
Financial expense		
+ Interest and similar expenses	0	211

(1) See Note 4.3.3.

5.3. Valneva SE's share capital after the exercise of different dilutive instruments at December 31, 2016

Valneva SE shareholding structure at December 31, 2016 (To the Company's knowledge)

Shareholders		Shares held (a)			%
		Ordinary shares	Preferred shares	Convertible preferred shares	
Groupe Grimaud La Corbière SA (b)		**12,104,830**	**0**	**0**	**15.37**
BPI France Participations SA		**7,456,785**	**0**	**0**	**9.47**
MVM Funds (MVM IV LP & MVM GP (No.4) Scottish LP)		**5,851,139**	**197,768**	**0**	**7.68**
Management Board members	**Total Management Board members**	**658,438**	**866**	**744**	**0.84**
	Mr. Franck Grimaud	477,787	0	218	0.61
	Mr. Thomas Lingelbach	124,205	238	308	0.16
	Mr. Reinhard Kandera	56,446	628	218	0.07
Employees (non-corporate officers)		**122,427**	**10**	**330**	**0.16**
Other shareholders (private individuals)		**1,269,584**	**1,501**	**0**	**1.61**
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS (b)		780,899	0	0	0.99
Including independent members of the Supervisory Board	Mr. Alain Munoz	41,800	0	0	0.05
	Mr. James Sulat	17,867	0	0	0.02
	Mr. Alexander Von Gabain	38,218	1,469	0	0.05
Other floating capital		**50,119,511**	**988,970**	**0**	**64.87**
SUBTOTAL BY CATEGORY		77,582,714	1,189,115	1,074	100
TOTAL			78,772,903		100

(a) *Percentages in this table are calculated in reference to a share capital of 78,772,903 Valneva SE shares, divided into (a) 77,582,714 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 convertible preferred shares (ISIN XFCS00X0I9M1), with a nominal value of €0.15 each.*

(b) *The "**Groupe Familial Grimaud**" is comprised of the company Groupe Grimaud La Corbière SA, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.*

Number of ordinary shares to be issued after exercise or final grant of the dilutive instruments

Shareholders		Dilutive instruments - Number of ordinary shares to be issued (c)					
		Stock-options	Free ordinary shares	Equity warrants (BSA)	Preferred shares	Convertible preferred shares	Equity warrants (BEA)
Groupe Grimaud La Corbière SA (b)		**0**	**0**	**0**	**0**	**0**	**0**
BPI France Participations SA		**0**	**0**	**0**	**0**	**0**	**0**
MVM Funds (MVM IV LP & MVM GP (No.4) Scottish LP)		**0**	**0**	**0**	**1,557,425**	**0**	**0**
Management Board members	**Total Management Board members**	**429,886**	**0**	**0**	**6,824**	**1,934,400**	**0**
	Mr. Franck Grimaud	109,962	0	0	0	566,800	0
	Mr. Thomas Lingelbach	209,962	0	0	1,876	800,800	0
	Mr. Reinhard Kandera	109,962	0	0	4,948	566,800	0
Employees (non-corporate officers)		**1,685,837**	**500**	**0**	**85**	**858,000**	**0**
Other shareholders (private individuals)		**7,698**	**500**	**114,750**	**11,835**	**0**	**0**
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS (b)		**0**	**0**	**27,000**	**0**	**0**	**0**
Including independent members of the Supervisory Board	Mr. Alain Munoz	**0**	**0**	**14,625**	**0**	**0**	**0**
	Mr. James Sulat	**0**	**0**	**14,625**	**0**	**0**	**0**
	Mr. Alexander Von Gabain	**0**	**0**	**14,625**	**11,575**	**0**	**0**
	Ms. Anne-Marie Graffin	**0**	**0**	**14,625**	**0**	**0**	**0**
Other floating capital		**0**	**0**	**0**	**7,788,108**	**0**	**5,474,633**
SUBTOTAL BY CATEGORY		2,123,421	1,000	114,750	9,364,277	2,792,400	5,474,633
TOTAL				19,870,481			

(b) *The "**Groupe Familial Grimaud**" is comprised of the company Groupe Grimaud La Corbière SA, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.*

(c) *Ratios of conversion with respect to the different dilutive instruments are set as follows:*
- Stock options: 1 stock option issued pursuant to plans 6 or 7 entitles to 1.099617653 ordinary share (then rounded up), while 1 stock option issued pursuant to plans 8 or 9 entitles to 1 ordinary share of the Company Valneva SE;
- Free ordinary shares: 1 free ordinary share entitles to 1 ordinary share of the Company Valneva SE;
- Equity warrants (BSA 25): 1 BSA entitles to 1 ordinary share of the Company Valneva SE;
- Preferred shares (ISIN FR0011472943): the ratio of conversion applicable to the number of preferred shares is 0.5246 (rounded up to 0.5250 in accordance with the Articles of Association of the Company Valneva SE) ;
- Convertible preferred shares (ISIN XFCS00X0I9M1):
- *the conversion of convertible preferred shares (granted with or without consideration) into ordinary shares is set as follows: Number of convertible preferred shares*100 (maximum ratio of conversion in accordance with the plan);*
- *regarding convertible preferred shares granted without consideration, 1 convertible preferred share granted with consideration confers a right to 25 convertible preferred shares granted without consideration;*

- Equity warrants (BEA): 1 BEA entitles to 1 ordinary share of the Company Valneva SE.

VALNEVA SE SHAREHOLDING STRUCTURE AFTER EXERCISE OR FINAL GRANT OF THE DILUTIVE INSTRUMENTS

Shareholders		Ordinary shares after exercise or final grant of all dilutive instruments	%
Groupe Grimaud La Corbière SA (b)		**12,104,830**	**12.42**
BPI France Participations SA		**7,456,785**	**7.65**
MVM Funds (MVM IV LP & MVM GP (No.4) Scottish LP)		**7,408,564**	**7.60**
Management Board members	**Total Management Board members**	**3,029,548**	**3.11**
	Mr. Franck Grimaud	1,154,549	1.18
	Mr. Thomas Lingelbach	1,136,843	1.17
	Mr. Reinhard Kandera	738,156	0.76
Employees (non-corporate officers)		**2,666,849**	**2.74**
Other shareholders (private individuals)		**1,404,367**	**1.44**
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS (b)		807,899	0.83
Including independent members of the Supervisory Board	Mr. Alain Munoz	56,425	0.06
	Mr. James Sulat	32,492	0.03
	Mr. Alexander Von Gabain	64,418	0.07
	Ms. Anne-Marie Graffin	14,625	0.02
SUBTOTAL BY CATEGORY		63,382,252	65.04
TOTAL		97,453,195	100

*(b) The "**Groupe Familial Grimaud**" is comprised of the company Groupe Grimaud La Corbière SA, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.*

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	€ 156,056	¥ 10,182,069
	¥ (552,765)	€ 0	€ 46,471	€ 0	¥1,376,513
Valneva Austria GmbH[8]	€ 10,070,000	100 %	€ 147,876,224	€ 18,000,000	€ 56,589,767
	€ 245,940,116	€ 0	€ 147,876,224	€ 51,994,000	€ (35,362,026)
Vaccines Holdings Sweden AB[8]	SEK 50,000	100.00 %	€ 12,604,123	€ 0	SEK 93,135
	SEK 233,758 219	€ 0	€ 12,604,123	€ 0	SEK 2,989,535
Valneva Canada Inc. [8]	CAD 1,000	100.00 %	€ 731	€ 3,391,267	CAD 23,733,837
	CAD 45,198	€ 0	€ 731	€ 70,157	CAD 630,619
Valneva Scotland Ltd. [8]	GBP 100	100.00 %	€ 136	€ 1,547,967	GBP 4,478,938
	GBP (206,457)	€ 0	€ 136	€ 0	GBP 288,922

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	€ 16,168,068	43.30%	€ 8,998,528.00	€ 0	€ 1,049,111
	€ (2,111,676)	€ 0	€ 0	€ 0	€ (7,750,020)

(1) Equity = equity other than earnings and share capital
(2) Ownership interest = percentage held by Valneva at 12/31/2016
(3) Dividends = dividends received by Valneva in 2016
(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) 2016 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, the 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, 2016, borrowings totaled €6,452 thousand including fixed rate debt of €74 thousand (see Note 4.3.14). Floating rates are based on the 3-month and 1-month Euribor benchmarks.

At 31 December 2016, 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. Events after the reporting period

At March 21, 2017, no material events have occurred since the closing date for the separate financial statements.

D.4. Statutory Auditors' report on the separate 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

World Trade Center Lyon - Tour Oxygène
10-12, boulevard Marius Vivier Merle
69003 LYON

Statutory auditors' report on the statutory financial statements

Year ended December 31, 2016

PricewaterhouseCoopers Audit

63, rue de Villiers
92208 Neuilly-sur-Seine

Deloitte & Associés
Les Docks - Atrium 10.4
10, place de la Joliette
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VALNEVA

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World Trade Center Lyon - Tour Oxygène
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69003 LYON

Statutory auditors' report on the statutory financial statements
Year ended December 31, 2016

This is a free translation into English of the statutory auditors' report on the statutory financial statements issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the statutory 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 statutory financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

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, 2016 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, 2016 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 €160,528 thousand as of December 31, 2016, 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 “Financial assets” 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 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 21, 2017

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
French original signed by	French original signed by
Thierry CHARRON	Vincent GROS

D.5. Pro forma information

Please refer to Sections “Selected financial information”, “Valneva Group (IFRS)” and “Comparison of income statement for the year ended December 31, 2015 and pro forma income” of this Registration Document[194], as well as to the Notes to the consolidated financial statements for the fiscal year 2016[195].

[194] See Sections A.1.1, A.4.1 (a) and A.4.3 (c).
[195] See Note 5.30, in Section D.1 of this Registration Document.

E. INFORMATION RELATING TO THE COMPANY AND ITS SHARE CAPITAL[196]

E.1. Share capital

E.1.1. Amount of share capital

At December 31, 2016, the Company's share capital stood at €11,815,935.39, divided into:

- 77,582,714 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each; and
- 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each;
- 1,074 convertible preferred shares (ISIN XFCS00X0I9M1), with a nominal value of €0.15 each.

These shares are all fully paid-up.

By comparison, 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.

A description of the structure of Valneva SE's share capital at December 31, 2016 is presented in the Section "Shareholding structure" of this Registration Document[197].

E.1.2. Non-equity securities

At the filing date of this Registration Document, there are no issued and outstanding securities other than stock (non-equity securities).

[196] Figures in this Section are all calculated at end of business day.
[197] See Section E.2.1.

E.1.3. Shares held by the Company

During the fiscal year 2016, the Company only proceeded with share buybacks in connection with the liquidity agreement executed with the financial institution Natixis.

In addition, the Company proceeded with a share buyback transaction during the fiscal year 2013, in the context of its merger with the company Intercell AG.

(a) Current authorizations related to share buyback programs and cancellation of shares of the Company

Combined General Meeting held on June 30, 2016

	Resolution 19 **Authorization and powers to be given to the Management Board for the purpose of allowing the Company to make transactions on its own shares**
Duration of the delegation	18 months, *i.e.* until December 29, 2017 inclusive.
Description of the authorization	Authorization to trade in Company shares, pursuant to the provisions of article L. 225-209 of the French commercial code and articles 241-1 *et seq*. of the General Regulations of the French Financial Markets Authority, with powers of delegation under the conditions set by law. These shares, including preferred shares, may be purchased, sold or transferred 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 Markets 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 resolution; + 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 free ordinary shares, 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: + ensure liquidity or maintain an orderly market in the Company's share through a liquidity agreement that complies with the AMAFI (French Association of Financial Markets) code of professional conduct acknowledged by the French Financial Markets Authority and which has been 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 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 €15,000,000.
Uses during fiscal year 2016	Delegation used during the fiscal year 2016, in the context of the liquidity agreement executed with the financial institution Natixis (see Section E.1.3 (b) of this Registration Document).

Resolution 20 Authorization granted to the Management Board for cancellation by the Company of its own shares	
Duration of the delegation	18 months, *i.e.* until December 29, 2017 inclusive.
Authorized amount	Authorization to proceed, at its sole discretion, 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 resolution), per 24 month period, by canceling the shares, including any preferred shares, which the Company holds or might hold by any means, including by purchasing shares through buyback programs authorized by resolution 19 submitted to the shareholders' vote during the Combined General Meeting held on June 30, 2016, 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.
Uses during fiscal year 2016	Delegation unused during the fiscal year 2016.

(b) Share buyback program implemented in connection with a liquidity agreement

The General Meeting of the Company, held on June 30, 2016, authorized the Company to implement a share buyback program valid for a term of 18 months (resolution No. 19).

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 limit fluctuations in share prices not justified by market trends.

Pursuant to article L. 225-209 of the French Commercial code and the liquidity agreement, the Company acquired 1,036,246 Valneva SE's ordinary shares and sold 1,034,785 Valneva SE's ordinary shares in 2016, for a weighted average purchase price of €2.94 per share (weighted average purchase price in 2015: €3.90) and a weighted average sale price of €2.95 per share (weighted average purchase price in 2014: €3.92). Valneva SE has not paid any execution fees.

On December 31, 2016, the Company held, in connection with this liquidity agreement, 21,571 Valneva SE's ordinary shares (or 0.03%[198] of the share capital - unchanged proportion *vis-à-vis* December 31, 2015), corresponding to an amount on the closing date of December 31, 2016 of €66,654.39 (€3,235.65 in nominal value[199]).

(c) Treasury shares held in connection with the "Exit Right" linked to the merger of May 28, 2013 with Intercell AG

At December 31, 2016, the Company held 124,332 own ordinary shares with a nominal value of €0.15 per share, and the same number of preferred shares with a nominal value of €0.01. These shares were acquired by the company through a 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.

[198] This rate is calculated in reference to a share capital of 78,772,903 Valneva SE shares, divided into (a) 77,582,714 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 convertible preferred shares (ISIN XFCS00X0I9M1), with a nominal value of €0.15 each.

[199] The nominal value of a Valneva ordinary share amounts to €0.15.

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:

- receive the shares held by exiting Intercell shareholders;
- receive the new Valneva SE ordinary shares and preferred shares to which the exiting Intercell shareholders would have been entitled had they not exercised their Exit Right;
- sell these new ordinary shares preferred shares to Valneva SE 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 SE;
- 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.

Terms 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 SE 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 SE's ordinary shares and 124,322 Valneva SE's preferred shares.

E.1.4. Potential share capital

(a) Company stock option plans

The Company has only granted stock options to subscribe for shares. Consequently, plans for stock purchase options do not exist at Valneva.

At December 31, 2016, for all Company plans combined, 2,040,150 exercisable stock options were outstanding, permitting the subscription for 2,123,421 new ordinary Valneva SE shares, representing a potential nominal increase in the share capital of €318,513.15 (or a maximum potential dilution of 2.70%[200] of the Company's share capital).

Highlights of Company stock option plans in force in 2016 are provided in the Section "Stock option plans history" of this Registration Document[201].

(b) Free share plans

In fiscal year 2016, no free shares were transferred to employees or corporate officers.

At December 31, 2016, for all Company plans combined, 1,000 free ordinary shares were in the process of vesting by their beneficiaries, representing a potential nominal increase in the share capital of €150 (or a maximum potential dilution of 0.001%[202] of the Company's share capital.

Highlights of Company free share plans highlights in force in 2016 are provided in the Section "Free share plans history" of this Registration Document[203].

(c) Free convertible preferred share plan program 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 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 program 2015-2019, a long-term incentive program for the Company's executive management.

A detailed description of this program is provided in Section "Free share plans history" of this Registration Document[204].

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[200] This rate is calculated in reference to a share capital of 78,772,903 Valneva SE shares, divided into (a) 77,582,714 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 convertible preferred shares (ISIN XFCS00X0I9M1), with a nominal value of €0.15 each.

[201] See Section B.2.2 (e).

[202] This rate is calculated in reference to a share capital of 78,772,903 Valneva SE shares, divided into (a) 77,582,714 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 convertible preferred shares (ISIN XFCS00X0I9M1), with a nominal value of €0.15 each.

[203] See Section B.2.2 (f).

[204] *Idem*.

(d) Equity warrants - "BSA"

BSA 25	
Grant decision date	Management Board dated July 28, 2015
BSAs authorized by the General Meeting	Combined General Meeting dated June 26, 2014 Authorization to grant 153,000 BSA 25
BSAs issued by the Management Board	153,000
Beneficiaries and amount of BSA granted	+ 36,000 BSAs 25 to the Chairman of the Supervisory Board, Mr. Frédéric Grimaud + 19,500 BSAs 25 for each one of the following beneficiaries: ▪ Mr. Alain Munoz ▪ Mr. Michel Greco ▪ Ms. Anne-Marie Graffin ▪ Mr. James Sulat ▪ Mr. Alexander Von Gabain ▪ Mr. Hans Wigzell, Supervisory Board members at the time the plan was launched
BSAs lapsed at December 31, 2016	38,250
BSAs exercised at December 31, 2016	0
Outstanding BSAs at December 31, 2016	114,750
Valneva SE ordinary shares to be issued at December 31, 2016	114,750 (1 BSA for 1 Valneva SE ordinary share)
Subscription price per share	€3.92
Expiry date of the plan	July 28, 2020

(e) Preferred shares

Please refer to the Section "Stipulations specific to the Preferred Shares" of this Registration Document[205].

(f) Equity Warrants - "BEA"

In accordance with the authorizations given by Valneva's shareholders at the General Meeting held on June 30, 2016, and in order to maintain the Company's financial flexibility, Valneva SE renewed in June 2016 its Equity Line with Crédit Agricole CIB. The new Equity Line, which replaces a previous instrument expired in May 2016, will enable Valneva SE to issue up to 5,474,633 new Valneva SE ordinary shares.

This renewed program, which extends the existing financing capabilities of the Group, is part of the Company's financing toolbox and will be managed based on Valneva's financing needs.

The Equity Line has been implemented by way of issuance of 5,474,633 equity warrants subscribed by Crédit Agricole CIB, which are exercisable, upon Valneva SE's request, in several tranches over 24 months (*i.e.* until end of June 2018). Should the Company trigger the exercise of the warrants, the newly issued shares would be subsequently sold on the market by Crédit Agricole CIB.

For each tranche, the subscription price of the shares issued upon exercise of the equity warrants will represent a 5% discount to the volume weighted average price for the three trading days preceding the subscription date.

[205] See Section E.3.3 (c).

(g) Information on the fully-diluted Company's share capital

AT DECEMBER 31, 2016

Valneva SE shareholding structure at December 31, 2016 (To the Company's knowledge)

Shareholders		Shares held (a) Ordinary shares	Preferred shares	Convertible preferred shares	%
Groupe Grimaud La Corbière SA (b)		**12,104,830**	**0**	**0**	**15.37**
BPI France Participations SA		**7,456,785**	**0**	**0**	**9.47**
MVM Funds (MVM IV LP & MVM GP (No.4) Scottish LP)		**5,851,139**	**197,768**	**0**	**7.68**
Management Board members	**Total Management Board members**	**658,438**	**866**	**744**	**0.84**
	Mr. Franck Grimaud	477,787	0	218	0.61
	Mr. Thomas Lingelbach	124,205	238	308	0.16
	Mr. Reinhard Kandera	56,446	628	218	0.07
Employees (non-corporate officers)		**122,427**	**10**	**330**	**0.16**
Other shareholders (private individuals)		**1,269,584**	**1,501**	**0**	**1.61**
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS (b)		780,899	0	0	0.99
Including independent members of the Supervisory Board	Mr. Alain Munoz	41,800	0	0	0.05
	Mr. James Sulat	17,867	0	0	0.02
	Mr. Alexander Von Gabain	38,218	1,469	0	0.05
Other floating capital		**50,119,511**	**988,970**	**0**	**64.87**
SUBTOTAL BY CATEGORY		77,582,714	1,189,115	1,074	100
TOTAL			78,772,903		100

(a) *Percentages in this table are calculated in reference to a share capital of 78,772,903 Valneva SE shares, divided into (a) 77,582,714 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 convertible preferred shares (ISIN XFCS00X0I9M1), with a nominal value of €0.15 each.*

(b) *The "**Groupe Familial Grimaud**" is comprised of the company Groupe Grimaud La Corbière SA, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.*

Number of ordinary shares to be issued after exercise or final grant of the dilutive instruments

Shareholders		Dilutive instruments - Number of ordinary shares to be issued (c) Stock-options	Free ordinary shares	Equity warrants (BSA)	Preferred shares	Convertible preferred shares	Equity warrants (BEA)
Groupe Grimaud La Corbière SA (b)		**0**	**0**	**0**	**0**	**0**	**0**
BPI France Participations SA		**0**	**0**	**0**	**0**	**0**	**0**
MVM Funds (MVM IV LP & MVM GP (No.4) Scottish LP)		**0**	**0**	**0**	**1,557,425**	**0**	**0**
Management Board members	**Total Management Board members**	**429,886**	**0**	**0**	**6,824**	**1,934,400**	**0**
	Mr. Franck Grimaud	109,962	0	0	0	566,800	0
	Mr. Thomas Lingelbach	209,962	0	0	1,876	800,800	0
	Mr. Reinhard Kandera	109,962	0	0	4,948	566,800	0
Employees (non-corporate officers)		**1,685,837**	**500**	**0**	**85**	**858,000**	**0**
Other shareholders (private individuals)		**7,698**	**500**	**114,750**	**11,835**	**0**	**0**
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS (b)		**0**	**0**	**27,000**	**0**	**0**	**0**
Including independent members of the Supervisory Board	Mr. Alain Munoz	**0**	**0**	**14,625**	**0**	**0**	**0**
	Mr. James Sulat	**0**	**0**	**14,625**	**0**	**0**	**0**
	Mr. Alexander Von Gabain	**0**	**0**	**14,625**	**11,575**	**0**	**0**
	Ms. Anne-Marie Graffin	**0**	**0**	**14,625**	**0**	**0**	**0**
Other floating capital		**0**	**0**	**0**	**7,788,108**	**0**	**5,474,633**
SUBTOTAL BY CATEGORY		2,123,421	1,000	114,750	9,364,277	2,792,400	5,474,633
TOTAL				19,870,481			

(b) *The "**Groupe Familial Grimaud**" is comprised of the company Groupe Grimaud La Corbière SA, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.*

(c) *Ratios of conversion with respect to the different dilutive instruments are set as follows:*
- Stock options: 1 stock option issued pursuant to plans 6 or 7 entitles to 1.099617653 ordinary share (then rounded up), while 1 stock option issued pursuant to plans 8 or 9 entitles to 1 ordinary share of the Company Valneva SE;
- Free ordinary shares: 1 free ordinary share entitles to 1 ordinary share of the Company Valneva SE;
- Equity warrants (BSA 25): 1 BSA entitles to 1 ordinary share of the Company Valneva SE;
- Preferred shares (ISIN FR0011472943): the ratio of conversion applicable to the number of preferred shares is 0.5246 (rounded up to 0.5250 in accordance with the Articles of Association of the Company Valneva SE) ;
- Convertible preferred shares (ISIN XFCS00X0I9M1):
- *the conversion of convertible preferred shares (granted with or without consideration) into ordinary shares is set as follows: Number of convertible preferred shares*100 (maximum ratio of conversion in accordance with the plan);*
- *regarding convertible preferred shares granted without consideration, 1 convertible preferred share granted with consideration confers a right to 25 convertible preferred shares granted without consideration;*

- Equity warrants (BEA): 1 BEA entitles to 1 ordinary share of the Company Valneva SE.

AT FEBRUARY 28, 2017

Valneva SE shareholding structure at February 28, 2017 (To the Company's knowledge)

Shareholders		Shares held (a)			%
		Ordinary shares	Preferred shares	Convertible preferred shares	
Groupe Grimaud La Corbière SA (b)		**12,104,830**	**0**	**0**	**15.37**
BPI France Participations SA		**7,456,785**	**0**	**0**	**9.47**
MVM Funds (MVM IV LP & MVM GP (No.4) Scottish LP)		**5,851,139**	**197,768**	**0**	**7.68**
Management Board members	**Total Management Board members**	**658,438**	**866**	**744**	**0.84**
	Mr. Franck Grimaud	477,787	0	218	0.61
	Mr. Thomas Lingelbach	124,205	238	308	0.16
	Mr. Reinhard Kandera	56,446	628	218	0.07
Employees (non-corporate officers)		**102,627**	**10**	**263**	**0.13**
Other shareholders (private individuals)		**1,289,184**	**1,501**	**67**	**1.64**
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS (b)		780,899	0	0	0.99
Including independent members of the Supervisory Board	Mr. Alain Munoz	41,800	0	0	0.05
	Mr. James Sulat	17,867	0	0	0.02
	Mr. Alexander Von Gabain	38,218	1,469	0	0.05
Other floating capital		**50,119,711**	**988,970**	**0**	**64.87**
SUBTOTAL BY CATEGORY		77,582,714	1,189,115	1,074	100
TOTAL			78,772,903		100

(a) *Percentages in this table are calculated in reference to a share capital of 78,772,903 Valneva SE shares, divided into (a) 77,582,714 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 convertible preferred shares (ISIN XFCS00X0I9M1), with a nominal value of €0.15 each.*

(b) *The "**Groupe Familial Grimaud**" is comprised of the company Groupe Grimaud La Corbière SA, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.*

Number of ordinary shares to be issued after exercise or final grant of the dilutive instruments

Shareholders		Dilutive instruments - Number of ordinary shares to be issued (c)					
		Stock-options	Free ordinary shares	Equity warrants (BSA)	Preferred shares	Convertible preferred shares	Equity warrants (BEA)
Groupe Grimaud La Corbière SA (b)		**0**	**0**	**0**	**0**	**0**	**0**
BPI France Participations SA		**0**	**0**	**0**	**0**	**0**	**0**
MVM Funds (MVM IV LP & MVM GP (No.4) Scottish LP)		**0**	**0**	**0**	**1,557,425**	**0**	**0**
Management Board members	**Total Management Board members**	**429,886**	**0**	**0**	**6,824**	**1,934,400**	**0**
	Mr. Franck Grimaud	109,962	0	0	0	566,800	0
	Mr. Thomas Lingelbach	209,962	0	0	1,876	800,800	0
	Mr. Reinhard Kandera	109,962	0	0	4,948	566,800	0
Employees (non-corporate officers)		**1,635,021**	**500**	**0**	**85**	**683,800**	**0**
Other shareholders (private individuals)		**7,698**	**500**	**114,750**	**11,835**	**6,700**	**0**
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS (b)		**0**	**0**	**27,000**	**0**	**0**	**0**
Including independent members of the Supervisory Board	Mr. Alain Munoz	**0**	**0**	**14,625**	**0**	**0**	**0**
	Mr. James Sulat	**0**	**0**	**14,625**	**0**	**0**	**0**
	Mr. Alexander Von Gabain	**0**	**0**	**14,625**	**11,575**	**0**	**0**
	Ms. Anne-Marie Graffin	**0**	**0**	**14,625**	**0**	**0**	**0**
Other floating capital		**0**	**0**	**0**	**7788108**	**0**	**5474633**
SUBTOTAL BY CATEGORY		2,072,605	1,000	114,750	9,364,277	2,624,900	5,474,633
TOTAL				19,652,165			

(b) *The "**Groupe Familial Grimaud**" is comprised of the company Groupe Grimaud La Corbière SA, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.*

(c) *Ratios of conversion with respect to the different dilutive instruments are set as follows:*
- Stock options: 1 stock option issued pursuant to plans 6 or 7 entitles to 1.099617653 ordinary share (then rounded up), while 1 stock option issued pursuant to plans 8 or 9 entitles to 1 ordinary share of the Company Valneva SE;
- Free ordinary shares: 1 free ordinary share entitles to 1 ordinary share of the Company Valneva SE;
- Equity warrants (BSA 25): 1 BSA entitles to 1 ordinary share of the Company Valneva SE;
- Preferred shares (ISIN FR0011472943): the ratio of conversion applicable to the number of preferred shares is 0.5246 (rounded up to 0.5250 in accordance with the Articles of Association of the Company Valneva SE) ;
- Convertible preferred shares (ISIN XFCS00X0I9M1):
- *the conversion of convertible preferred shares (granted with or without consideration) into ordinary shares is set as follows: Number of convertible preferred shares*100 (maximum ratio of conversion in accordance with the plan);*
- *regarding convertible preferred shares granted without consideration, 1 convertible preferred share granted with consideration confers a right to 25 convertible preferred shares granted without consideration;*

- Equity warrants (BEA): 1 BEA entitles to 1 ordinary share of the Company Valneva SE.

VALNEVA SE SHAREHOLDING STRUCTURE AFTER EXERCISE OR FINAL GRANT OF THE DILUTIVE INSTRUMENTS

***

AT DECEMBER 31, 2016

Shareholders		Ordinary shares after exercise or final grant of all dilutive instruments	%
Groupe Grimaud La Corbière SA (b)		**12,104,830**	**12.42**
BPI France Participations SA		**7,456,785**	**7.65**
MVM Funds (MVM IV LP & MVM GP (No.4) Scottish LP)		**7,408,564**	**7.60**
Management Board members	**Total Management Board members**	**3,029,548**	**3.11**
	Mr. Franck Grimaud	1,154,549	1.18
	Mr. Thomas Lingelbach	1,136,843	1.17
	Mr. Reinhard Kandera	738,156	0.76
Employees (non-corporate officers)		**2,666,849**	**2.74**
Other shareholders (private individuals)		**1,404,367**	**1.44**
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS (b)		807,899	0.83
Including independent members of the Supervisory Board	Mr. Alain Munoz	56,425	0.06
	Mr. James Sulat	32,492	0.03
	Mr. Alexander Von Gabain	64,418	0.07
	Ms. Anne-Marie Graffin	14,625	0.02
SUBTOTAL BY CATEGORY		63,382,252	65.04
TOTAL		97,453,195	100

(b) *The "**Groupe Familial Grimaud**" is comprised of the company Groupe Grimaud La Corbière SA, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.*

AT FEBRUARY 28, 2017

Shareholders		Ordinary shares after exercise or final grant of all dilutive instruments	%
Groupe Grimaud La Corbière SA (b)		**12,104,830**	**12.45**
BPI France Participations SA		**7,456,785**	**7.67**
MVM Funds (MVM IV LP & MVM GP (No.4) Scottish LP)		**7,408,564**	**7.62**
Management Board members	**Total Management Board members**	**3,029,548**	**3.12**
	Mr. Franck Grimaud	1,154,549	1.19
	Mr. Thomas Lingelbach	1,136,843	1.17
	Mr. Reinhard Kandera	738,156	0.76
Employees (non-corporate officers)		**2,422,033**	**2.49**
Other shareholders (private individuals)		**1,430,667**	**1.47**
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS (b)		807,899	0.83
Including independent members of the Supervisory Board	Mr. Alain Munoz	56,425	0.06
	Mr. James Sulat	32,492	0.03
	Mr. Alexander Von Gabain	64,418	0.07
	Ms. Anne-Marie Graffin	14,625	0.02
SUBTOTAL BY CATEGORY		63,382,452	65.18
TOTAL		97,234,879	100

(b) *The "**Groupe Familial Grimaud**" is comprised of the company Groupe Grimaud La Corbière SA, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.*

E.1.5. Authorized share capital

(a) Current delegations in connection with stock options and free shares[206]

Combined General Meeting held on June 26, 2014

Resolution 21 Issuance of free ordinary shares, repurchase by the Company of its own shares on the market for this purpose Corresponding grant of authority to the Management Board	
Duration of the delegation	38 months, *i.e.* until August 25, 2017 inclusive.
Authorized amount	The total number of ordinary shares that may be granted without consideration under this authorization may not exceed more than 2% of the share capital of the Company on the free ordinary shares grant date.
Uses during fiscal year 2016	Delegation unused during the fiscal year 2016.

Combined General Meeting held on June 30, 2016

Resolution 28 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 (Members of Valneva SE's Management Board or Executive Committee)	
Duration of the delegation	18 months, *i.e.* until December 29, 2017 inclusive.
Authorized amount	The maximum number of convertible preferred shares that may be issued based on this delegation of power is 2,000[207]. The maximum number of ordinary shares that may be created if the convertible preferred shares are converted is 200,000, or a maximum capital increase of €30,000.
Uses during fiscal year 2016	Delegation unused during the fiscal year 2016.

Resolution 30 Authorization for the Management Board to freely award 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	
Duration of the delegation	38 months, *i.e.* until August 29, 2019 inclusive.
Authorized amount	The total number of convertible preferred shares that may be granted without consideration based on this resolution may not represent more than 2%[208] 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 1,400,000, or a maximum capital increase of €210,000.
Uses during fiscal year 2016	Delegation unused during the fiscal year 2016.

Resolution 31 Grant of authority to the Management Board for the purpose of granting stock options, through one or more issues, for the benefit of employees and/or corporate officers of the Company and its affiliates, entailing waiver by shareholders of their preferential subscription right	
Duration of the delegation	38 months, *i.e.* until August 29, 2019 inclusive.
Authorized amount	The maximal total number of stock options to be granted further this resolution shall represent a maximum of shares to be subscribed of 4% of the share capital of the Company at the stock option grant date.
Uses during fiscal year 2016	Delegation of authority used during the fiscal year 2016, in the context of the new stock option plan of the Company (Plan No. 9 - Tranche 1), set on October 7, 2016, for 584,250 stock options, giving right to the grant of 584,250 ordinary shares of the Company (see Section B.2.2 (c) of this Registration Document).

[206] The maximum amounts indicated in the lines "Authorized amount" does not take into account 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, or of beneficiaries of stock options, convertible preferred shares or free ordinary shares, as the case may be.

[207] It being understood that in any case, the total number of issued convertible preferred shares (with or without consideration) cannot at any time represent together more than 6% of the share capital of the Company.

[208] *Idem*.

(b) Other current delegations[209]

Combined General Meeting held on June 30, 2016

Resolution 21 **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**	
Duration of the delegation	26 months, *i.e.* until August 29, 2018 inclusive.
Authorized amount	Total nominal amount of the share capital increases: €4,500,000. The securities that may be issued under this delegation may notably consist of debt securities, including securities giving the right to receive debt securities, whether or not governed by articles L. 228-91 *et seq.* of the French Commercial code, or of warrants, or may be associated with the issue of such securities, or allow the issue thereof as intermediate securities. Maximal nominal amount of debt securities: €125,000,000.
Uses during fiscal year 2016	Delegation unused during the fiscal year 2016.
Resolution 22 **Grant of authority to the Management Board to increase the capital by issuing ordinary shares and all securities conferring rights to the capital, through a public offering, canceling preferential subscription rights, while including an option for a priority period**	
Duration of the delegation	26 months, *i.e.* until August 29, 2018 inclusive.
Authorized amount	Total nominal amount of the share capital increases: €4,500,000. The securities that may be issued may notably consist of debt securities, including securities giving the right to receive debt securities, whether or not governed by articles L. 228-91 *et seq.* of the French Commercial code, or of warrants, or may be associated with the issue of such securities, or allow the issue thereof as intermediate securities. Maximal nominal amount of debt securities: €125,000,000. The nominal value of the debt securities that may be issued under this delegation will be credited against the maximum nominal amount of debt securities as set out in resolution 21 of the Combined General Meeting of June 30, 2016.
Uses during fiscal year 2016	Delegation unused during the fiscal year 2016.
Resolution 23 **Grant of authority to the Management Board in order to increase the share capital through the capitalization of reserves, earnings or premium**	
Duration of the delegation	26 months, *i.e.* until August 29, 2018 inclusive.
Authorized amount	Total nominal amount of the share capital increases: €4,500,000.
Uses during fiscal year 2016	Delegation unused during the fiscal year 2016.
Resolution 24 **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**	
Duration of the delegation	26 months, *i.e.* until August 29, 2018 inclusive.
Authorized amount	Total amount of the share capital increases: 20% of the share capital of the Company, per year. The securities that may be issued may notably consist of debt securities, including securities giving the right to receive debt securities, whether or not governed by articles L. 228-91 *et seq.* of the French Commercial code, or of warrants, or may be associated with the issue of such securities, or enable the issue thereof as intermediate securities. Maximal nominal amount of debt securities: €125,000,000. The nominal value of the debt securities that may be issued under this delegation will be credited against the maximum nominal amount of debt securities as set out in resolution 21 of the Combined General Meeting of June 30, 2016.
Uses during fiscal year 2016	Delegation used during the fiscal year 2016, in the context of the investment made by funds of MVM Life Science Partners LLP in Valneva SE (see Section A.1.2 (l) of this Registration Document).

[209] The maximum amounts indicated both in the lines “Authorized amount” and in resolution 27 does not take into account 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.

Resolution 25	
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 (departing from the price conditions stipulated in resolutions 22 and/or 24 of the Combined General Meeting of June 30, 2016)	
Duration of the delegation	26 months, *i.e.* until August 29, 2018 inclusive.
Authorized amount	Total nominal amount of the share capital increases: 10% of the Company's share capital (this limit being determined on the date of the Combined General Meeting of June 30, 2016), within the limit of the maximum increase in capital provided for under resolution 22, or according to the case, resolution 24 of the Combined General Meeting of June 30, 2016 (and the maximum capital increase provided for by resolution 27 below).
Uses during fiscal year 2016	Delegation unused during the fiscal year 2016.
Resolution 26	
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	
Duration of the delegation	26 months, *i.e.* until August 29, 2018 inclusive.
Authorized amount	Total nominal amount of the share capital increases: 10% of the Company's share capital at any time, as this share capital may have been adjusted after the Combined General Meeting of June 30, 2016. The securities that may be issued may notably consist of debt securities, including securities giving the right to receive debt securities, whether or not governed by articles L. 228-91 *et seq.* of the Commercial code, or of warrants, or may be associated with the issue of such securities, or enable the issue thereof as intermediate securities. Maximal nominal amount of debt securities: the maximum nominal amount of the debt securities that may be issued under this delegation will not exceed, and will be credited against, the maximum total amount of debt securities set out in resolution 21 of the Combined General Meeting of June 30, 2016.
Uses during fiscal year 2016	Delegation not unused during the fiscal year 2016.
Resolution 27	
Maximum aggregate amount of capital increases	
Authorized amount	The maximum aggregate amount of capital increases that may be carried out, with immediate effect or in the future, under resolutions 21 to 26 of the Combined General Meeting of June 30, 2016, may not exceed €4,500,000.
Resolution 32	
Issue of equity warrants (For the benefit of natural persons who are not employees of the Company and who are members of the Company's Supervisory Board)	
Duration of the delegation	18 months, *i.e.* until December 29, 2017 inclusive.
Authorized amount	Authorization for the issuance of 125,000 equity warrants of the Company "BSA 27", each giving right to the grant of 1 new ordinary share of the Company.
Uses during fiscal year 2016	Delegation unused during the fiscal year 2016.

E.1.6. Share capital changes

Date	Nature of the share capital change	Shares composing the share capital	Share capital after the capital change
21.01.2014	**Capital increase by way of cash contribution** + **Issuance of 93,720 Valneva SE 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 SE 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 capitalization 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 SE 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 capitalization of issue premium** + **Issuance of 4,000 Valneva SE ordinary shares** with a nominal value of €0.15 each + **Nominal value of the share capital increase: € 600**	**55,935,448 Valneva SE 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 SE 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 SE 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 SE 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 SE 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 SE 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 SE 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 capitalization of issue premium** + **Issuance of 5,500 Valneva SE ordinary shares** with a nominal value of €0.15 each + **Nominal value of the share capital increase: €825**	**57,540,948 Valneva SE 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 SE 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 SE 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 SE 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 SE 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 capitalization of issue premium** + **Issuance of 30,500 Valneva SE ordinary shares** with a nominal value of €0.15 each + **Nominal value of the share capital increase: € 4,575**	**75,882,714 Valneva SE 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 SE 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 SE 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 capitalization of issue premium** + **Issuance of 4,500 Valneva SE ordinary shares** with a nominal value of €0.15 each + **Nominal value of the share capital increase: €675**	**75,888,288 Valneva SE 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**
14.12.2016	**Capital increase by way of cash contribution** + **Issuance of 2,884,615 Valneva SE ordinary shares** with a nominal value of €0.15 each + **Total amount paid to the Company: €7,499,999** (including €432,692.25 in nominal value and €7,067,306.75 as issue premium)	**78,772,903 Valneva SE shares** Including: + 77,582,714 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	**€11,815,935.39**

E.1.7. Pledged share capital

Shareholders owning pledged shares	Pledge beneficiary	Number of pledged Valneva ordinary shares	Pledge starting date/Release date	Date of maturity of the pledge	Condition for the release of pledge	% of Valneva SE share capital pledged[210]
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 claims against the latter in connection with the syndicated agreement		4.17
		1,644,798	19.12.2014			2.09
		48,989	06.02.2015			0.06
		419,892	30.04.2015			0.53
		- 5,398,458 (Release of pledged shares)	30.06.2015			- 6.85
		7,389,162	30.06.2015			9.38
		167,513	17.08.2015			0.21
		640,046	08.09.2015			0.81
		1,178,279	08.10.2015			1,50
		- 1,155,822 (Release of pledged shares)	15.12.2015			- 1.47
		983,276	11.02.2016			1.25
		2,902,376	23.06.2016			3.68
TOTAL		**12,104,830**				**15.37**

E.1.8. Adjustments involving capital securities or securities giving access to the Company's share capital

No adjustments involving capital securities or securities giving access to the Company's share capital have been made during the fiscal year 2016.

E.2. Main shareholders

[210] This rate is calculated in reference to a share capital of 78,772,903 Valneva shares, divided into (a) 77,582,714 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 convertible preferred shares (ISIN XFCS00X0I9M1), with a nominal value of €0.15 each.

E.2.1. Shareholding structure

A description of the shareholding structure of Valneva at December 31, 2016 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 rights would be effective again two years after the merger.

Therefore, article 13.2, 3° of the Articles of Association states that "Ordinary Shares fully paid up and evidenced as having 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 [i.e. as from May 28, 2013], 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".

Consequently, double voting rights on Valneva SE ordinary shares have been reinstated as from May 28, 2015, for shareholders complying with the rules defined in the Articles of Association.

At December 31, 2016 (To the Company's knowledge)

Shareholders		Shares held (a) Ordinary shares	Preferred shares	Convertible preferred shares	%	Voting rights (theoretical)	%
Groupe Grimaud La Corbière SA (b)		**12,104,830**	**0**	**0**	**15.37**	**23,948,157**	**24.81**
Bpifrance Participations SA		**7,456,785**	**0**	**0**	**9.47**	**12,956,648**	**13.43**
MVM Funds (MVM IV LP & MVM GP (No.4) Scottish LP)		**5,851,139**	**197,768**	**0**	**7.68**	**5,851,139**	**6.06**
Management Board members	**Total Management Board memb**	**658,438**	**866**	**744**	**0.84**	**1,033,578**	**1.07**
	Mr. Franck Grimaud	477,787	0	218	0.61	852,927	0.88
	Mr. Thomas Lingelbach	124,205	238	308	0.16	124,205	0.13
	Mr. Reinhard Kandera	56,446	628	218	0.07	56,446	0.06
Employees (non-corporate officers)		**122,427**	**10**	**330**	**0.16**	**221,407**	**0.23**
Other shareholders (private individuals)		**1,269,584**	**1,501**	**0**	**1.61**	**2,378,455**	**2.46**
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS (b)		780,899	0	0	0.99	1,467,256	1,52
Including independent members of the Supervisory Board	Mr. Alain Munoz	41,800	0	0	0.05	83,600	0.09
	Mr. James Sulat	17,867	0	0	0.02	31,367	0.03
	Mr. Alexander Von Gabain	38,218	1,469	0	0.05	38,218	0.04
Other floating capital		**50,119,511**	**988,970**	**0**	**64.87**	**50,119,511**	**51.94**
SUBTOTAL BY CATEGORY		77,582,714	1,189,115	1,074	100	96,508,895	100
TOTAL			78,772,903		100	96,508,895	100

(a) *Percentages in this table are calculated in reference to a share capital of 78,772,903 Valneva SE shares, divided into (a) 77,582,714 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 convertible preferred shares (ISIN XFCS00X0I9M1), with a nominal value of €0.15 each.*

(b) *The "**Groupe Familial Grimaud**" is comprised of the company Groupe Grimaud La Corbière SA, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.*

At February 28, 2017 (To the Company's knowledge)

Shareholders		Shares held (a) Ordinary shares	Preferred shares	Convertible preferred shares	%	Theoretical voting rights	%
Groupe Grimaud La Corbière SA (b)		**12,104,830**	**0**	**0**	**15.37**	**24,209,660**	**24.48**
Bpifrance Participations SA		**7,456,785**	**0**	**0**	**9.47**	**14,913,570**	**15.08**
MVM Funds (MVM IV LP & MVM GP (No.4) Scottish LP)		**5,851,139**	**197,768**	**0**	**7.68**	**5,851,139**	**5.92**
Management Board members	**Total Management Board members**	**658,438**	**866**	**744**	**0.84**	**1,136,225**	**1.15**
	Mr. Franck Grimaud	477,787	0	218	0.61	955,574	0.97
	Mr. Thomas Lingelbach	124,205	238	308	0.16	124,205	0.13
	Mr. Reinhard Kandera	56,446	628	218	0.07	56,446	0.06
Employees (non-corporate officers)		**102,627**	**10**	**263**	**0.13**	**193,754**	**0.20**
Other shareholders (private individuals)		**1,289,184**	**1,501**	**67**	**1.64**	**2,452,966**	**2.48**
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS (b)		780,899	0	0	0.99	1,505,800	1.52
Including independent members of the Supervisory Board	Mr. Alain Munoz	41,800	0	0	0.05	83,600	0.08
	Mr. James Sulat	17,867	0	0	0.02	35,734	0.04
	Mr. Alexander Von Gabain	38,218	1,469	0	0.05	38,218	0.04
Other floating capital		**50,119,711**	**988,970**	**0**	**64.87**	**50,119,711**	**50.69**
SUBTOTAL BY CATEGORY		77,582,714	1,189,115	1,074	100	98,877,025	100
TOTAL			78,772,903		0	98,877,025	100

(a) *Percentages in this table are calculated in reference to a share capital of 78,772,903 Valneva SE shares, divided into (a) 77,582,714 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 convertible preferred shares (ISIN XFCS00X0I9M1), with a nominal value of €0.15 each.*

(b) *The "**Groupe Familial Grimaud**" is comprised of the company Groupe Grimaud La Corbière SA, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.*

For information, the number of registered shares thus carrying a double voting right on February 28, 2017, amounts to 21,294,311, or 27.03% of the current share capital[211]. Consequently, the total number of voting rights resulting from the registered shares entitled to a double voting right is of 42,588,622, or 43.07% of the total voting rights on this same date[212].

[211] This rate is calculated in reference to a share capital of 78,772,903 Valneva SE shares, divided into (a) 77,582,714 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 convertible preferred shares (ISIN XFCS00X0I9M1), with a nominal value of €0.15 each.

[212] This rate is calculated in reference to 98,877,025 voting rights (theoretical) at February 28, 2017.

E.2.2. Direct or indirect shareholdings in the share capital of the Company, of which the Company has been informed in accordance with L. 233-7 and L. 233-12 of the French Commercial code[213]

During the fiscal year 2016, the Company was informed of threshold crossings, resulting from the acquisition by funds of MVM Life Science Partners LLP of 7.5% of the Company[214].

MVM IV LP and MVM GP (No.4) Scottish LP ("MVM Funds")

On December 20, 2016, the MVM Funds, acting in concert, declared that:

- they have crossed above the threshold of 2% of the share capital and voting rights of the Company, as defined by the Company's Articles of Association, following Valneva SE's share capital increase of December 14, 2016 leading to the issuance of 2,884,615 new ordinary shares; and
- they have crossed above the thresholds of 4% and 6% of the share capital, as defined by the Company's Articles of Association, and the legal threshold of 5% of the voting rights of the Company provided by article L. 233-7 of the French Commercial code, following the acquisition, through an off-market block trade, of Company's ordinary shares, on December 16, 2016.

After these transactions, they respectively own the following ordinary shares and voting rights of the Company:

Shareholders	Ordinary shares	%	Voting rights (theoretical)	%
MVM IV LP	2,797,202	3.55	2,797,202	2.90
MVM GP (No.4) Scottish LP	87,413	0.11	87,413	0.09
TOTAL	**2,884,615**	**3.66**	**2,884,615**	**2.99**

Besides, the MVM Funds declared that they do not possess or own securities giving access to the shares to be issued, or shares indirectly held, nor securities treated as shares owned by them in accordance with article L. 233-7 *et seq*. of the French Commercial code.

Caisse des Dépôts et des Consignations ("CDC")

On December 20, 2016, the CDC declared that because of the increase in the number of circulating securities, the CDC, indirectly through Bpifrance Participations SA (controlled by Bpifrance SA, itself jointly controlled at 50% by the CDC and the other 50% by EPIC Bpifrance) and CDC Entreprises Valeurs Moyennes, passively crossed below the legal threshold of 15% of the voting rights of the Company.

The CDC declared that it indirectly owns 8,810,485 shares and 14,310,348 voting rights of the Company (or 11.18% of the share capital and 14.82% of the voting rights of the Company).

Glaxo Group Limited and GlaxoSmithKline Biologicals SA

On December 21, 2016:

- Glaxo Group Limited declared it has sold, through an off-market block trade, 2,674,024 ordinary shares and 2,674,024 preferred shares (ISIN FR0011472943) of the Company; and

[213] For a reminder of the applicable thresholds, please refer to Section E.3.7 of this Registration Document.
[214] See Section A.1.2 (I) of this Registration Document.

+ GlaxoSmithKline Biologicals SA declared it has sold, through an off-market block trade, 292,500 ordinary shares and 292,500 preferred shares (ISIN FR0011472943) of the Company.

Following these simultaneous transactions, Glaxo Group Limited and GlaxoSmithKline Biologicals SA have crossed together below the statutory thresholds of 2% and 4% of the share capital and of 2% of the voting rights of the Company.

Glaxo Group Limited and GlaxoSmithKline Biologicals SA then declared (for themselves and for all companies within GSK group) that they do not hold, directly or indirectly, any Company shares, nor any securities treated as shares held pursuant to article L. 233-7 *et seq.* of the French Commercial code.

Groupe Grimaud La Corbière SA

On December 22, 2016, Groupe Grimaud La Corbière SA declared it has individually crossed below the legal threshold of 25% of the voting rights, and the threshold of 16% of the Company's share capital, as defined by the Company's Articles of Association. These thresholds have been crossed on December 14, 2016 because of an increase in Valneva SE's share capital, though a private placement without preferential subscription right.

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Following year end 2016, until the filing date of the 2016 Registration Document, the Company was informed of the new incidents of the crossing of shareholder disclosure thresholds by the following:

Caisse des Dépôts et des Consignations

On February 14, 2017, the CDC reported to Valneva SE having indirectly crossed above the legal threshold of 15% of the voting rights, as well as the threshold of 16% of the voting rights of the Company, as defined by the Company's Articles of Association. The crossing of these thresholds resulted from the grant of 1,956,922 double voting rights to Bpifrance Participations SA[215], increasing CDC's indirect shareholding to 8,810,485 Valneva SE shares and 16,267,270 voting rights, representing 11.18% of the share capital and 16.52% of the voting rights of the Company, breaking down as follows:

Shareholders	Ordinary shares	%	Voting rights (theoretical)	%
CDC (direct)	0	0	0	0
CDC EVM	1,353,700	1.72	1,353,700	1.38
Bpifrance Participations	7,456,785	9.46	14,913,570	15.14
TOTAL CDC	8,810,485	11.18	16,267,270	16.52

In accordance with article L. 233-7, VII of the French Commercial code, the CDC furthermore declared that for the next six months, the intentions of CDC Entreprises Valeurs Moyennes ("**CDC EVM**") and Bpifrance Participations SA are as follows:

+ this threshold crossing was automatically triggered by the grant of 1,956,922 voting rights to Bpifrance Participation SA. It did not require financing;
+ CDC EVM and Bpifrance Participations SA respectively acted alone;

[215] Bpifrance Participations SA is controlled by Bpifrance SA, itself jointly controlled 50% by the CDC and 50% by EPIC Bpifrance.

- CDC EVM intends to make marginal purchases of shares according to market opportunities;
- Bpifrance Participations SA does not intend to purchase shares;
- neither CDC EVM or Bpifrance Participations SA plans to acquire control of the Company;
- CDC EVM and Bpifrance Participations SA respectively intends to continue to support Valneva SE's development but neither CDC EVM or Bpifrance Participations SA plan to engage in transactions covered by article L. 223-17, I, 6° of the AMF General Regulation;
- neither CDC EVM or Bpifrance Participations SA is a party to any agreement or financial instrument referred to in section 4 and 4°bis of article L. 233-9 of the French Commercial code;
- neither CDC EVM or Bpifrance Participations SA have concluded a temporary sale (repurchase) agreement concerning the shares and/or voting rights of Valneva SE;
- neither CDC EVM or Bpifrance Participations SA intends to request the appointment of additional directors.

Finally, the CDC has declared that, despite the presumption thereof of article L. 233-10, 2° and 3° of the French Commercial code, it does not act in concert, either with CDC EVM, or Bpifrance Participations SA, or EPIC Bpifrance.

EPIC Bpifrance

On February 15, 2017, Bpifrance Participations SA reported to Valneva SE that on February 9, 2017, EPIC Bpifrance, via Bpifrance Participations SA[216], indirectly crossed above the legal threshold of 15% of the voting rights, as well as the threshold of 14% of the voting rights of the Company, as defined by the Company's Articles of Association. The crossing of the thresholds resulted in the grant of 1,956,922 double voting rights to Bpifrance Participations SA, increasing CDC's indirect shareholding to 7,456,785 Valneva SE shares and 14,913,570 voting rights, representing 9.46% of the capital and 15.14% of the voting rights of the Company, breaking down as follows:

Shareholder	Ordinary shares	%	Voting rights theoretical)	%
EPIC Bpifrance (directly)	**0**	**0**	**0**	**0**
Bpifrance Participations	**7,456,785**	**9.46**	**14,913,570**	**15.14**
Total EPIC Bpifrance	**7,456,785**	**9.46**	**14,913,570**	**15.14**

In accordance with article L. 233-7, VII of the French Commercial code, EPIC Bpifrance has declared that for the next six months, the intentions of Bpifrance Participations SA, a company over which EPIC Bpifrance holds indirectly control through Bpifrance SA, are as follows:

- Bpifrance Participations SA crossed above the 15% threshold of voting rights of the Company as a consequence of being granted 1,956,922 double voting rights and, for that reason, did not make use of any type of financing;
- Bpifrance Participations SA acted alone;
- Bpifrance Participations SA does not intend to purchase shares;
- Bpifrance Participations SA does not plan to acquire control of the Company;

[216] *Idem.*

- Bpifrance Participations SA intends to continue to support Valneva SE's development but does not plan to engage in any of the transactions covered by article L. 223-17, I, 6° of the AMF General Regulation;
- Bpifrance Participations SA is not a party to any agreement or financial instrument referred to in section 4 and 4°bis of article L. 233-9 of the French Commercial code;
- Bpifrance Participations SA has not concluded a temporary sale (repurchase) agreement concerning the shares and/or voting rights of Valneva SE;
- Bpifrance Participations SA does not intend to request the appointment of additional directors.

Finally, EPIC Bpifrance has declared that has not acted in concert with Bpifrance Participations SA.

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To the Company's knowledge, there are no other shareholders holding directly or indirectly, alone or in concert, more than 2% of its share capital and voting rights.

E.2.3. Changes in share ownership over the past three financial years[217]

Fiscal year ended December 31, 2016

Shareholders		Shares held (a) Ordinary shares	Preferred shares	Convertible preferred shares	%	Voting rights (theoretical)	%
Groupe Grimaud La Corbière SA (b)		**12,104,830**	**0**	**0**	**15.37**	**23,948,157**	**24.81**
Bpifrance Participations SA		**7,456,785**	**0**	**0**	**9.47**	**12,956,648**	**13.43**
MVM Funds (MVM IV LP & MVM GP (No.4) Scottish LP)		**5,851,139**	**197,768**	**0**	**7.68**	**5,851,139**	**6.06**
Management Board members	**Total Management Board members**	**658,438**	**866**	**744**	**0.84**	**1,033,578**	**1.07**
	Mr. Franck Grimaud	477,787	0	218	0.61	852,927	0.88
	Mr. Thomas Lingelbach	124,205	238	308	0.16	124,205	0.13
	Mr. Reinhard Kandera	56,446	628	218	0.07	56,446	0.06
Employees (non-corporate officers)		**122,427**	**10**	**330**	**0.16**	**221,407**	**0.23**
Other shareholders (private individuals)		**1,269,584**	**1,501**	**0**	**1.61**	**2,378,455**	**2.46**
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS (b)		780,899	0	0	0.99	1,467,256	1,52
Including independent members of the Supervisory Board	Mr. Alain Munoz	41,800	0	0	0.05	83,600	0.09
	Mr. James Sulat	17,867	0	0	0.02	31,367	0.03
	Mr. Alexander Von Gabain	38,218	1,469	0	0.05	38,218	0.04
Other floating capital		**50,119,511**	**988,970**	**0**	**64.87**	**50,119,511**	**51.94**
SUBTOTAL BY CATEGORY		**77,582,714**	**1,189,115**	**1,074**	**100**	**96,508,895**	**100**
TOTAL			**78,772,903**		**100**	**96,508,895**	**100**

(a) *Percentages in this table are calculated in reference to a share capital of 78,772,903 Valneva SE shares, divided into (a) 77,582,714 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 convertible preferred shares (ISIN XFCS00X0I9M1), with a nominal value of €0.15 each.*

(b) *The "**Groupe Familial Grimaud**" is comprised of the company Groupe Grimaud La Corbière SA, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.*

Shareholders		Shares held	%[(a)]	Shares held	%	Shares held	%[(b)]	Shares held	%
		Fiscal year ended December 31, 2015				**Fiscal year ended December 31, 2014**			
Groupe Grimaud La Corbière[(c)]		**12,104,830**	**15.95**	**23,948,157**	**25.52**	**11,843,327**	**20.98**	**11,843,327**	**21.02**
Bpifrance Participations SA		**7,456,785**	**9.83**	**12,956,648**	**13.81**	**5,499,863**	**9.56**	**5,499,863**	**9.76**
Management Board members	**Total Management Board members [(d)]**	**660,048**	**0.87**	**1,018,083**	**1.08**	**524,746**	**0.91**	**523,880**	**0.93**
	Franck Grimaud	478,005	0.63	837,432	0.89	375,140	0.65	375,140	0.67
	Thomas Lingelbach	124,751	0.16	124,205	0.13	98,978	0.17	98,740	0.18
	Reinhard Kandera	57,292	0.08	56,446	0.06	50,628	0.09	50,000	0.09
Employees (non-corporate officers)[(e)]		**127,007**	**0.17**	**226,907**	**0.24**	**133,685**	**0.23**	**133,685**	**0.24**
Other shareholders (private individuals)		**1,548,609**	**2.04**	**2,890,684**	**3.08**	**1,455,922**	**2.53**	**1,454,421**	**2.58**
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board[(c)]		874,903	1.15	1,655,260	1.76	834,542	1.45	834,542	1.48
Including investors		172,277	0.23	344,528	0.37	172,266	0.30	172,266	0.31
Including independent members of the Supervisory Board[(f)]	Mr. Alain Munoz	41,800	0.06	83,600	0.09	41,800	0,07	41,800	0.07
	Mr. Michel Greco	618	0.00	686	0.00	618	0.00	586	0.00
	Mr. James SULAT	17,867	0.02	31,367	0.03	13,500	0.02	13,500	0.02
	Mr. Alexander VON GABAIN	39,687	0.05	38,218	0.04	23 517	0.04	22,048	0.04
Other registered shareholders		401,457	0.53	737,025	0.79	369,679	0.64	369,679	0.66
Other bearer shares		**52,804,261**	**69.58**	**52,804,261**	**56.27**	**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**	**1.56**	**0**	**0.00**	**1,186,748**	**2.06**	**0**	**0.00**
TOTAL		**75,888,288**	**100**	**93,844,740**	**100**	**57,540,948**	**100**	**56,351,833**	**100**

(a) *Percentages in this table are calculated in reference to a share capital of 75,888,288 Valneva SE shares, divided into (a) 74,698,099 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 convertible preferred shares (ISIN XFCS00X0I9M1), with a nominal value of €0.15 each.*

(b) *Percentages in this table are calculated in reference to a share capital of 57,540,948 Valneva SE shares, divided into (a) 56,351,833 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, and (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15.*

(c) *The "**Groupe Familial Grimaud**" is comprised of the company Groupe Grimaud La Corbière SA, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.*

(d) *Securities mentioned in the column "Shares held" with respect to the Management Board members include convertible preferred shares, and with respect to Messrs. Thomas Lingelbach and Reinhard Kandera, preferred shares of the Company.*

(e) *Securities mentioned in the column "Shares held" include convertible preferred shares.*

(f) *Securities mentioned in the column "Shares held" include, with respect to Messrs. Michel Greco and Alexander Von Gabain, preferred shares of the Company.*

[217] To the Company's knowledge.

E.2.4. Shareholders agreement

A shareholders agreement dated July 5, 2013 (as amended), was executed between the company Groupe Grimaud La Corbière SA ("**GGLC**"), the Fonds Stratégique d'Investissement (now Bpifrance Participations SA), Messrs. Franck Grimaud, Thomas Lingelbach and Reinhard Kandera, Management Board members of Valneva SE[218].

The shareholders agreement is concluded for a period of 6 years. It is renewable by successive one-year periods, unless prior notice of termination is given by one of the parties.

The shareholders agreement was executed in connection with the capital increase with preferential subscription rights of Valneva SE, amounting to approximately €40 million, which follows the creation of the Company from the merger of Vivalis SA and Intercell AG[219].

The shareholders agreement's main provisions are as follows:

Agreement to not act in concert

Bpifrance Participations, GGLC and the Management Board members have undertaken to not 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 as initial members of the Supervisory Board for a 3-year term: (i) three candidates put forth by GGLC, (ii) three candidates put forth by Intercell AG, and (iii) one candidate put forth by Bpifrance Participations.

The permanent representative of Bpifrance Participations also sits on the Compensation and Nominating Committee.

Throughout the term of the shareholders agreement, GGLC and Bpifrance Participations committed themselves to make every effort to abide by these principles for allocating seats in the Supervisory Board[220].

Supervisory Board decisions shall be taken by simple majority of those members in attendance or represented, with the exception of (i) certain decisions requiring a qualified majority (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 a Research & Development 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 AG and Bpifrance Participations. Upon the second call, the quorum shall be the majority of Supervisory Board members.

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[218] Following the death of Majid Mehtali in August 2013, the parties to the shareholders agreement have proceeded with an amendment on November 10, 2016, in order to acknowledge withdrawal from the agreement of the heirs.

[219] See the Prospectus submitted for clearance with the French Financial Markets Authority (Visa No. 13-0275): http://www.amf-france.org/Recherche-avancee.html?formId=ALL

[220] For a description of Valneva SE's Supervisory Board after its 2016 renewal, please refer to Section B.1.1 (b) of this Registration Document.

Composition of the Management Board

The shareholders agreement reminds that the Management Board is composed of members whom appointment has been proposed by GGLC (concerning Messrs. Franck Grimaud), and by Intercell AG's Supervisory Board (concerning Messrs. Thomas Lingelbach and Reinhard Kandera).

Transfer of shares

Lock-up commitment

Bpifrance Participations has been subject to a two-year lock-up commitment for its shares, while the Management Board members have been bound by a 3-year lock-up period. GGLC is bound by a four-year lock-up commitment (subject to certain exceptions, such as a relief clause applicable to 50% of its securities as of the third anniversary of the shareholders agreement).

Unrestricted transfers

Transfers between affiliates are not subject to restrictions (subject to the customary conditions: membership, joint liability of the transferor, etc.). Likewise, there is no restriction on contributions of Valneva SE securities by one of the parties to a public offering.

Right of first refusal

Any transfer of securities made by GGLC or Bpifrance Participations following their lock-up period is, without prejudice to the abovementioned unrestricted transfers, subject to a right of first refusal granted to Bpifrance Participations or GGLC (as appropriate), at the price offered by the transferor. Should this right be waived, the transferor shall be entitled to transfer the securities offered to sale by any means, during 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 (by consideration 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.

E.2.5. Control of the company

At the filing date 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.

Please refer to the Section "Stipulation specific to Ordinary Shares" of this Registration Document[221], for information regarding the limitation on the voting rights set at 29.9% for any holder (acting alone or in concert) of Valneva SE's ordinary shares.

E.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[222];

[221] See Section E.3.3 (b).

[222] As described in Section E.2.1 of this Registration Document.

+ limitation on the voting rights set at 29.9% for any holder (acting alone or in concert) of Valneva SE's ordinary shares[223];
+ a loan amounting approximately to $41 million was granted to Valneva Austria GmbH, Austrian subsidiary of the Company, by an investment fund managed by Pharmakon Advisors[224]. In the event of a change in control of the Company, this loan shall be subject to prepayment, accompanied by certain additional indemnities, from which are deducted interest payments already made.

  In addition, the loan agreement with the European Investment Bank[225] can also be terminated if there is a change of control of the Company, with the obligation of reimbursing the released instalments and pay interests due.

  Finally, the Group signed different distribution agreement related to third parties' products, in particular:

  - the PaxVax' vaccine VIVOTIF® (against typhoid fever), for a distribution in Canada, Nordics countries (Sweden, Norway, Finland), Iceland and Austria; and
  - the Seqirus' flu vaccines (FLUAD™, SANDOVAC™/AGGRIPAL™) for a distribution in Austria.

  The agreements concluded with PaxVax or Seqirus can also be terminated if there is a change of control of the Company.

E.2.7. List of all security holders with special control rights; 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[226].

E.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 where the control rights are not exercised by the employees.

[223] As described in Section E.3.3 (b) of this Registration Document.
[224] See Note 5.2 to the separate financial statements for the fiscal year 2016, in Section D.3 of this Registration Document.
[225] See Section A.1.2 (h) of this Registration Document.
[226] See Section E.2.1 of this Registration Document.

E.3. Company's Articles of Association

E.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 & 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.

E.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 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 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, 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 of the Articles of Association, 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 Supervisory 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, 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)

Please refer to the Report by the Chairman of the Supervisory Board on the preparation and organization of the Supervisory Board's work and the internal control procedures implemented by the Company[227].

[227] See Section 2.1.1 of the Report, in Section B.3 of this Registration Document.

E.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 Food & Drug Administration for the United States of America, or the 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* 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

1. 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.

2. Right to convert Convertible Preferred Shares into Ordinary Shares subject to conditions

(i) *Condition de conversion des Actions de Préférence en Actions Ordinaires*

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 (the ***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 € 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" of the Articles of Association, 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.

E.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.

E.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* 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*, 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 Supervisory 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 referred to article 13.2 of the Articles of Association, 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.

E.3.6. Clauses likely to affect control of the Company

Please refer to the Section “Agreements or elements that may lead to a change of control or that may have an impact in case of public offering” of this Registration Document[228].

E.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

[228] See Section E.2.6.

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 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.

E.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 of Association 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.

E.4. Information and history of the Company during the fiscal year

Registered name

Valneva

Place of incorporation and registration number

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 (with respect to the main establishment) 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: World Trade Center Lyon - Tour Oxygène, 10-12 boulevard Marius Vivier Merle, 69003 Lyon - France

Telephone: +33 (0) 4 72 40 57 52

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 the Sections "Annual operating highlights", "Recent events", "Description of Valneva SE's subsidiaries", "Products and technologies of the Group", "Main markets" and "Significant post-closing events - Group's business trends and outlooks" of this Registration Document[229].

[229] See Sections A.1.2, A.1.3, A.2.2 (b), A.3.1, A.3.2 (a) and A.4.4.

E.5. Information on shareholdings

Please refer to the Section "Description of Valneva SE's shareholdings" of this Registration Document[230], as well as to the Notes of the consolidated financial statements for fiscal year 2016[231].

[230] See Section A.2.2 (c).
[231] See Note 5.2.3, in Section D.1 of this Registration Document.

E.6. Regulated agreements and commitments

E.6.1. List of regulated agreements and commitments

Agreements authorized by the Company's Supervisory Board in 2016:

There are no agreements to report under this category.

Regulated agreements remaining in force in 2016[232]*:*

Management Agreement between Mr. Franck Grimaud and the Company Valneva SE	
Authorized by the Supervisory Board on May 31, 2013	
Purpose of the agreement	**This agreement specifies the compensation and benefits to be received by Mr. Franck Grimaud in his capacity as a Management Board Member and Managing Director as from the date of Valneva's registration in Lyon (*Registre du Commerce et des Sociétés de Lyon*) in the form of a European Company (*Societas Europaea*), *i.e.* May 28, 2013.** **This agreement expires at the end of the Combined General Meeting called on June 30, 2016 for the purpose of approving the financial statements for the financial year ended 31 December, 2015.**
Income and/or charges recognized the period: (275,028.98)	
Encashments and/or payments: (381,406.76)	
Authorized by the Supervisory Board on June 25, 2015	
Purpose of the contract	**This agreement specifies the compensation and benefits to be received by Mr. Franck Grimaud in his capacity as a Management Board member and Managing Director as from the end of the Combined General Meeting called on June 30, 2016 for the purpose of approving the financial statements for the financial year ended 31 December, 2015.** **This agreement's execution (associated with the renewal of Mr. Grimaud's term of office authorized at the same time by the Supervisory Board) contributes to long-term stability in the Company's management while at the same time limiting costs.**
Income and/or charges recognized the period: (303,944.29)	
Encashments and/or payments: (223,934.97)	

Loan guarantee for the benefit of Valneva SE	
Authorized by the Supervisory Board on March 20, 2013	
Purpose of the agreement	**Loan for €500,000 from Caisse d'Épargne Bretagne Pays de la Loire.**
Income and/or charges recognized the period: (1,003.05)	
Encashments and/or payments: (1,003.05)	
Authorized by the Supervisory Board on June 10, 2010	
Purpose of the agreement	**Loans totaling for €1,500,000 from Crédit Mutuel and LCL. Remuneration paid for the guarantee of Grimaud La Corbière Group for the benefit of the Company amounted to 0.75% of loans outstanding.**
Income and/or charges recognized the period: (1,778.87)	
Encashments and/or payments: (1,778.87)	

[232] Amounts in euros - Charges and payments are presented between brackets.

Commitments authorized by the Supervisory Board in 2016:

There are no commitments to report under this category.

Regulated agreements remaining in force in 2016:

Commitments authorized with regards to Mr. Franck Grimaud, Management Board member and Managing Director of the company, for the payment of indemnities or severance benefits by Valneva SE in the event of termination or a change of functions

Management Agreement between Mr. Franck Grimaud and Valneva SE
Authorized by the Supervisory Board on June 25, 2015

(1) Inability to work due to illness or accident

+ Valneva SE shall 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 (as adjusted) for a period of three months, and 49% for an additional maximum period of three months.
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.

+ In all cases, payments shall cease upon termination of the Management Agreement.

(2) Termination of the management agreement pursuant to:
(i) removal of the corporate officer by Valneva SE without good cause *(juste motif)*; or
(ii) resignation of the corporate officer justified by circumstances entailing a reduction in law or in fact of his or her responsibilities in Valneva SE or Valneva Austria GmbH

+ Payment until termination of the Management Agreement (or until the date of the Annual General Meeting of Valneva SE called for the purpose of approving the financial statements for fiscal year 2018, and no later than June 30, 2019) of an amount equal to the fixed compensation provided for in Section 6.1 of the Management Agreement, on condition that the corporate officer fulfills the performance criteria, as applicable, defined by the Supervisory Board, in accordance with article L. 225-90-1 of the French commercial code.

  In the event of termination due to circumstances entailing in law or in fact a reduction in his or her responsibilities in Valneva SE or Valneva Austria GmbH, and on condition that the corporate officer fulfills the performance criteria defined, as applicable, by the Supervisory Board, in accordance with article L. 225-90-1 of the French commercial code: payment until termination of the Management Agreement, of the bonus defined in Section 6.3 of the Management Agreement, on a pro rata basis (whereby this bonus may not exceed 50% of the gross annual compensation defined in Section 6.1 of the Management Agreement, as adjusted).

+ From the amount of compensation payable in accordance with the above, shall be deducted unemployment insurance benefits received under the private policy covering company managers and officers (GSC – *Garantie Sociale des Chefs et dirigeants d'entreprise*) during the benefit payment period.

(3) Termination of the management agreement pursuant to:
(i) removal of the corporate officer by Valneva SE with good cause *(juste motif)*; or
(ii) resignation of the corporate officer unjustified by circumstances entailing in law or in fact a reduction in his or her responsibilities in Valneva SE or Valneva Austria GmbH

+ Discontinuation of payment of any compensation, bonuses and benefits in kind as from the date of effect of the termination of the corporate office. This date is immediate in the case of a removal for good cause. It takes effect after a two-month notice period in the event of resignation.

+ No severance benefits are payable to the corporate officer, without prejudice, however to the possible application of the non-compete provisions mentioned below in (4).

(4) Application of the non-compete clause

+ The Management Agreement contains a post-contractual non-compete clause.
This clause applies (i) automatically, except where expressly waived by Valneva SE, in the event of dismissal by Valneva SE for good cause *(juste motif)* or resignation of the corporate office not justified by circumstances entailing a reduction in responsibilities in right or in law in Valneva SE or Valneva Austria GmbH, and (ii) upon the express declaration by Valneva SE, in other cases of termination (removal by Valneva SE without good cause, resignation of the corporate officer justified by the circumstances defined above).

+ When the non-compete clause applies, this results, in all circumstances other than removal for good cause *(juste motif)*, in the payment of financial consideration equal to the amount of compensation defined by Section 6.1 of the Management Agreement (as adjusted) and the bonus defined by Section 6.3 of the Management Agreement, on a pro rata basis, for the duration of the non-compete obligation (i.e. one year from the date of the Management Agreement's termination).
This payment shall not be payable in combination with the continued payment of compensation mentioned above in paragraphs (2) and (3).

Indemnities set for events (2) to (4) shall exclude any other indemnity, compensation or benefit, to the extent permitted by law.

Relations between Valneva SE and Mr. Franck Grimaud, in his capacity as a member of the Company's Management Board and Managing Director, are governed by French law and regulations, the Company's articles of association, the provisions of the Management Agreement and the decisions of Valneva SE's Supervisory Board.

Commitments authorized with regards to Mr. Thomas Lingelbach, for the payment of indemnities or severance benefits by Valneva Austria GmbH in the event of termination or a change of functions

Management Agreement between Mr. Thomas Lingelbach and Valneva Austria GmbH[233]
Authorized by the Supervisory Board on June 25, 2015

(1) Inability to work due to illness or accident

+ Valneva Austria GmbH shall pay an amount of compensation which would enable Mr. Lingelbach to receive the equivalent of 100% of the compensation outlined in Section 6.1 of the Management Agreement (as adjusted) for a period of three months, and 49% for an additional maximum period of three months.
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.

+ In all cases, payments shall cease upon termination of the Management Agreement.

(2) Termination of the Management Agreement:
(i) at the initiative of Valneva GmbH without good cause (under Section 20 of the Austrian White Collar Workers Act - *Angestelltengesetz*), or
(i) at the initiative of the corporate officer with good cause (in compliance with Section 26 of the Austrian White Collar Workers Act - *Angestelltengesetz*), including resignation justified by circumstances entailing a reduction in law or fact of his responsibilities in Valneva SE

+ In all cases, payment until the termination of the Management Agreement (or until the date of the Annual General Meeting of Valneva SE called for the purpose of approving the financial statements of the 2018 fiscal year, and no later than June 30, 2019), of an amount equal to the fixed compensation provided for in Section 6.1 of the Management Agreement.

+ In the event of termination at the initiative of the corporate officer for good cause (in compliance with Section 26 of the Austrian White Collar Workers Act - *Angestelltengesetz*), including resignation justified by circumstances entailing a reduction in fact or in right of his responsibilities in Valneva SE, payment until termination of the Management Agreement, of the bonus mentioned in Section 6.3 of the Management Agreement, on a pro rata basis, after deduction of the amount saved by the corporate officer as a result of services not rendered or any amount earned for any other type of work performed, or intentional loss of earnings (Section 29 of the Austrian White Collar Workers Act - *Angestelltengesetz*).

(3) Termination of the Management Agreement:
(i) at the initiative of Valneva GmbH with good cause (under Section 27 of the Austrian White Collar Workers Act - *Angestelltengesetz*), or
(ii) at the initiative of the corporate officer without good cause (including resignation not justified by circumstances entailing a reduction in fact or in right of his responsibilities in Valneva SE)

+ Discontinuation of payment of any compensation, bonuses and benefits in kind as from the date of effect of the termination of the corporate office. This date is immediate in the case of a removal for good cause. In contrast, it shall enter into effect after the notice period provided for in Section 20 of the Austrian White Collar Workers Act - *Angestelltengesetz* (notice period ending on the last day of the current month) in the case of termination at the initiative of the corporate officer.

+ No severance benefits are payable to the corporate officer, without prejudice, however to the possible application of the non-compete provisions mentioned below in (4).

(4) Application of the non-compete clause

+ The Management Agreement contains a post-contractual non-compete clause.
This applies (i) automatically, except where expressly waived by Valneva GmbH, in the event of dismissal by Valneva GmbH for good cause (Section 27 of the Austrian White Collar Workers Act - *Angestelltengesetz*), or the early and unjustified resignation at the initiative of the corporate officer (Section 26 of the Austrian White Collar Workers Act - *Angestelltengesetz*) ,or resignation without cause at the initiative of the corporate officer and (ii) upon the express declaration by Valneva SE in the case of termination by Valneva GmbH without good cause.

+ When the non-compete clause applies, this results, in all circumstances other than termination for good cause, in the payment of financial consideration equal to the amount of compensation defined by Section 6.1 of the Management Agreement (as adjusted) and the bonus defined by Section 6.3 of the Management Agreement, on a pro rata basis, for the duration of the non-compete obligation (i.e. one year from the date of the Management Agreement's termination).

  This payment shall not be payable in combination with the continued payment of compensation mentioned above in paragraphs (2) and (3).

Indemnities set for events (2) to (4) shall exclude any other indemnity, compensation or benefit, to the extent permitted by law. Any severance payments made to the corporate officer by the compensation fund upon termination of the Management Agreement, as well as prospective entitlements to the corporate officer to severance benefits (in case that the fund does not have to make a payment upon termination) shall be deducted from the indemnities set for events (2) to (4), to the extent permitted by law.

The contractual relationship between Valneva Austria GmbH and Mr. Thomas Lingelbach 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 GmbH.

[233] A wholly-owned subsidiary of Valneva SE.

Commitments authorized with regards to Mr. Reinhard Kandera, for the payment of indemnities or severance benefits by Valneva Austria GmbH in the event of termination or a change of functions

Management Agreement between Mr. Reinhard Kandera and Valneva Austria GmbH
Authorized by the Supervisory Board on June 25, 2015

(1) Inability to work due to illness or accident

+ Valneva Austria GmbH shall pay an amount of compensation which would enable Mr. Lingelbach to receive the equivalent of 100% of the compensation outlined in Section 6.1 of the Management Agreement (as adjusted) for a period of three months, and 49% for an additional maximum period of three months.
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.

+ In all cases, payments shall cease upon termination of the Management Agreement.

(2) Termination of the Management Agreement:
(i) at the initiative of Valneva GmbH without good cause (under Section 20 of the Austrian White Collar Workers Act - *Angestelltengesetz*), or
(i) at the initiative of the corporate officer with good cause (in compliance with Section 26 of the Austrian White Collar Workers Act - *Angestelltengesetz*), including resignation justified by circumstances entailing a reduction in law or fact of his responsibilities in Valneva SE

+ And in all cases, payment until termination of the Management Agreement (or until the date of the Annual General Meeting of Valneva SE called for the purpose of approving the financial statements of the 2018 fiscal year and no later than June 30, 2019), of an amount equal to the fixed compensation provided for in Section 6.1 of the Management Agreement.

+ In the event of termination at the initiative of the corporate officer for good cause (in compliance with Section 26 of the *Austrian White Collar Workers Act – Angestelltengesetz*), including resignation justified by circumstances entailing a reduction in fact or in right of his responsibilities in Valneva SE, payment until termination of the Management Agreement, of the bonus mentioned in Section 6.3 of the Management Agreement, on a pro rata basis, after deduction of the amount saved by the corporate officer as a result of services not rendered or any amount earned for any other type of work performed, or intentional loss of earnings (Section 29 of the Austrian White Collar Workers Act - *Angestelltengesetz*).

(3) Termination of the Management Agreement:
(i) at the initiative of Valneva GmbH with good cause (under Section 27 of the Austrian White Collar Workers Act - *Angestelltengesetz*), or
(ii) at the initiative of the corporate officer without good cause (including resignation not justified by circumstances entailing a reduction in fact or in right of his responsibilities in Valneva SE)

+ Discontinuation of payment of any compensation, bonuses and benefits in kind as from the date of effect of the termination of the corporate office. This date is immediate in the case of a removal for good cause. In contrast, it shall enter into effect after the notice period provided for in Section 20 of the Austrian White Collar Workers Act - *Angestelltengesetz* (notice period ending on the last day of the current month) in the case of termination at the initiative of the corporate officer.

+ No severance benefits are payable to the corporate officer, without prejudice, however to the possible application of the non-compete provisions mentioned below in (4).

(4) Application of the non-compete clause

+ The Management Agreement contains a post-contractual non-compete clause.
This applies (i) automatically, except where expressly waived by Valneva GmbH, in the event of dismissal by Valneva GmbH for good cause (Section 27 of the Austrian White Collar Workers Act - *Angestelltengesetz*), or the early and unjustified resignation at the initiative of the corporate officer (Section 26 of the Austrian White Collar Workers Act - *Angestelltengesetz*), or resignation without cause at the initiative of the corporate officer and (ii) upon the express declaration by Valneva SE in the case of termination by Valneva GmbH without good cause.

+ When the non-compete clause applies, this results, in all circumstances other than termination for good cause, in the payment of financial consideration equal to the amount of compensation defined by Section 6.1 of the Management Agreement (as adjusted) and the bonus defined by Section 6.3 of the Management Agreement, on a pro rata basis, for the duration of the non-compete obligation (i.e. one year from the date of the Management Agreement's termination).

  This payment shall not be payable in combination with the continued payment of compensation mentioned above in paragraphs (2) and (3).

Indemnities set for events (2) to (4) shall exclude any other indemnity, compensation or benefit, to the extent permitted by law.
Any severance payments made, including any foreseeable severance benefit payable to the corporate officer, shall be deducted from the indemnities set for events (2) to (4), to the extent permitted by law.

The contractual relationship between Valneva Austria GmbH and Mr. Reinhard Kandera is regulated by the provisions of the 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 GmbH.

The above commitments incurred in relation to Messrs. Lingelbach, Grimaud and Kandera under the terms of their respective Management Agreement, reflect the Company's aim to provide for equitable solutions for each corporate officer in the event of the termination or a change in their functions, while making it possible to:

- limit the costs arising from terminating Management Agreements;
- improve the predictability of these costs; and
- reduce the risks of litigation.

In the interest of ensuring equal treatment, comparable provisions have been applied to Messrs. Lingelbach, Grimaud and Kandera.

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January 27, 2017

Frédéric Grimaud, Chairman of the Supervisory Board

E.6.2. Special Auditors' 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

World Trade Center Lyon - Tour Oxygène

10-12, boulevard Marius Vivier Merle

69003 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, 2016

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

World Trade Center Lyon - Tour Oxygène
10-12, boulevard Marius Vivier Merle
69003 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, 2016

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

We hereby inform you that we have not been advised of any agreements or commitments authorized during the previous accounting period to be submitted to the General meeting of shareholders for their approval in accordance with article L. 225-86 of the French Commercial Code

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 2016.

Agreement with Franck Grimaud, member of the Management Board and Deputy Chief Executive Officer

- Nature and purpose: the Management Agreement specifies the compensation and benefits to be received by Mr. Franck Grimaud in his capacity as a Management Board Member and Managing Director as from the date of Valneva's registration in Lyon (Registre du Commerce et des Sociétés de Lyon) in the form of a European company (société europaea), i.e. May 28, 2013. This agreement expires at the end of the Combined General Meeting called on June 30, 2016 for the purpose of approving the financial statements for the financial year ended 31 December, 2015.

- Terms and conditions: the expense recognized in 2016 by your company in relation to this agreement amounts to € 275,028.98 and the amount paid to €381,406.76.

Agreement with Franck Grimaud, member of the Management Board and Deputy Chief Executive Officer

- Nature and purpose: the Management Agreement, specifies the compensation and benefits to be received by Mr. Franck Grimaud in his capacity as a Management Board member and Managing Director as from the end of the Combined General Meeting called on June 30, 2016 for the purpose of approving the financial statements for the financial year ended 31 December, 2015.

- Terms and conditions: the expense recognized in 2016 by your company in relation to this agreement amounts to €303,944.29 and the amount paid to €223,934.97.

- Reason provided by the Company: This agreement's execution (associated with the renewal of Mr. Grimaud's term of office authorized at the same time by the Supervisory Board) contributes to long-term stability in the Company's management while at the same time limiting costs.

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 2016.

- Terms and conditions:

1. In the event of Mr. Grimaud's incapacity to work due to illness or accident, Valneva SE shall 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 (as adjusted) for a period of three months, and 49% for an additional maximum period of three months. 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. In all cases, payments shall cease upon termination of the Management Agreement.

2. In the event of termination of the management agreement pursuant to: (i) removal of the corporate officer by Valneva SE without good cause (juste motif); or (ii) resignation of the corporate officer justified by circumstances entailing a reduction in law or in fact of his or her responsibilities in Valneva SE or Valneva Austria GmbH. Payment until termination of the Management Agreement (or until the date of the annual general meeting of Valneva SE called for the purpose of approving the financial statements for fiscal year 2018, and no later than June 30, 2019) of an amount equal to the fixed compensation provided for in Section 6.1 of the Management Agreement, on condition that the corporate officer fulfills the performance criteria, as applicable, defined by the Supervisory Board, in accordance with article L. 225-90-1 of the French commercial code. In the event of termination due to circumstances entailing in law or in fact a reduction in his or her responsibilities in Valneva SE or Valneva Austria GmbH, and on condition that the corporate officer fulfills the performance criteria defined, as applicable, by the Supervisory Board, in accordance with article L. 225-90-1 of the French commercial code: payment until termination of the Management Agreement, of the bonus defined in Section 6.3 of the Management Agreement, on a pro rata basis (whereby this bonus may not exceed 50% of the gross annual compensation defined in Section 6.1 of the Management Agreement, as adjusted). From the amount of compensation payable in accordance with the above, shall be deducted unemployment insurance benefits received under the private policy covering company managers and officers (GSC – Garantie Sociale des Chefs et dirigeants d'entreprise) during the benefit payment period.

3. In the event of termination of the management agreement pursuant to: (i) removal of the corporate officer by Valneva SE with good cause (juste motif); or (ii) resignation of the corporate officer unjustified by circumstances entailing in law or in fact a reduction in his or her responsibilities in Valneva SE or Valneva Austria GmbH. Discontinuation of payment of any compensation, bonuses and benefits in kind as from the date of effect of the termination of the corporate office. This date is immediate in the case of a removal for good cause. It takes effect after a two-month notice period in the event of resignation. No severance benefits are payable to the corporate officer, without prejudice, however to the possible application of the non-compete provisions mentioned below in (4).

4. Application of the non-compete clause. The Management Agreement contains a post-contractual non-compete clause. This clause applies (i) automatically, except where expressly waived by Valneva SE, in the event of dismissal by Valneva SE for good cause (juste motif) or resignation of the corporate office not justified by circumstances entailing a reduction in

responsibilities in right or in law in Valneva SE or Valneva Austria GmbH, and (ii) upon the express declaration by Valneva SE, in other cases of termination (removal by Valneva SE without good cause, resignation of the corporate officer justified by the circumstances defined above). When the non-compete clause applies, this results, in all circumstances other than removal for good cause (juste motif), in the payment of financial consideration equal to the amount of compensation defined by Section 6.1 of the Management Agreement (as adjusted) and the bonus defined by Section 6.3 of the Management Agreement, on a pro rata basis, for the duration of the non-compete obligation (i.e. one year from the date of the Management Agreement's termination). This payment shall not be payable in combination with the continued payment of compensation mentioned above in paragraphs (2) and (3).

5. Indemnities set for events (2) to (4) shall exclude any other indemnity, compensation or benefit, to the extent permitted by law.

6. Relations between Valneva SE and Mr. Franck Grimaud, in his capacity as a member of the Company's Management Board and Managing Director, are governed by French law and regulations, the Company's articles of association, the provisions of the Management Agreement and the decisions of Valneva SE's Supervisory Board.

- 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 shall pay an amount of compensation which would enable Mr. Lingelbach to receive the equivalent of 100% of the compensation outlined in Section 6.1 of the Management Agreement (as adjusted) for a period of three months, and 49% for an additional maximum period of three months. 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. In all cases, payments shall cease upon termination of the Management Agreement.

    2. Termination of the Management Agreement: (i) at the initiative of Valneva GmbH without good cause (under Section 20 of the Austrian White Collar Workers Act - Angestelltengesetz), or (i) at the initiative of the corporate officer with good cause (in compliance with Section 26 of the Austrian White Collar Workers Act - Angestelltengesetz), including resignation justified by circumstances entailing a reduction in law or fact of his responsibilities in Valneva SE; In all cases, payment until the termination of the Management Agreement (or until the date of the annual general meeting of Valneva SE called for the purpose of approving the financial statements of the 2018 fiscal year, and no later than June 30, 2019), of an amount equal to the fixed compensation provided for in Section 6.1 of the Management Agreement. In the event of termination at the initiative of the corporate officer for good cause (in compliance with Section 26 of the Austrian White Collar Workers Act - Angestelltengesetz), including resignation justified by circumstances entailing a reduction in fact or in right of his responsibilities in Valneva SE,

payment until termination of the Management Agreement, of the bonus mentioned in Section 6.3 of the Management Agreement, on a pro rata basis, after deduction of the amount saved by the corporate officer as a result of services not rendered or any amount earned for any other type of work performed, or intentional loss of earnings (Section 29 of the Austrian White Collar Workers Act - Angestelltengesetz).

3. Termination of the Management Agreement: (i) at the initiative of Valneva GmbH with good cause (under Section 27 of the Austrian White Collar Workers Act - Angestelltengesetz), or (ii) at the initiative of the corporate officer without good cause (including resignation not justified by circumstances entailing a reduction in fact or in right of his responsibilities in Valneva SE) Discontinuation of payment of any compensation, bonuses and benefits in kind as from the date of effect of the termination of the corporate office. This date is immediate in the case of a removal for good cause. In contrast, it shall enter into effect after the notice period provided for in Section 20 of the Austrian White Collar Workers Act - Angestelltengesetz (notice period ending on the last day of the current month) in the case of termination at the initiative of the corporate officer. No severance benefits are payable to the corporate officer, without prejudice, however to the possible application of the non-compete provisions mentioned below in (4).

4. Application of the non-compete clause. The Management Agreement contains a post-contractual non-compete clause. This applies (i) automatically, except where expressly waived by Valneva GmbH, in the event of dismissal by Valneva GmbH for good cause (Section 27 of the Austrian White Collar Workers Act - Angestelltengesetz), or the early and unjustified resignation at the initiative of the corporate officer (Section 26 of the Austrian White Collar Workers Act - Angestelltengesetz) ,or resignation without cause at the initiative of the corporate officer and (ii) upon the express declaration by Valneva SE in the case of termination by Valneva GmbH without good cause. When the non-compete clause applies, this results, in all circumstances other than termination for good cause, in the payment of financial consideration equal to the amount of compensation defined by Section 6.1 of the Management Agreement (as adjusted) and the bonus defined by Section 6.3 of the Management Agreement, on a pro rata basis, for the duration of the non-compete obligation (i.e. one year from the date of the Management Agreement's termination). This payment shall not be payable in combination with the continued payment of compensation mentioned above in paragraphs (2) and (3).

5. Indemnities set for events (2) to (4) shall exclude any other indemnity, compensation or benefit, to the extent permitted by law. Any severance payments made to the corporate officer by the compensation fund upon termination of the Management Agreement, as well as prospective entitlements to the corporate officer to severance benefits (in case that the fund does not have to make a payment upon termination) shall be deducted from the indemnities set for events (2) to (4), to the extent permitted by law.

6. The contractual relationship between Valneva Austria GmbH and Mr. Thomas Lingelbach 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 GmbH.

- 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 shall pay an amount of compensation which would enable Mr. Lingelbach to receive the equivalent of 100% of the compensation outlined in Section 6.1 of the Management Agreement (as adjusted) for a period of three months, and 49% for an additional maximum period of three months. 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. In all cases, payments shall cease upon termination of the Management Agreement.

2. Termination of the Management Agreement: (i) at the initiative of Valneva GmbH without good cause (under Section 20 of the Austrian White Collar Workers Act - Angestelltengesetz), or (ii) at the initiative of the corporate officer with good cause (in compliance with Section 26 of the Austrian White Collar Workers Act - Angestelltengesetz), including resignation justified by circumstances entailing a reduction in law or fact of his responsibilities in Valneva SE. And in all cases, payment until termination of the Management Agreement (or until the date of the annual general meeting of Valneva SE called for the purpose of approving the financial statements of the 2018 fiscal year and no later than June 30, 2019), of an amount equal to the fixed compensation provided for in Section 6.1 of the Management Agreement. In the event of termination at the initiative of the corporate officer for good cause (in compliance with Section 26 of the Austrian White Collar Workers Act – Angestelltengesetz), including resignation justified by circumstances entailing a reduction in fact or in right of his responsibilities in Valneva SE, payment until termination of the Management Agreement, of the bonus mentioned in Section 6.3 of the Management Agreement, on a pro rata basis, after deduction of the amount saved by the corporate officer as a result of services not rendered or any amount earned for any other type of work performed, or intentional loss of earnings (Section 29 of the Austrian White Collar Workers Act - Angestelltengesetz).

3. Termination of the Management Agreement: (i) at the initiative of Valneva GmbH with good cause (under Section 27 of the Austrian White Collar Workers Act - Angestelltengesetz), or (ii) at the initiative of the corporate officer without good cause (including resignation not justified by circumstances entailing a reduction in fact or in right of his responsibilities in Valneva SE) Discontinuation of payment of any compensation, bonuses and benefits in kind as from the date of effect of the termination of the corporate office. This date is immediate in the case of a removal for good cause. In contrast, it shall enter into effect after the notice period provided for in Section 20 of the Austrian White Collar Workers Act - Angestelltengesetz (notice period ending on the last day of the current month) in the case of termination at the initiative of the corporate officer. No severance benefits are payable to the corporate officer, without prejudice, however to the possible application of the non-compete provisions mentioned below in (4).

4. Application of the non-compete clause. The Management Agreement contains a post-contractual non-compete clause. This applies (i) automatically, except where expressly waived by Valneva GmbH, in the event of dismissal by Valneva GmbH for good cause (Section 27 of the Austrian White Collar Workers Act - Angestelltengesetz), or the early and unjustified resignation at the initiative of the corporate officer (Section 26 of the Austrian White Collar Workers Act - Angestelltengesetz), or resignation without cause at the initiative of the corporate

officer and (ii) upon the express declaration by Valneva SE in the case of termination by Valneva GmbH without good cause. When the non-compete clause applies, this results, in all circumstances other than termination for good cause, in the payment of financial consideration equal to the amount of compensation defined by Section 6.1 of the Management Agreement (as adjusted) and the bonus defined by Section 6.3 of the Management Agreement, on a pro rata basis, for the duration of the non-compete obligation (i.e. one year from the date of the Management Agreement's termination). This payment shall not be payable in combination with the continued payment of compensation mentioned above in paragraphs (2) and (3).

5. Indemnities set for events (2) to (4) shall exclude any other indemnity, compensation or benefit, to the extent permitted by law. Any severance payments made, including any foreseeable severance benefit payable to the corporate officer, shall be deducted from the indemnities set for events (2) to (4), to the extent permitted by law.

6. The contractual relationship between Valneva Austria GmbH and Mr. Reinhard Kandera is regulated by the provisions of the 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 GmbH.

- 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 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'Épargne Pays de Loire remains in force. The expense recognized in 2016 by your company with respect to this guarantee totaled €1,003.05 and the amount paid €1,003.05.

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 2016 by your company with respect to this guarantee is €1,778.87 and the amount paid €1,778.87.

Neuilly-sur-Seine and Marseille, March 21, 2017

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Thierry Charron	Vincent Gros

E.6.3. Related-party transactions

Please refer to information provided pursuant to IAS 24 on related party disclosures, in the Notes to the consolidated financial statements for the fiscal year 2016[234].

E.6.4. Agreements entered into between a corporate officer or a shareholder holding more than 10% of the voting rights, and a subsidiary of the company (excluding ordinary agreements)

Co-contracting party	Agreement	Purpose of the agreement
Mr. 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[235].
Mr. 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[236]. Following Mr. Kandera's resignation[237], this agreement will be terminated on April 30, 2017, including an annual leave period; however, its functions of Managing Director in Valneva Austria GmbH and its term of office as Management Board member of Valneva SE are ending on March 31, 2017.

[234] See Note 5.31, in Section D.1 of this Registration Document.
[235] Detailed information on selected terms of this agreement is provided in Section B.2.2 of this Registration Document.
[236] *Idem*.
[237] See Section A.1.3 of this Registration Document.

E.7. Employees

E.7.1. Percentage of Company stock held by employees

At December 31, 2016, total employee stock ownership (shares in registered form, excluding corporate officers) amounted to 122,767 Valneva SE shares (or approximately 0.16%[238] of the Company's share capital), as follows:

- 122,427 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each;
- 162 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15; and
- 330 convertible preferred shares (ISIN XFCS00X0I9M1) with a nominal value of €0.15 each.

For a detailed description, as of December 31, 2016, 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 the Sections "Stock option plans history" and "Free share plans history" of this Registration Document[239].

(a) Options to subscribe for or purchase shares

Options to subscribe for or purchase shares granted in 2016 to non-officer employees of the Valneva Group

Stock option plan 2016 ("ESOP 2016")

General Meeting date	June 30, 2016
Date of the Management Board	October 7, 2016
Number of stock options granted	584,250
Strike price (in euros)	Each new Valneva SE's ordinary share will be issued at a strike price of €2.71 per unit.
Beneficiaries	The options have been proposed to all employees of the Company (that are not corporate officers) and its subsidiaries Valneva Austria GmbH, Valneva Scotland Ltd., Valneva Sweden AB, Valneva Canada Inc. and Valneva UK Ltd. (other than Executive Committee members).
Exercise window	Until October 7, 2026 50% of the stock options can be exercised from October 7, 2018, and the remaining 50% from October 7, 2020

Options to subscribe for or purchase shares granted to the 10 non-officer employees of the Group having being granted the highest number of stock options in 2016

	Options to subscribe for or purchase shares granted to the 10 non-officer employees of the Group having being granted the highest number of stock options in 2016	**Weighted average price**
Stock option plan 2016 ("ESOP 2016")	68,500[240]	€2.71

[238] This rate is calculated in reference to a share capital of 78,772,903 Valneva SE shares, divided into (a) 77,582,714 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 1,074 convertible preferred shares (ISIN XFCS00X0I9M1), with a nominal value of €0.15 each.

[239] See Sections B.2.2 (e) and (f).

[240] The minimum number of stock options to be taken into account for each employee for calculating this value is 5,000.

Options to subscribe for or purchase shares exercised by non-officer employees of Valneva Group in 2016

None of non-officer employees of the Valneva Group exercised stock options to subscribe for or purchase shares in fiscal year 2016.

(b) Free shares (ordinary shares (ISIN FR0004056851) or convertible preferred shares (ISIN XFCS00X0I9M1))

Free Valneva SE's shares granted in 2016 to non-officer employees

No Valneva SE's ordinary share or convertible preferred shares was granted without consideration to non-officer employees of Valneva Group in fiscal year 2016, either by the Company or by affiliated companies in the meaning of article L. 225-197-2 of the French Commercial code.

Free Valneva SE's shares fully vested in and delivered to non-officer employees in fiscal year 2016

In 2016, no ordinary share or convertible preferred shares granted without consideration have been fully vested in and delivered to non-officer employees of Valneva Group in the form of new Valneva SE's ordinary shares.

E.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.

E.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.

F. ADDITIONAL INFORMATION

F.1. Person responsible

F.1.1. Responsibility statement for the French version of the Registration Document

"We hereby declare that, after having taken all reasonable care to that purpose, 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 Annual Management Report, for which a table of cross-references is presented in Section F.4 of this Registration Document, provides a fair presentation 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 to which they might be exposed.

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."

Thomas Lingelbach
Chairman of the Management Board

Franck Grimaud
Deputy CEO

F.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

F.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 held on January 22, 2007. This appointment was renewed by the Ordinary General Meeting held on June 28, 2013 for a term of six years that will expire at the close of the General Meeting called to rule on the financial statements for the fiscal year ending on 31 December 2018.

- **PricewaterhouseCoopers 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 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 called to rule on the financial statements for the fiscal year ending on December 31, 2016.

PricewaterhouseCoopers Audit is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles*.

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 held on January 22, 2007. This appointment was renewed by the Ordinary General Meeting held on June 28,

2013, for a term of six years that will expire at the close of the General Meeting 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 - France

Ms Chaumartin was first appointed by the Ordinary General Meeting 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 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 the Notes of the consolidated financial statements for the fiscal year 2016[241], and to the Notes of the separate financial statements for the fiscal year 2016[242].

F.2. Third party information, statements by experts and declaration of interests

None.

F.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).

[241] See Note 5.6, in Section D.1 of this Registration Document.
[242] See Note 5.1.4, in Section D.1 of this Registration Document.

F.4. Tables of cross-references

F.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.	F.1
1.2.	Responsibility statement.	F.1.1
2.	**STATUTORY AUDITORS**	
2.1.	Names and addresses of the issuer's auditors.	F.1.3
2.2.	Changes in auditors.	F.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.	A.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.	A.5
5.	**INFORMATION ABOUT THE ISSUER**	
5.1.	**History and development of the Company**	
5.1.1.	Legal and commercial name of the issuer.	E.4
5.1.2.	Place of registration of the issuer and its registration number;	E.4
5.1.3.	Date of incorporation and length of life of the issuer.	E.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).	E.4
5.1.5.	Significant events in the development of the Group's business.	A.1.2 A.2.1 (b) E.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.	A.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).	A.3.4 (d)
5.2.3.	Information concerning the issuer's principal future investments on which its management bodies have already made firm commitments.	A.3.4 (d)

Required disclosures		Section(s) of the Registration Document
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.	A.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.	A.1.2 (b) A.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.	A.3.2 (a)
6.3.	Exceptional events with respect to 6.1 and 6.2.	A.1.2 A.2.1 (b) E.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.	A.3.3 (c)
6.5.	The basis for any statements made by the issuer regarding its competitive position.	A.3.2 (a)
7. ORGANIZATIONAL STRUCTURE		
7.1.	Summarized description of the Group.	A.2.2
7.2.	Significant subsidiaries.	A.2.2 (b) E.5
8. PROPERTY, PLANT AND EQUIPMENT		
8.1.	Material tangible fixed assets and any major encumbrances thereon.	A.2.3
8.2.	Environmental issues that may affect the issuer’s utilization of tangible fixed assets.	C
9. OPERATING AND FINANCIAL REVIEW		
9.1.	**Financial condition** Description of the issuer’s financial condition, changes in financial condition and results 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.	A.4.1 A.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.	A.4.1 A.4.3
9.2.2.	Explanations of changes in financial statements.	A.4.1 A.4.3

Required disclosures		Section(s) of the Registration Document
9.2.3.	Information regarding any governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations.	A.4.1 A.4.3
10. CAPITAL RESOURCES		
10.1.	Information concerning the issuer's capital resources (both short and long term).	A.4.5 (a)
10.2.	Explanation of the sources and amounts of and a narrative description of the issuer's cash flows.	A.4.5 (b)
10.3.	Information on the borrowing requirements and funding structure of the issuer.	A.4.5 (a) and (c)
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.	A.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.	A.4.5 (c)
11. RESEARCH & DEVELOPMENT, PATENTS AND LICENSES Description of the Research & Development policies applied by the issuer.		**A.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.	A.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.	A.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.	Statutory 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.	B.1.1
14.2.	**Conflicts of interests 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.	B.1.2 (c)
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.	B.2

Required disclosures		Section(s) of the Registration Document
15.2.	The total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits.	B.2.2 (b)
16. BOARD PRACTICES		
16.1.	Date of expiration of current terms of office.	B.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.	B.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).	B.1.3 B.3 (subsection 2.2 of the Report by the Chairman of the Supervisory Board)
16.4.	Statement of compliance with the applicable incorporation corporate governance regime.	B.3
17. EMPLOYEES		
17.1.	Number of employees at the end of the period for the periods covered by the historical financial information.	A.2.2 (b) C (Table of employment-related performance indicators)
17.2.	Shareholdings and stock options.	B.2.2 (c) to (f) E.7.1
17.3.	Description of any arrangement involving the employees in the capital of the issuer.	E.7.2
18. MAJOR SHAREHOLDERS		
18.1	Capital ownership structure.	E.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.	E.2.1 E.2.2 E.2.3
18.3.	Whether the issuer's major shareholders have different voting rights.	E.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.	E.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.	E.2.6 E.3.6
19. RELATED PARTY TRANSACTIONS		**E.6**
20. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES		
20.1.	Historical financial information.	D.1 D.3

Required disclosures		Section(s) of the Registration Document
20.2.	Pro forma financial information.	D.5 (Only with respect to the fiscal year 2015 - No other pro forma information to be reported at the filing date of this Registration Document)
20.3.	Financial statements.	D.1 D.3
20.4.	Auditing of historical annual financial information.	D.2 D.4
20.5.	Age of latest financial information.	D
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 A.4.9)
20.7.1.	Dividend per share.	n.a. (see Section A.4.9)
20.8.	Information on any governmental, legal or arbitration proceedings.	A.5.4
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.	A.1.3 A.4.4 (a) Note 5.32 to the consolidated financial statements for the fiscal year 2016 (see Section D.1) Note 5.6 to the separate financial statements for the fiscal year 2016 (see Section D.3)
21. ADDITIONAL INFORMATION		
21.1. Share capital		**E.1** **E.2.1**
21.1.1.	The amount of issued capital, and for each class of share capital.	E.1.1
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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.	B.2.2 (e) and (f) E.1.4
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.	B.2.2 (e) and (f) E.1.4 E.1.5

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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**	**D.3**
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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*		A.4.1 A.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**	A.4.1 A.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*		A.4.4 (b) and (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**	A.1.1 A.4.1 A.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*		A.1.3 A.4.4 (a) Note 5.32 to the consolidated financial statements for the fiscal year 2016 (see Section D.1) Note 5.6 to the separate financial statements for the fiscal year 2016 (see Section D.3)
▪ 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**	A.5.2 (a) and (c)
▪ 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**	A.5.1 A.5.2

Headings	Information for	Section(s) of the Registration Document
▪ Information on R&D of the Company and the Group. *Art. L. 232-1 and/or L. 233-26 of the French Commercial code*		A.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
▪ 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*		▪ E.2.1 and E.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*		E.5
▪ Notice of holding more than 10% in the capital of other joint stock companies; transfer of cross-holdings. *Art. L. 233-29, L. 233-30 and R. 233-19 of the French Commercial code*		n.a.
▪ Purchase and disposal by the company of own shares (share buybacks). *Art. L.225-211 of the French Commercial code*	**Annual Financial Report**	E.1.3
▪ Employee stock ownership plans. *Art. L. 233-26, L. 225-102, subsection 1, L. 225-180 of the French Commercial code*		B.2.2 (e) and (f) E.7.1
▪ 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) E.1.1; E.2.1 (ii) E.2.1; E.2.6 (iii) E.2.2 (iv) E.2.7 (v) E.2.8 (vi) E.2.4 (vii) E.3.2 (a) and E.3.8 (viii) E.1.3 (a) and E.1.5 (ix) E.2.6 (x) B.2.2 (g) and E.7.3

Headings	Information for	Section(s) of the Registration Document
▪ 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**	E.1.5
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▪ Disclosure of dividends distributed for the past three financial periods. *Art. 243 bis of the French general tax code*		A.4.9
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▪ 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*		A.4.8
▪ Injunctions or fines for anticompetitive practices. *Art. L.464-2 I subsection 5 of the French Commercial code*		n.a.
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▪ Undertakings linked to assuming, terminating or changing functions. *Art. L.225-102-1, subsection 3 of the French Commercial code*		B.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*		n.a.
▪ 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. 223-26 of the AMF General Regulation*		B.1.4

Headings	Information for	Section(s) of the Registration Document
▪ 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*		n.a.
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5. Statutory Auditors' report on the separate parent company financial statements	**Annual Financial Report**	D.4
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