2015
ANNUAL FINANCIAL
REPORT

A JOURNEY *TO* SUCCESS

valneva

ANNUAL FINANCIAL REPORT

VALNEVA SE
FISCAL YEAR ENDED DECEMBER 31, 2015

VALNEVA SE
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*For the purposes of this Annual Financial Report, Valneva SE is individually referred as to "**the Company**". Valneva SE, together with is with subsidiaries, are referred to as "**the Group**", "**Valneva Group**", or "**Valneva**".*

VALNEVA

A European company (*Societas Europaea* or SE)
with a Management and a Supervisory Board
Share capital: €11,383,243.14
Registered office: 70, rue Saint Jean de Dieu, 69007 Lyon
Lyon Companies Register (RCS) No. 422 497 560

Annual Financial Statements
at December 31, 2015

Translation disclaimer: This document is a free translation of the French language version of the French GAAP annual financial statements of Valneva SE for the twelve-month period ended December 31, 2015 produced for the convenience of English speaking readers. In the event of any ambiguity or conflict between statements or other items contained herein and the original French version, the relevant statement or item of the French version shall prevail. While all possible care has been taken to ensure that this translation is an accurate representation of the original French document, this English version has not been audited by the company's statutory auditors and in all matters of interpretation of information, views or opinions expressed therein, only the original language version of the document in French is legally binding. As such, this translation may not be relied upon to sustain any legal claim, nor be used as the basis of any legal opinion and Valneva SE expressly disclaims all liability for any inaccuracy herein.

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1. BALANCE SHEET

1.1 Assets

(in € thousand)	Note No.	Gross Value	Depreciation, amortization & provisions	At December 31 2015	At December 31 2014
INTANGIBLE FIXED ASSETS	4.3.1				
Research & Development expenses		8,343	6,558	1,785	3,597
Concessions, patents and similar rights		394	228	165	1,860
Goodwill					4,107
Other intangible assets in process		4		4	105
PROPERTY, PLANT AND EQUIPMENT	4.3.2				
Land		677	150	527	554
Constructions		6,207	2,282	3,925	4,257
Plant, machinery and equipment		3,449	2,481	968	1,469
Other PPE		489	367	122	201
Tangible fixed assets under construction		15		15	
Prepayments					
LONG-TERM INVESTMENTS	4.3.3				
Non-consolidated investments		163,927	8,999	154,929	137,928
Receivables on non-consolidated investments					
Loans		142		142	130
Other financial assets		1,293	471	823	881
TOTAL NON-CURRENT ASSETS		**184,939**	**21,536**	**163,403**	**155,088**
INVENTORIES AND WORK IN PROGRESS	4.3.4				
Raw materials and supplies		210	51	159	685
Work-in-progress					
RECEIVABLES					
Trade receivables and related accounts	4.3.5	163		163	404
Other receivables	4.3.6	45,729	144	45,584	33,352
Called up capital					
OTHER CURRENT ASSETS					
Marketable securities					
Cash at bank and in hand	4.3.7	12,184		12,184	9,314
ACCRUAL ACCOUNTS					
Prepaid expenses	4.3.8	427		427	250
TOTAL CURRENT ASSETS		**58,713**	**196**	**58,517**	**44,005**
Unrealized losses on foreign exchange		**50**		50	4
TOTAL EQUITY AND LIABILITIES		**243,702**	**21,732**	**221,970**	**199,097**

1.2 Liabilities and equity

(in € thousand)	Note No.	December 31, 2015	December 31, 2014
Share capital or individual share		11,383	8,631
Additional paid-in capital		214,300	175,041
Regulated reserves		52,832	52,832
Retained earnings/(accumulated deficit)		(58,716)	(43,832)
NET INCOME (LOSS) FOR THE YEAR		**(17,619)**	**(14,883)**
Investment grants	4.3.11	172	418
Tax-driven provisions		467	659
SHAREHOLDERS' EQUITY	4.3.10	202,820	178,866
Subordinated grants	4.3.12	2,516	3,951
OTHER EQUITY		**2,516**	**3,951**
Provisions for contingencies		62	129
Provisions for losses		189	163
PROVISIONS FOR CONTINGENCIES AND LOSSES	4.3.13	**250**	**292**
BORROWINGS			
Bank borrowings	4.3.14	8,396	9,614
OPERATING PAYABLES			
Trade payables and related accounts	4.3.15	1,073	1,833
Tax and employee-related liabilities	4.3.16	1,022	1,137
OTHER PAYABLES			
Payables on fixed assets and equivalent	4.3.17	115	1,578
Other financial liabilities	4.3.17	5,733	1,822
ACCRUAL ACCOUNTS			
Deferred income	4.3.18	33	
TOTAL LIABILITIES		**16,370**	**15,984**
Unrealized losses on foreign exchange		14	3
TOTAL EQUITY AND LIABILITIES		**221,970**	**199,097**

2. INCOME STATEMENT

Headings (in € thousand)	**France**	**Export**	**Note No.**	**At December 31, 2015**	**2014**
Sales of services	549	281		830	1,402
NET SALES	**549**	**281**	4.4.1	**830**	**1,402**
Change in inventory of own production of goods and services					
Own production of goods and services capitalized			4.4.2	107	152
Grants			4.4.3	86	278
Reversals of depreciation, amortization and provisions, expense reclassifications			4.4.5	141	291
Other income			4.4.4	3,200	1,090
OPERATING INCOME				**4,364**	**3,212**
Purchase of trade goods					
Purchases of raw materials and other supplies (including customs duties)				466	1,226
Change in inventory (raw materials and supplies)				17	(377)
Other purchases and external expenses			4.4.6	8,404	8,265
Taxes other than on income and related payments			4.4.7	121	196
Wages and salaries			4.4.8	2,660	3,261
Employee benefit expense			4.4.8	1,283	1,428
ALLOWANCES FOR DEPRECIATION AND AMORTISATION, PROVISIONS					
For fixed assets			4.4.9	1,385	1,971
For current assets			4.4.9	0	52
For contingencies and losses			4.4.9	25	254
Other expenses				318	318
OPERATING EXPENSES				**14,680**	**16,593**
INCOME (LOSS) FROM ORDINARY ACTIVITIES				**(10,317)**	**(13,381)**
JOINT VENTURE OPERATIONS					
FINANCIAL INCOME					
Financial income from non-consolidated investments				545	533
Income from other marketable securities and receivables capitalized					
Other interests and similar income				98	157
Reversals of provisions and expense reclassifications			4.4.9	21	270
Foreign exchange gains				19	14
Net proceeds from the disposal of marketable securities				0	0
FINANCIAL INCOME				**683**	**973**
Amortization and charges to provisions for financial items			4.4.9	9,138	
Interest and similar expenses				556	210
Foreign exchange losses				13	223
Net charges on disposals of marketable securities					
FINANCIAL EXPENSES				**9,708**	**434**
NET FINANCIAL INCOME (EXPENSE)			4.4.10	**(9,025)**	**540**
INCOME (LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX AND EXCEPTIONAL ITEMS				**(19,341)**	**(12,841)**

Headings (in € thousand)	**Note No.**	**At December 31, 2015**	**2014**
Exceptional income from non-capital transactions		268	2,500
Exceptional income from capital transactions		7,582	40
Reversals of provisions and expense reclassifications		6,954	157
EXCEPTIONAL INCOME		**14,803**	**2,697**
Exceptional expenses on non-capital transactions			
Exceptional expenses on capital transactions		14,932	3
Exceptional depreciation, amortization and provisions		0	6,702
EXCEPTIONAL EXPENSES		**14,932**	**6,705**
NET EXCEPTIONAL ITEMS	4.4.11	**(129)**	**(4,008)**
Corporate income tax	4.4.12	(1,851)	(1,965)
TOTAL INCOME		**19,849**	**6,883**
TOTAL EXPENSES		**37,469**	**21,766**
PROFIT OR LOSS		**(17,619)**	**(14,883)**
Basic net earnings per share (in euros)	4.4.13	(0.24)	(0.26)
Diluted net earnings per share (in euros)		(0.24)	(0.26)

3. CASH FLOW STATEMENT

Cash flow statement	Note No.	2015	2014
Cash flow from operating activities:			
Net income /(loss)		(17,619)	(14,883)
Income and expenses with no impact on cash or unrelated to operating activities			
Operating depreciation and amortization expenses		1,411	2,277
Reversals of operating depreciation and amortization expenses		(114)	(21)
Financial depreciation and amortization expenses		9,117	(270)
Exceptional depreciation and amortization		0	6,701
Reversals of exceptional provisions		(6,954)	(157)
Expense reclassifications on capitalized assets		(107)	(152)
Amount of grants recognized under income		(37)	(40)
(Gains)/losses on disposal of assets		7,418	3
Cancellation of operating/exceptional receivables		0	0
Operating cash flows		**(6,885)**	**(6,540)**
Change in other current assets and liabilities:			
Inventories		527	(377)
Trade receivables and related accounts		241	1
Trade payables and related accounts		(760)	254
Other receivables		(13,300)	8,017
Prepayments and accrued income		(222)	162
Tax and employee-related liabilities		(115)	25
Other accruals and deferred income		3,911	1,784
Accruals and deferred income		47	(1,583)
Net cash from (used in) operating activities		**(16,557)**	**1,743**
Cash flow from investing activities			
Purchase of intangible fixed assets:		(146)	(163)
Purchase of property, plant and equipment		(404)	(402)
Purchase of long-term investments		(18,539)	(10,019)
Net capital expenditure		39	0
Change in working capital requirements with regard to assets		(1,463)	(2,927)
Net cash used in investing activities		**(20,514)**	**(13,510)**
Cash flow from financing activities			
Proceeds from borrowings		1,769	1,835
Repayment of borrowings		(2,987)	(3,197)
Subordinated grants received/repaid		(642)	(250)
Investment grants received		(209)	0
Capital increase		45,168	9,137
Transaction costs charged to merger premium		(3,157)	(505)
Net cash from financing activities		**39,942**	**7,019**
Net change in cash and cash equivalents		**2,870**	**(4,748)**
Opening cash, cash equivalents and marketable securities		9,314	14,062
Closing cash, cash equivalents and marketable securities		12,184	9,314
Net change in cash and cash equivalents	4.3.7	**2,870**	**(4,748)**

4. NOTES TO THE FINANCIAL STATEMENTS

4.1 Key events of the year

Annual highlights of the year included:

+ **Acquisition of Crucell Sweden AB and all assets, licenses and privileges related to DUKORAL® as well as the Nordics vaccine distribution business of the seller and its affiliates**;

Signature of the Sale and Purchase Agreement

On January 5, 2015, Valneva announced that it had entered into a Sale and Purchase Agreement with Crucell Holland B.V. to acquire Crucell Sweden AB and all assets, licenses and privileges related to DUKORAL®, as well as the Nordics vaccine distribution business of the seller and its affiliates (the "**Acquisition**"). This agreement entails in particular the purchase of the manufacturing site in Solna (Sweden) as well as transfer to the Valneva Group of approximately 115 employees (FTEs).

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

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

Closing of the Crucell Sweden AB acquisition

On February 10, 2015, Valneva announced the completion of the acquisition of Crucell Sweden AB, the Nordics vaccine distribution business of the seller (Crucell Holland B.V., a subsidiary of Johnson & Johnson) and its affiliates and all assets, licenses and privileges related to DUKORAL®.

This acquisition is reflected in the accounts of Valneva SE by a 100% equity stake in the new subsidiary Vaccines Holdings Sweden AB in the amount of €17 million.

In order to reflect the commercial changes resulting from the adjustment in the indications of DUKORAL® in Canada, Crucell Holland BV and Valneva agreed to make certain changes to the sale and purchase agreement, and notably a purchase price adjustment. Crucell Holland BV accordingly waived the last installment of €10 million that Valneva was to pay under the terms of the agreement while repaying Valneva €15 million of the purchase price. The waiver of the last payment of €10 million outstanding and the repayment of €15 million represented accordingly a reduction of €25 million from the purchase price, which was accordingly reduced from €45 million to €20 million.

+ **Successful completion of the €45 million capital increase**

On February 4, 2015, Valneva announced the successful completion of its capital increase with shareholders preferential subscription rights. The final gross proceeds of the rights issue amounted to €45,031,721.02, corresponding to the issuance of 18,231,466 new ordinary shares, at a subscription price of €2.47 per share. Total subscription orders for the rights issue amounted to approximately €81.1 million, i.e. a take up rate of approximately 180%.

+ **Confirmation of BliNK Biomedical's launch and financing**

On December 11, 2014, Valneva and the UK company BliNK Therapeutics Ltd ("**BliNK Therapeutics**") announced the creation of a private company specialized in the discovery of innovative monoclonal antibodies to be headquartered in Lyon, France, and to be named BliNK Biomedical SAS.

BliNK Biomedical SAS was created to give Valneva's antibody business the necessary structure and prospects to expand into novel antibody discovery fields outside of infectious diseases, while offering a new investment opportunity for future additional shareholders. The purpose of BliNK Biomedical SAS' powerful B cell technology is to enable the isolation of antibody- producing cells for difficult targets for which other platforms have failed to deliver. This cutting-edge technology is based on the combination of two validated platforms, BliNK Therapeutics' IVV and Valneva's VIVA│Screen®, which have already both succeeded in delivering high quality human antibodies. With two highly efficient combined processes, an unprecedented capability to screen and identify extremely rare antibody-secreting cells will be achieved by BliNK.

BliNK Biomedical SAS was created in January 2015 with retroactive effect as from January 1, 2015. BliNK Biomedical SAS is today held by Valneva SE (with 48.2%), and by historic investors of Blink Therapeutics (Kurma Biofund I and different funds managed by its partner, Idinvest), Cancer Research Technology and the founders of BliNK Therapeutics Ltd. (with a combined holding of approximately 51.8%).

An impairment test performed at year-end led to the recognition of an impairment charge for the total number of BliNK Biomedical SAS shares. This impairment is the result of this strategic redeployment of the company held.

Impact of the transaction of the accounts (in € thousand):

Financial assets	8,998
Intangible fixed assets	(7,238)
Property, plant and equipment	(620)
Inventories	(528)
Payables	1,000
Cash	(1,998)
Net exceptional items	386

4.2 Accounting policies and methods

4.2.1 General background

The financial statements have been drawn up in accordance with French generally accepted accounting principles in line with the requirements of Regulation 99-03 of the French Accounting Regulation Committee relating to regulation 2014-03 of the French accounting standard setter (*Autorité des Normes Comptables* or ANC), and applied in accordance with the fundamental accounting principles of prudence,

+ going concern,
+ consistency and accruals,
+ the time period concept,

and general financial statements preparation and presentation rules.

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

The financial information is expressed in thousands of euros and was approved by the Management Board on March 17, 2016.

4.2.2 Use of and changes in estimates

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

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

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

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

4.2.3 Unrealized foreign exchange gains and losses

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

4.2.4 Intangible fixed assets

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

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

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

4.2.5 Research & Development expenses

Research expenditure is expensed as and when incurred.

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

+ the technical feasibility of completing the intangible asset so that it will be available for use or sale;
+ the intention to complete the intangible asset and use or sell it;
+ its ability to use or sell the intangible asset;
+ how the intangible asset will generate probable future economic benefits;
+ the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
+ the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

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

4.2.6 Goodwill - concessions, patents and similar rights

Goodwill corresponding to the difference between the book value of the holding in the receiving company and the transfer value of the net assets received (*mali de confusion*) arising from the simplified merger (TUP) with Humalys in 2010 was transferred in connection with the contribution to BliNK Biomedical SAS.

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

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

At December 31, 2015, as the license agreements in question had fallen into the public domain, the corresponding guaranteed payments and future royalties were derecognized.

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

4.2.7 Property, plant and equipment

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

The estimated useful lives are as follows:

+ Constructions
  › Buildings

i) Structure	25 years
ii) Roofing	25 years
iii) Weatherboarding	25 years
iv) Exterior woodwork	20 years

v) Interior partitions	20 years
› General installations	
i) Fluid and energy systems	10 to 15 years
ii) Air treatment	10 years
iii) Ventilation and air conditioning	10 years
› Buildings on land owned by third parties	8 to 10 years
+ Land	
› Land improvements	10 years
› Plantations	10 years
+ Plant, machinery and equipment	4 to 10 years
+ Vehicles	4 years
+ Office and computer equipment	3 to 10 years
+ Furniture	4 to 10 years

4.2.8 Impairment of assets

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

External indications:

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

Internal indicators:

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

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

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

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

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

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

Furthermore, an asset impairment expense was recorded for the VIVA|Screen® platform on December 31, 2014 to adjust its value to the amount defined in the agreement for its contribution to the new company, BliNK Biomedical SAS.

4.2.9 Borrowing costs

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

4.2.10 Financial assets

Non-consolidated investments consist of the acquisition cost of the Japanese subsidiary, Valneva Toyama Japan K.K., Valneva Austria GmbH securities tendered in connection with the merger of May 28, 2013, securities of new subsidiaries Vaccines Holdings Sweden AB, Valneva Canada Inc. and Valneva UK Ltd., and non-consolidated investments in BliNK Biomedical SAS.

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

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

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

The other long-term investments include deposits and bonds paid to the lessors for the leasing of premises, as well as for the liquidity agreement concluded in connection with the Company's listing for the purpose of ensuring the liquidity and orderly trading of its shares, in addition to 124,322 treasury shares in the amount of €646,350, corresponding to financial compensation paid by the company to former Intercell shareholders who exercised their exit right following the merger with Intercell AG in May 2013.

An impairment is recognized for financial assets where their carrying amount exceeds their recoverable amount at the balance sheet date, or in respect to the liquidity agreement, for the difference between the carrying value and the estimated recoverable value calculated on the basis of the average share price for the month preceding the end of the reporting period.

4.2.11 Inventories

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

4.2.12 Receivables and related accounts

Receivables are stated at nominal value. An impairment expense is recognized where the carrying amount exceeds the recoverable amount.

4.2.13 Cash at bank and in hand

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

4.2.14 Employee commitments

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

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

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

+ a discount rate;
+ a salary escalation rate; and
+ and an employee turnover rate.

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

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

4.2.15 Grant income

Operating grants are recognized upon the signature of the contracts.

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

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

4.2.16 Subordinated grants

Subordinated grants are recognized in liabilities under "Subordinated grants". In the event of a failure to complete work, the debt waiver is recognized in "Other exceptional income". Grants used to finance Research & Development projects that are capitalized are recognized under "Development expenditure", whereas those used for projects not capitalized are recognized under "Operating Grants".

4.2.17 Provisions for contingencies and losses

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

4.2.18 Payables

Payables are stated at nominal amount.

4.2.19 Revenues

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

+ the manufacture of vaccines. Valneva SE offers research and commercial licenses for its EB66® cell lines to biotechnology companies and the pharmaceutical industry for the production of viral vaccines;
+ the perfection of systems for producing ("expressing") recombinant therapeutic proteins and monoclonal antibodies. Valneva SE works with companies operating in the biotechnology sector.

Sales generated by Valneva SE originate from:

+ research services performed on behalf of customers under the commercial agreements mentioned above;
+ the sale of rights to use biological "material", particularly for testing by customers before license agreements are signed; and
+ when services are re-invoiced to the subsidiary Valneva Austria GmbH and other companies.

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

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

4.2.20 Operating grants

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

4.2.21 Other income

Other income includes mainly:

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

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

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

4.2.22 Staff costs

CICE wage tax credit

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

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

Receivables relating to CICE wage tax receivables for 2013, 2014 and 2015 will be paid back in 2017, 2018 and 2019 and for that reason have not yet been allocated to expenses.

4.2.23 Net exceptional items

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

In 2015, the transfer of assets relating to the VIVA│Screen® to BliNK Biomedical SAS had no impact on results for the period, as the impairment charge for these assets in the amount of €6.7 million was recorded on December 31, 2015.

4.2.24 Income tax

The incomes tax expense line item includes the current taxes for the period less any tax credits, particularly research tax credits.

(a) Current tax

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

(b) Research tax credit

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

The tax credit is calculated for each calendar year and utilized against the tax payable by the Company for the year in which the research expenditure was incurred. Unused tax credits may be carried forward over the three years following the year in which they were recognized. The fraction not applied at the end of this period is repaid to the Company.

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

Receivables relating to Research Tax Credits (RTC) are henceforth collateralized with BPI *(Banque Publique d'Investissement).*

4.2.25 Earnings per share/diluted earnings per share

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

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

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

4.3 Notes to the balance sheet

4.3.1 Net intangible fixed assets

(a) Change from January 1, 2015 to December 31, 2015

(in € thousand)	At January 1, 2015	Changes in the period Increase	Decrease	Other Changes	At December 31, 2015
Preliminary expenses	0	0	0	0	0
Development expenditure	8,604	107	(369)	0	8,343
Goodwill	8,124	0	(8,124)	0	0
Concessions, patents and rights	8,084	0	(7,916)	0	168
Software	180	146	(101)	0	225
Intangible assets under development	105	0	(101)	0	4
Other	0	0	0	0	0
Gross intangible fixed assets	**25,097**	**253**	**(16,610)**	**0**	**8,740**
Preliminary expenses	0	0	0	0	0
Development expenditure (1)	6,237	628	(306)	0	6,558
Goodwill (2)	4,017	0	(4,017)	0	0
Concessions, patents and rights (3)	5,041	10	(4,905)	0	146
Software	135	46	(98)	0	83
Total amortization	**15,429**	**684**	**(9,327)**	**0**	**6,786**
Net intangible fixed assets	**9,668**	**(431)**	**(7,283)**	**0**	**1,954**
Development expenditure	623	0	(156)	0	467
Concessions, patents and rights	0	0	0	0	0
Software	2	0	(2)	0	0
Total accelerated tax depreciation or amortization	**625**	**0**	**(158)**	**0**	**467**
Net tax value of intangible fixed assets	**9,042**	**(431)**	**(7,125)**	**0**	1 487
(1) Of which exceptional depreciation	1,229	0	(38)	0	1 191
(2) Of which exceptional depreciation	4,017	0	(4,017)	0	0
(3) Of which exceptional depreciation	2,683	0	(2,683)	0	0

Development expenditure

In 2015, a new development expenditure of €107 thousand was capitalized in accordance with the accounting policy described in Note 4.2.5.

Commercial goodwill

Goodwill corresponding to the difference between the book value of the holding in the receiving company and the transfer value of the net assets received (*mali de confusion*) arising from the simplified merger (TUP) with Humalys in 2010 was derecognized in connection with the contribution to

BliNK Biomedical SAS. An impairment was recorded for this amount in 2014 based on the valuation of the VIVA│Screen® technology in the Contribution Agreement.

Concessions, patents and rights

The SC World technology was transferred in connection with the contribution to BliNK Biomedical SAS. It was subject to impairment in 2014 following the valuation of the VIVA│Screen® technology in the Contribution Agreement providing for the transfer to BliNK Biomedical SAS.

(b) Change from January 1, 2014 to December 31, 2014

(in € thousand)	At January 1, 2014	Changes in the period Increase	Decrease	Other Changes	At December 31, 2014
Preliminary expenses	0	0	0	0	0
Development expenditure	8,453	152	0	0	8,604
Goodwill	8,117	7	0	0	8,124
Concessions, patents and rights	8,082	2	0	0	8,084
Software	130	50	0	0	180
Intangible assets under development	1	105	(1)	0	105
Other	0	0	0	0	0
Gross intangible fixed assets	**24,783**	**315**	**(1)**	**0**	**25,097**
Preliminary expenses	0	0	0	0	0
Development expenditure (1)	5,572	665	0	0	6,237
Goodwill (2)	0	4,017	0	0	4,017
Concessions, patents and rights (3)	1,919	3,121	0	0	5,041
Software	124	11	0	0	135
Total amortization	**7,615**	**7,814**	**0**	**0**	**15,429**
Net intangible fixed assets	**17,167**	**(7,499)**	**(1)**	**0**	**9,668**
Development expenditure	778	0	(156)	0	623
Concessions, patents and rights	0	0	0	0	0
Software	2	1	0	0	2
Total accelerated tax depreciation or amortization	**780**	**1**	**(156)**	**0**	**625**
Net tax value of intangible fixed assets	**16,387**	**(7,500)**	**155**	**0**	9 042
(1) Of which exceptional depreciation	1,229	0	0	0	1 229
(2) Of which exceptional depreciation	0	4,017	0	0	4 017
(3) Of which exceptional depreciation	0	2,683	0	0	2,683

Development expenditure

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

Commercial goodwill

Goodwill corresponding to the difference between the book value of the holding in the receiving company and the transfer value of the net assets received (*mali de confusion*) arising from the simplified merger (TUP) with Humalys in 2010 was written down by €4,017 thousand following the valuation of the VIVA│Screen® technology in the Contribution Agreement providing for the transfer to BliNK Biomedical SAS.

Concessions, patents and rights

An impairment expense of €2,683 thousand was recorded for SC World's technology. This impairment follows the valuation of the VIVA│Screen® technology and the Contribution Agreement providing for the transfer to BliNK Biomedical SAS.

4.3.2 Net intangible fixed assets

(a) Change from January 1, 2015 to December 31, 2015

(in € thousand)	At January 1, 2015	Changes in the period: Increase	Decrease	Other Changes	At December 31, 2015
Land	677	0	0	0	677
Buildings on own land	3,026	0	0	0	3,026
Buildings on land of third parties	557	0	0	0	557
Building installations and improvements	2,591	33	0	0	2,624
Plant, machinery and equipment	4,323	338	(1,212)	0	3,449
General installations, miscellaneous improvements	42	0	(33)	0	9
Vehicles	18	0	(13)	0	5
Office, IT equipment, furniture	620	18	(165)	0	473
Recoverable packaging	2	0	0	0	2
Tangible fixed assets under construction	0	15	0	0	15
Prepayments	0	0	0	0	0
Gross intangible fixed assets	**11,856**	**404**	**(1,424)**	**0**	**10,837**
Land	123	28	0	0	150
Buildings on own land	605	133	0	0	738
Buildings on land of third parties	191	63	0	0	254
Building installations and improvements	1,121	169	0	0	1,290
Plant, machinery and equipment	2,821	272	(623)	0	2,470
General installations, miscellaneous improvements	16	1	(14)	0	3
Vehicles	18	0	(13)	0	5
Office, IT equipment, furniture	445	35	(123)	0	357
Recoverable packaging	2	0	0	0	2
Total depreciation	**5,341**	**701**	**(773)**	**0**	**5,270**
Impairment	0	0	0	0	0
Plant, machinery and equipment	34	0	(23)	0	11
Net intangible fixed assets	**6,481**	**(297)**	**(629)**	**0**	**5,556**
Plant, machinery and equipment	34	0	(34)	0	0
Total accelerated tax depreciation or amortization	**34**	**0**	**(34)**	**0**	**0**
Net tax value of intangible fixed assets	**6,447**	**(297)**	**(595)**	**0**	**5,556**

€404 thousand in capital expenditures were incurred for fixtures and laboratory equipment for the Saint-Herblain site.

Fixtures and laboratory equipment were transferred in connection with the contribution to BliNK Biomedical SAS for a net carrying amount of €620 thousand.

(b) Change from January 1, 2014 to December 31, 2014

(in € thousand)	At January 1, 2014	Changes in the period Increase	Decrease	Other Changes	At December 31, 2014
Land	677	0	0	0	677
Buildings on own land	3,025	0	0	0	3,025
Buildings on land of third parties	553	4	0	0	557
Building installations and improvements	2,561	32	(1)	0	2,591
Plant, machinery and equipment	3,991	350	(17)	0	4,323
General installations, miscellaneous improvements	42	0	0	0	42
Vehicles	18	0	0	0	18
Office, IT equipment, furniture	605	25	(10)	0	620
Recoverable packaging	2	0	0	0	2
Tangible fixed assets under construction	0	0	0	0	0
Prepayments	0	0	0	0	0
Gross intangible fixed assets	**11,483**	**402**	**(29)**	**0**	**11,856**
Land	95	28	0	0	123
Buildings on own land	472	133	0	0	605
Buildings on land of third parties	129	62	0	0	191
Building installations and improvements	954	168	(1)	0	1,121
Plant, machinery and equipment	2,418	417	(14)	0	2,821
General installations, miscellaneous improvements	13	3	0	0	16
Vehicles	18	0	0	0	18
Office, IT equipment, furniture	409	46	(10)	0	445
Recoverable packaging	2	0	0	0	2
Total depreciation	**4,509**	**858**	**(26)**	**0**	**5,341**
Impairment	0	0	0	0	0
Plant, machinery and equipment	34	0	0	0	34
Net intangible fixed assets	**6,940**	**(456)**	**(3)**	**0**	**6,481**
Plant, machinery and equipment	35	0	(1)	0	34
Total accelerated tax depreciation or amortization	**35**	**0**	**(1)**	**0**	**34**
Net tax value of intangible fixed assets	**6,905**	**(456)**	**(2)**	**0**	**6,447**

€106 thousand in capital expenditures were incurred for fixtures and laboratory equipment for the Lyon site and €244 thousand for the Saint-Herblain site.

4.3.3 Long-term investments

(a) Change from January 1, 2015 to December 31, 2015

(in € thousand)	At January 1, 2015	Acquisitions/ Contributions/ Mergers	Disposals	At December 31, 2015
Non-consolidated investments	137,928	25,999	0	163,927
Receivables on non-consolidated investments	0	0	0	0
Loans[1]	130	11	0	142
Deposits and bonds	47	0	0	47
Treasury shares	646	0	0	646
Liquidity agreement	600	0	0	600
Gross value	**139,352**	**26,011**	**0**	**165,363**
Non-consolidated investments	0	8,998	0	8,999
Depreciation of deposits and bonds	8	0	0	8
Treasury shares impairment	97	79	0	176
Liquidity agreement impairment	307	(21)	0	286
Total depreciation	**413**	**9,057**	**0**	**9,469**
Total net long-term investments	**138,939**	**16,954**	**0**	**155,893**
Non-consolidated investments	0	0	0	0
Total accelerated tax depreciation or amortization	**0**	**0**	0	**0**
Net tax value	**138,939**	**16,954**	**0**	**155,893**

(1): Long-term loans in connection with social housing levies

The increase in non-consolidated investments reflects:

+ the acquisition of an equity stake in BliNK Biomedical SAS for €8,998 thousand (fully written down at December 31, 2015);
+ the acquisition of securities of Vaccines Holdings Sweden AB pour €17,000 thousand following the acquisition of Crucell Sweden AB ;
+ the acquisition of securities of the distribution company Valneva Canada Inc. for €0.7 thousand; and
+ the acquisition of securities of the distribution company Valneva UK Ltd. for €0.1 thousand.

124,322 treasury shares representing €646,350 and correspond to financial compensation the Company paid to former Intercell shareholders having exercised their exit right.

The liquidity agreement concluded in July 2007 amounted to €600 thousand at December 31, 2015. Assets held under this liquidity agreement included both cash and shares (21,110 shares at December 31, 2015). The portion in shares has been valued on the basis of the average trading price for December 2015 resulting in the reversal of an allowance for impairment for €21 thousand. On that basis, the impairment at December 31, 2015 was €287 thousand.

An impairment charge of €79 thousand for treasury shares was recorded according to this same principle of valuation at December 31, 2015. At December 31, 2004, the remaining amount of this provision amounted to €176 thousand.

Portfolio of shares held in treasury:

	Number of shares at December 31, 2015	Gross	provision	Net
Liquidity agreement	20,110	363	287	76
Financial compensation	124,322	646	176	470

(b) Change from January 1, 2014 to December 31, 2014

(in € thousand)	At January 1, 2014	Acquisitions/ Contributions/ Mergers	Disposals	At December 31, 2014
Non-consolidated investments	127,923	10,005	0	137,928
Receivables on non-consolidated investments	0	0	0	0
Loans[1]	117	13	0	130
Deposits and bonds	47	0	0	47
Treasury shares	646	0	0	646
Liquidity agreement	600	0	0	600
Gross value	**129,333**	**10,019**	**0**	**139,352**
Non-consolidated investments	0	0	0	0
Depreciation of deposits and bonds	8	0	0	8
Treasury shares impairment	123	(26)	0	97
Liquidity agreement impairment	321	(14)	0	307
Total depreciation	**453**	**(40)**	**0**	**413**
Total net long-term investments	**128,880**	**10,059**	**0**	**138,939**
Non-consolidated investments	0	0	0	0
Total accelerated tax depreciation or amortization	**0**	**0**	0	**0**
Net tax value	**128,880**	**10,059**	**0**	**138,939**

(1): Long-term loans in connection with social housing levies

The increase in non-consolidated investments reflects on the one hand, the injection of €10 million on December 12, 2014 into Valneva Austria GmbH for the recapitalization of this subsidiary, and on the other hand, the acquisition of securities of Goldcup 10618 AB (renamed “Vaccines Holdings Sweden AB”) for SEK 50 thousand (€5 thousand) in December 2014 in preparation for the proposed acquisition.

124,322 treasury shares representing €646,350 and correspond to financial compensation the Company paid to former Intercell shareholders having exercised their exit right.

The liquidity agreement concluded in July 2007 amounted to €600 thousand at December 31, 2014. Assets held under this liquidity agreement included cash plus 26,722 shares at December 31, 2014.

The portion in shares has been valued on the basis of the average trading price for December 2014 resulting in the reversal of an allowance for impairment for €14 thousand. On that basis, the impairment at December 31, 2014 was €307 thousand.

A provision for impairment of €26 thousand for treasury shares was recorded according to this same principle of measurement at December 31, 2014. At December 31, 2004, the remaining amount of this provision amounted to €97 thousand.

Portfolio of shares held in treasury:

	Number of shares At December 31, 2014	Gross	provision	Net
Liquidity agreement	26,722	425	307	118
Financial compensation	124,322	646	97	549

4.3.4 Inventories and work-in-progress

(a) Change from January 1, 2015 to December 31, 2015

(in € thousand)	At January 1, 2015	Increase	Decrease	At December 31, 2015
Raw materials and supplies	737	0	(527)	210
Impairment	(52)	0	1	(51)
Total	**685**	**0**	**(526)**	**159**

A provision for impairment of €52 thousand was recorded at December 31, 2014 relating to small laboratory consumables no longer adapted to current processes was subject to a marginal adjustment.

(b) Change from January 1, 2014 to December 31, 2014

(in € thousand)	At January 1, 2014	Increase	Decrease	At December 31, 2014
Raw materials and supplies	360	377	0	737
Impairment	0	(52)	0	(52)
Total	**360**	**325**	**0**	**685**

4.3.5 Trade receivables and related accounts

(in € thousand)	December 31, 2015	December 31, 2014
Trade receivables	163	404
Doubtful trade receivables	0	0
Gross value	**163**	**404**
Impairment of trade receivables	0	0
Total trade receivables(net value)	**163**	**404**

(a) Trade receivables by maturity at December 31, 2015

(in € thousand)	Gross	Up to 1 year	More than 1 year
Trade receivables	153	153	0
Doubtful trade receivables	0	0	0
Trade receivables – sales invoice accruals	10	10	0
Total	**163**	**163**	**0**

(b) Trade receivables by maturity at December 31, 2014

(in € thousand)	Gross	Up to 1 year	More than 1 year
Trade receivables	362	362	0
Doubtful trade receivables	0	0	0
Trade receivables – sales invoice accruals	42	42	0
Total	**404**	**404**	**0**

4.3.6 Other receivables

(in € thousand)	December 31, 2015	December 31, 2014
Income tax	8,811	8,955
VAT	149	379
Grant income	189	1,299
Current account advances / Valneva Toyama Japan K.K.	144	129
Current account impairment charges / Valneva Toyama Japan K.K.	(144)	(129)
Current account advances / subsidiaries	36,411	21,985
Other operating receivables	25	735
Amounts receivable on disposal of assets	0	0
Total other receivables (net value)	**45,584**	**33,352**

The corporate income tax receivables virtually all concern the Research Tax Credit (RTC) and the CICE (*Crédit d'Impôt pour la Compétitivité et l'Emploi*) wage tax credit.

(in € thousand)	December 31, 2015	December 31, 2014
2015 RTC	1,851	0
2014 RTC	1,965	1,965
2013 RTC	2,039	2,039
2012 RTC	2,759	2,759
2011 RTC	0	2,046
CICE 2015 tax credit	52	0
CICE 2014 tax credit	70	70
CICE 2013 tax credit	71	71
Miscellaneous tax reductions	4	5
Total corporate income tax receivables (net value)	**8,811**	**8,955**

(in € thousand)	Allocated	Reversed	Paid	Balance
DIACT (2008)	550	460	220	(130)
OSEO (2009)	6,016	1,594	4,422	0
NANTES (2009)	894	0	894	0
ANR (2010)	541	76	465	0
FEDER	1,500	298	752	450
FUI RHONES ALPES	374	276	112	(14)
FUI PAYS DE LOIRE	628	430	314	(116)
Total grants and advances	**10,503**	**3,134**	**7,180**	**189**

(a) At December 31, 2015

(in € thousand)	Gross	Up to 1 year	More than 1 year
Income tax	8,811	2,759	6,052
VAT	149	149	0
Grant income	189	189	0
Current account advances / Valneva Toyama Japan K.K.	144	144	0
Current account impairment charges / Valneva Toyama Japan K.K.	(144)	(144)	0
Current account advances / subsidiaries	36,411	36,411	0
Other operating receivables	25	25	0
Amounts receivable on disposal of assets	0	0	0
Total	**45,584**	**39,533**	**6,052**

(b) At December 31, 2014

(in € thousand)	Gross	Up to 1 year	More than 1 year
Income tax	8,955	2,046	6,909
VAT	379	379	0
Grant income	1,299	1,299	0
Current account advances / Valneva Toyama Japan K.K.	129	129	0
Current account impairment charges / Valneva Toyama Japan K.K.	(129)	(129)	0
Current account advances to Valneva Austria GmbH	21,985	21,985	0
Other operating receivables	735	735	0
Amounts receivable on disposal of assets	0	0	0
Total	**33,352**	**26,443**	**6,909**

4.3.7 Net cash flow

Net cash flow items

(in € thousand)	December 31, 2015	December 31, 2014
Cash at bank and in hand[1]	11,184	9,314
Fixed term deposits	1000	0
Marketable securities[2]	0	0
Cash assets	**12,184**	**9,314**
Bank facilities	0	0
Cash liabilities	**0**	**0**
Net cash flow	**12,184**	**9,314**
(1) Of which notes sent for collection or discounting	0	0
(2) Of which accrued income on certain assets	0	0

4.3.8 Prepaid expenses

(in € thousand)	December 31, 2015	December 31, 2014
Office supplies	5	1
Maintenance and repairs	23	25
Leasing expenses	0	9
Rent and service charges	42	32
Insurance premiums	109	118
Documentation	15	11
Conventions	29	2
Fees	157	17
Advertising	6	3
Bank services	15	7
Site security services	2	2
Royalties, concessions, patents	24	22
Total	**427**	**250**

4.3.9 Accrued income

(in € thousand)	December 31, 2015	December 31, 2014
Receivables on non-consolidated investments	0	0
Accrued interest on liquid assets under the equity agreement	0	0
Trade receivables and related accounts	10	42
Other receivables	0	55
Marketable securities (certificates of deposit)	0	0
Bank – accrued interest on time deposits	1	19
Total accrued income[1]	**11**	**116**

(1) For 2014: amount up to one year: €116 thousand
For 2015: amount up to one year: €11 thousand

4.3.10 Shareholders' equity

(a) Change from January 1, 2015 to December 31, 2015

(in € thousand)	At January 1, 2015	Changes in the period			At December 31, 2015
		Increase	Decrease	Other changes	
Share capital	8,631	2,752	0	0	11,383
Additional paid-in capital	175,041	39,258	0	0	214,299
Regulated reserves	52,832	0	0	0	52,832
Retained earnings/(accumulated deficit)	(43,832)	0	0	(14,883)	(58,715)
Net income/(loss) for the year	**(14,883)**	**0**	**(17,619)**	**14,883**	(17,619)
Net investment grants	418	0	(245)	0	173
Tax-driven provisions	660	0	(193)	0	467
Total shareholders' equity	**178,866**	**42,010**	**(18,057)**	**0**	**202,820**

Share capital

At December 31, 2015, the share capital in the amount of €11,383 thousand is comprised of 75,888,288 shares, including (a) 74,698,099 ordinary shares with a par value of €0.15, (b) 17,836,719 preferred shares with a par value of €0.01, and (c) 1,074 convertible preferred shares with a par value of €0.15.

On February 4, 2015, Valneva completed a capital increase with shareholders preferential subscription rights. The final gross proceeds of the rights issue amounted to €45,031,721.02, corresponding to the issuance of 18,231,466 new ordinary shares, at a subscription price of €2.47 per share.

This issue generated an increase in the share capital of €2,735 thousand and share premium of €42,297 thousand.

Restricted shares granted for no consideration (free shares) and preferred shares were furthermore granted in the amount of €17 thousand.

At December 31, 2015, 15.95% of the share capital was mainly held by "Groupe Grimaud La Corbière SA", 9.83% by BPI (*Banque Publique d'Investissement*) and 69.95% by the free float. The remaining capital is held by financial investors, employees and executive managers.

Other equity

€3,338 thousand relating to the share issuance costs were charged against additional paid-in capital.

No dividend was paid in 2015.

(b) Change from January 1, 2014 to December 31, 2014

(in € thousand)	At January 1, 2014	Changes in the period			At December 31, 2014
		Increase	Decrease	Other Changes in the period	
Share capital or individual share	8,384	246	0	0	8,631
Additional paid-in capital	166,656	8,385	0	0	175,041
Regulated reserves	52,832	0	0	0	52,832
Retained earnings/(accumulated deficit)	(33,880)	0	0	(9,952)	(43,832)
Net income/(loss) for the year	**(9,952)**	**0**	**(14,883)**	**9,952**	**(14,883)**
Net investment grants	458	0	(40)	0	418
Tax-driven provisions	816	0	2	(157)	660
Total shareholders' equity	**185,314**	**8,631**	**(14,922)**	**(157)**	**178,866**

Share capital

The share capital in the amount of €8,631 thousand is comprised of 57,540,948 shares including (a) 56,351,833 ordinary shares each with a par value of €0.15 and (b) 17,836,719 preferred shares with a par value of €0.01.

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

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

500,000, 600,000 and once again, 500,000 such equity warrants were exercised on May 21, 2014, 3 June 2014 and June 25, 2014 resulting in the issuance of respectively 500,000, 600,000 and 500,000 ordinary shares.

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

Restricted shares were granted for no consideration (free shares) in the amount of €6 thousand.

At December 31, 2014, 20.58% of the share capital was mainly held by "Groupe Grimaud La Corbière SA", 9.56% by BPI (*Banque Publique d'Investissement*) and 64.50% by the free float. The remaining capital is held by financial investors, employees and executive managers.

Other equity

€325 thousand relating to transaction costs for the equity line were charged against additional paid-in capital.

No dividend was paid in 2014.

4.3.11 Investment grants

(in € thousand)	MENRT 04G608	REGION NANTES	MINEFI 6075	REGION EPF	REGION EPF
Amount granted	441	500	954	111	137
Grant date	January 5, 2005	September 13, 2005	August 11, 2006	October 12, 2006	October 12, 2006
Net amount at 01/01/11	**75**	**162**	**23**	**50**	**81**
Grant for 2011	0	0	0	0	0
Amounts reclassified as operating grants	0	0	0	0	0
Grant transferred to 2011 net income	14	63	22	7	10
Net amount at 12/31/11	**61**	**99**	**1**	**43**	**71**
Grant for 2012	0	0	0	0	0
Amounts reclassified as operating grants	0	0	0	0	0
Grant transferred to 2012 net income	15	55	1	6	10
Net amount at 12/31/12	**46**	**44**	**0**	**37**	**61**
Grant transferred to 2013 net income	13	42	0	6	10
Net amount at 12/31/13	**33**	**2**	**0**	**31**	**51**
Grant transferred to 2014 net income	7	2	0	6	10
Net amount at 12/31/14	**26**	**0**	**0**	**25**	**41**
Grant transferred to 2015 net income	6	0	0	6	10
Decrease in the grant	0	0	0	0	0
Net amount at 12/31/15	**20**	**0**	**0**	**19**	**31**

(in € thousand)	REGION EPF	REGION Energie	OSEO Vivabio	DEPT 44	TOTAL
Amount granted	115	15	556	87	
Grant date	October 12, 2006	December 15, 2008	June 26, 2009	October 13, 2009	
Net amount at 01/01/11	**83**	**13**	**422**	**85**	**994**
Grant for 2011	0	0	0	0	0
Amounts reclassified as operating grants	0	0	(116)	0	(116)
Grant transferred to 2011 net income	10	3	14	3	146
Net amount at 12/31/11	**73**	**10**	**292**	**82**	**732**
Grant for 2012	0	0	0	0	0
Amounts reclassified as operating grants	0	0	0	0	0
Grant transferred to 2012 net income	11	2	41	4	145
Net amount at 12/31/12	**62**	**8**	**251**	**78**	**587**
Grant transferred to 2013 net income	11	2	42	3	**129**
Net amount at 12/31/13	**51**	**6**	**209**	**75**	**458**
Grant transferred to 2014 net income	10	1	0	3	40
Net amount at 12/31/14	**41**	**5**	**209**	**71**	**418**
Grant transferred to 2015 net income	10	1	0	3	36
Decrease in the grant	0	0	209	0	209
Net amount at 12/31/15	**31**	**4**	**0**	**68**	**173**

4.3.12 Subordinated grants

(in € thousand)	REGION PDL	OSEO Vivabio	NANTES Métropole	TOTAL
Amount granted	894	2,770	894	**4,558**
Grant date	May 22, 2009	June 26, 2009	November 16, 2009	
Net amount at 01/01/11	**894**	**2,770**	**894**	**4,558**
Grant for 2011	0	0	0	0
Repayment during 2011	0	0	0	0
Net amount at 12/31/11	**894**	**2,770**	**894**	**4,558**
Grant for 2012	0	0	0	0
Repayment during 2012	(178)	0	0	(178)
Net amount at 12/31/12	**716**	**2,770**	**894**	**4,380**
Grant for 2013	0	0	0	0
Repayment during 2013	(179)	0	0	(179)
Net amount at 12/31/13	**537**	**2,770**	**894**	**4,201**
Repayment during 2014	**(179)**	**0**	**(72)**	**(250)**
Net amount at 12/31/14	**358**	**2,770**	**822**	**3,951**
Decrease in aid in line with actual expenses	0	**(1,307)**	**0**	**(1,307)**
Financial returns	**0**	**194**	**0**	**194**
Repayment during 2015	**(179)**	**0**	**(143)**	**(322)**
Net amount at 12/31/15	**179**	**1,658**	**679**	**2,516**

4.3.13 Provisions for contingencies and losses

(a) Change from January 1, 2015 to December 31, 2015

(in € thousand)	January 1, 2015	Changes in the period			December 31, 2015
		Charge	Reversals		
			Used	Not used	
Disputes	12	0	0	0	12
Foreign exchange risk	4	46	0	0	50
Retirement severance benefits	163	25	0	0	189
Miscellaneous risks	113	0	0	(113)	0
Minimum annual CIT charge	0	0	0	0	0
Total provisions for contingencies and losses	**292**	**71**	**0**	**(113)**	**250**
+ of which operating	289	25	0	(113)	201
+ of which financial	3	46	0	0	49
+ of which exceptional	0	0	0	0	0

The provision for contingencies and expenses in an amount of €113 thousand in connection with the renegotiation of the grant obtained for the Vivabio project was reversed after payment of €320 thousand in 2015 by Valneva SE.

(b) Change from January 1, 2014 to December 31, 2014

(in € thousand)	January 1, 2014	Changes in the period			December 31, 2014
		Charge	Reversals		
			Used	Not used	
Disputes	12	0	0	0	12
Foreign exchange risk	211	0	(207)	0	4
Retirement severance benefits	23	141	0	0	164
Miscellaneous risks	0	113	0	0	113
Minimum annual CIT charge	0	0	0	0	0
Total provisions for contingencies and losses	**245**	**254**	**(207)**	**0**	**292**
+ of which operating	35	254	0	0	289
+ of which financial	210	0	(207)	0	3
+ of which exceptional	0	0	0	0	0

A provision for contingencies and expenses was recorded for €113 thousand. This concerns the evaluation of an unjustified amount (€443 thousand) by Bpifrance in connection with the renegotiation of a grant for the Vivabio project.

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

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

4.3.14 Borrowings

(in € thousand)		December 31 2015	2014
CA €800 thousand loan of 12/31/09[1]	3-month Euribor floating rate + 1.10%	320	400
CA €500 thousand loan of 07/16/12[1]	3-month Euribor floating rate + 1.40%	175	276
CM €1.2 million loan of 08/08/08[1]	5.45% fixed rate	0	152
CM €1.2 million loan of 12/23/09[1]	3-month Euribor floating rate + 1.25%	240	300
CM €1,030 thousand loan of 06/18/10[1]	2.70% fixed rate	221	369
CM €1.2 million loan of 05/05/11[1]	3-month Euribor floating rate + 0.70%	429	601
CM €500 thousand loan of 07/05/12[1]	3-month Euribor floating rate + 1.40%	176	276
CE €300 thousand loan of 07/25/08[1]	5.40% fixed rate	0	51
CE €600 thousand loan of 12/23/09[1]	1-month Euribor floating rate + 1.20%	240	300
CA €500 thousand loan of 07/31/12[1]	1-month Euribor floating rate + 1.30%	180	281
LCL €500 thousand loan of 12/23/09[1]	1-month Euribor floating rate + 1.25%	200	250
LCL €470 thousand loan of 07/30/10[1]	3-month Euribor floating rate + 0.80%	118	185
RTC credit collateralization	1-month Euribor floating rate + 1.70%	6,095	6,168
Current bank facilities, bank credit balances		1	5
Total		**8,396**	**9,613**

(1) Of which accrued interest €11 thousand

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

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

Since 2010, through Groupe Grimaud La Corbière, the Company has been covered by several interest rate hedging contracts.

The last hedging contract still open was set in 2012 up for €385 thousand and reduced to €270.4 thousand at December 31, 2014 and €215.4 thousand at December 31, 2015.

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

This interest rate swap agreement provides for payment to Groupe Grimaud La Corbière each month of 1-month Euribor plus a fixed-rate amount of 0.58%.

The fair value of this last contract in progress represented a loss of €2.2 thousand at December 31, 2015.

(a) At December 31, 2015

(in € thousand)		Gross	Up to 1 year	More than 1 year	More than 5 years
Total financial debt		8,396	7,037	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 (RTC), and on the other hand, the collateralization of the 2014 RTC with BPI.

Repayment of these loans includes the collateralization of the 2011 RTC.

(b) At December 31, 2014

(in € thousand)		Gross	Up to 1 year	More than 1 year	More than 5 years
Total financial debt		9,613	7,317	2,296	0
+ of which loans secured during the year	6,159				
+ of which loans repaid during the year	3,202				

4.3.15 Trade payables and related accounts

(a) At December 31, 2015

(in € thousand)	Gross	Up to 1 year	More than 1 year	More than 5 years
Operating payables	613	613	0	0
Notes payable	0	0	0	0
Operating payables – purchase invoice accruals	459	459	0	0
Total	**1,073**	**1,073**	**0**	**0**

(b) At December 31, 2014

(in € thousand)	Gross	Up to 1 year	More than 1 year	More than 5 years
Operating payables	660	660	0	0
Notes payable	0	0	0	0
Operating payables – purchase invoice accruals	1,173	1,173	0	0
Total	**1,833**	**1,833**	**0**	**0**

4.3.16 Tax and employee-related liabilities

(in € thousand)	December 31, 2015	December 31, 2014
VAT due	16	28
Other taxes	7	26
Wages and salaries	621	624
Employee benefit expense	378	458
Other employee-related liabilities	0	0
Total tax and employee-related liabilities[1]	**1,022**	**1,137**
(1) up to 1 year	1,022	1,137
more than 1 and less than 5 years	0	0
more than 5 years	0	0

4.3.17 Other financial liabilities

(in € thousand)	December 31, 2015	December 31, 2014
Payables on non-consolidated investments	0	6
Amounts due in respect of fixed asset purchases	115	1,572
Other operating payables	5,733	1,822
Total other liabilities	**5,848**	**3,400**

Amounts due with respect to "Fixed asset purchases" include at December 31, 2014 both estimated future royalties to be paid for license concessions (see Note 4.2.6) as well as €1 million in debt incurred from the technology acquired in 2011 from SC World. This latter debt was contributed to BliNK Biomedical SAS and at December 31, 2015 there no longer existed debt relating to future royalties.

The line item "Other operating liabilities" includes the current account balance with Valneva GmbH.

(a) At December 31, 2015

(in € thousand)	Gross	Up to 1 year	More than 1 year	More than 5 years
Payables on non-consolidated investments	0	0	0	0
Payables to fixed asset suppliers	115	115	0	0
Payables to fixed asset suppliers – purchase invoice accruals	0	0	0	0
Other financial liabilities	5,733	5,733	0	0
Total	**5,848**	**5,848**	**0**	**0**

(b) At December 31, 2014

(in € thousand)	Gross	Up to 1 year	More than 1 year	More than 5 years
Payables on non-consolidated investments	6	6	0	0
Payables to fixed asset suppliers	1,479	440	1,040	0
Payables to fixed asset suppliers – purchase invoice accruals	93	93	0	0
Other financial liabilities	1,822	1,822	0	0
Total	**3,400**	**2,360**	**1,040**	**0**

4.3.18 Deferred income

(in € thousand)	December 31, 2015	December 31, 2014
Operating grants	0	0
Research services and royalties	33	0
Total deferred income	**33**	**0**

(a) At December 31, 2015

(in € thousand)	Gross	Up to 1 year	More than 1 year	More than 5 years
Operating grants	0	0	0	0
Research services and royalties	33	0	0	0
Total	**33**	**0**	**0**	**0**

(b) At December 31, 2014

(in € thousand)	Gross	Up to 1 year	More than 1 year	More than 5 years
Operating grants	0	0	0	0
Research services and royalties	0	0	0	0
Total	**0**	**0**	**0**	**0**

4.3.19 Accrued expenses

(in € thousand)	December 31, 2015	December 31, 2014
Trade payables and related accounts	459	1,173
Tax and employee-related liabilities	930	948
Payables on fixed assets and equivalent	0	93
Borrowings and financial liabilities	12	20
Other financial liabilities	14	14
Total accrued expenses (1)	**1,415**	**2,248**

(1) Payable up to 1 year

4.4 Notes to the income statement

4.4.1 Revenues

(in € thousand)	December 31, 2015	December 31, 2014
Research services	224	309
Other services	606	1,093
Total	**830**	**1,402**

(in € thousand)	December 31, 2015	December 31, 2014
Sales in France	549	135
Export sales	281	1,267
Total	**830**	**1,402**

4.4.2 Own production of goods and services capitalized

(in € thousand)	December 31, 2015	December 31, 2014
Development expenditure	107	152
Total	**107**	**152**

4.4.3 Operating grants

(in € thousand)	December 31, 2015	December 31, 2014
FEDER	0	121
FUI RHONE ALPES	0	51
FUI PAYS DE LOIRE	0	106
OSEO	86	0
Total	**86**	**278**

4.4.4 Other income

(in € thousand)	December 31, 2015	December 31, 2014
Upfront and milestones	3,196	1,090
Other	4	1
Total	**3,200**	**1,090**

4.4.5 Reversals of depreciation, amortization and provisions and expense reclassifications

(in € thousand)	December 31, 2015	December 31, 2014
Reversals of provisions for trade receivables	0	21
Reversals of inventory provisions	1	0
Reversals of provisions for contingencies and losses	113	0
Operating expense reclassifications	27	270
Total	**141**	**291**

Operating expense reclassifications concerned amounts recharged for outside services to certain customers.

4.4.6 Purchases and external expenses

Main expense items (in € thousand)	December 31, 2015	December 31, 2014
Work by various third parties	2,878	1,523
Fees	2,281	2,675
Maintenance and repairs	257	366
Administrative services	1,500	2,155
Temporary personnel	20	60
Travel expenses	310	309
Symposiums, seminars, conferences	110	76
Post and telephone expenses	89	109
Entertainment expenses	73	86
Property leasing	130	135
Leasing expenses	55	55
Equipment leasing	14	4
Sundry transport expenses	42	53
Advertising, publications, public relations	112	28

Main expense items (in € thousand)	December 31, 2015	December 31, 2014
Documentation	20	17
Insurance premiums	249	272
Waste management	27	36
Security services	7	8
Training fees	4	15
Bank services	64	58
Natural gas	22	27
Water	2	2
Electricity	115	173
Dues and related contributions	22	23
Total	**8,404**	**8,265**

4.4.7 Taxes, duties and related amounts

(in € thousand)	December 31, 2015	December 31, 2014
Taxes on remuneration	**69**	**84**
Training	40	48
Apprentices tax	17	21
Other taxes / remuneration (FNAL)	13	15
Other taxes	**51**	**112**
Local taxes	52	51
CFE - CVAE regional business tax	(15)	7
Company vehicle tax	2	4
Corporate Social Solidarity Contribution C3S tax	(3)	3
Employer contribution for handicapped workers	8	3
Withholding taxes	4	37
Stamp and registration duties	1	3
Other taxes	2	4
Total	**121**	**196**

4.4.8 Personnel

(a) Employees

Average number of employees	December 31, 2015	December 31, 2014
Executives and higher intellectual professions	38	51
Intermediate professions	4	5
Office employees/workers	2	3
Workers	0	0
Seconded personnel	0	0
Total	**45**	**59**

+ Employees present at December 31, 2015: 47 employees, of which 47 on permanent contracts and on 0 on fixed term contract.
+ Employees present at December 31, 2014: 58 employees, of which 57 on permanent contracts and on 1 on fixed term contract.

(b) Staff costs

(in € thousand)	December 31, 2015	December 31, 2014
Wages and salaries	2,660	3,261
Employee benefit expense	1,284	1,394
CICE wage tax credit	(52)	(70)
Other personnel expenses	51	104
Total	**3,943**	**4,689**

(c) Remuneration paid to Management Board and Supervisory Board members

(in € thousand)	December 31, 2015	December 31, 2014
Fixed compensation	219	195
Variable compensation	139	93
Fringe benefits	7	6
All Management Board members	**365**	**294**
Attendance fees	250	243
All Supervisory Board members	**250**	**243**
Total	**615**	**537**

Restricted shares (free shares) (Restricted shares fully vested)	December 31, 2015	December 31, 2014
Management Board members	0	0
Supervisory Board members	0	0

Equity warrants (number of shares subscribed)	December 31, 2015	December 31, 2014
Management Board members	79,800	0
Supervisory Board members	0	0

Equity warrants (number of shares subscribed)	December 31, 2015	December 31, 2014
Management Board members	0	0
Supervisory Board members	0	0

(d) Employee benefits

Assumptions used for the valuation of pension benefits

	December 31, 2015	December 31, 2014
Discount rate	1.90%	1.80%
Salary increase rate	2%	2%
Social security charge rate	47.00%	45.00%
Employee turnover rate by age	Details below	Details below

2014 and 2015 data	Supervisors	Managers	Office employees/workers
20-29 years	39.00%	45.90%	18.00%
30-29 years	19.40%	23.00%	9.00%
40-29 years	6.80%	7.60%	3.06%
50-29 years	0.00%	0.00%	0.00%
60 years and older	0.00%	0.00%	0.00%

Change in net commitments and reconciliation of the provision

(in € thousand)	December 31, 2015	December 31, 2014
Commitment at the beginning of period	**163**	**23**
Commitment at the end of period	**189**	**163**
Provision at the beginning of period	**163**	**23**
Charge for the period	25	141
Reversal of the period	0	0
Provision at the end of period	**189**	**163**

4.4.9 Depreciation, amortization & impairment of fixed assets

(in € thousand)	December 31, 2015	December 31, 2014
Intangible fixed assets	684	1,114
Property, plant and equipment	701	858
Total fixed assets (A)	**1,385**	**1,971**
Employee commitments	25	141
Provisions for operating contingencies and losses	(113)	113
Total provisions (B)	**(88)**	**254**
Total net charges excluding current assets (C=A+B)	**1,297**	**2,225**
Trade receivables and other current assets	(1)	52
Total assets (D)	**(1)**	**52**
Exceptional amortization (E=C+D)	**1,296**	**2,277**
Provisions for unrealized foreign exchange losses	46	
Impairments of current account balances	15	
Impairment of financial assets	9,057	
Total financial assets (F)	**9,117**	**0**
Exceptional amortization of fixed assets (G)		
Impairment of fixed assets (H)	(6,761)	6,701
Accelerated tax depreciation or amortization of fixed assets (I)	(192)	(156)
Other provisions (J)		
Total exceptional items (K=G+H+I+J)	**(6,954)**	**6,545**

The provision for impairment of property, plant and equipment (€6,704 thousand) recorded in 2014 to remeasure the VIVA|Screen® technology to its contribution value in the new company BliNK Biomedical SAS, was reversed in 2015 when this contribution was finalized.

A provision for impairment of the full amount of €8,998 thousand for the equity stake in this company (48.20%) was furthermore recorded on December 31, 2015. This provision was recorded following an impairment test carried out at year-end.

4.4.10 Net income/(loss) from financial items

(in € thousand)	December 31, 2015	December 31, 2014
Revenue from marketable securities and deposits	98	157
Interest on borrowings	(136)	(185)
Interest on convertible bond debt	(194)	0
Interest on current accounts	321	533
Translation adjustments	(40)	(3)
Impairment of financial assets /reversals	(9,072)	63
Other	(2)	(25)

Net financial income/(expense)	**(9,025)**	**540**

The impairment of the non-consolidated investment in BliNK Biomedical SAS had an adverse impact on net financial income (expense) of €8,998 thousand.

4.4.11 Net exceptional items

(in € thousand)	December 31, 2015	December 31, 2014
Net income on disposals	(7,418)	(3)
Depreciation and provisions, net of reversals on tangible fixed assets	23	0
Amortization and provisions, net of reversals on intangible fixed assets	6,739	(6,701)
Accelerated tax depreciation and amortization charges and reversals	192	156
Share of grant transferred to income	37	40
Misc. / renegotiation of debt on fixed assets	299	2,500
Net exceptional items	**(129)**	**(4,008)**

In 2015, the contribution of tangible and intangible assets relating to the VIVA|Screen® technology contributed to BliNK Biomedical SAS generated a disposal loss of €7 million offset by the reversal of the impairment charge for the same assets at December 31, 2014.

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

4.4.12 Income tax

(a) Income tax charges

Effective tax rate

(in € thousand)	December 31, 2015	December 31, 2014
Net profit/(loss)	(17,619)	(14,883)
Income tax	(1,851)	(1,965)
Net loss before tax	(19,470)	(16,849)
Effective tax rate	**0**	**0**

(b) Tax losses carried forward

	December 31, 2015	December 31, 2014
Losses carried forward at the beginning of the period	81,084	67,421
Losses generated during period[1]	10,385	13,663
Losses utilized during period	0	0
Prior losses used	0	0
Losses expired during period	0	0
Losses carried forward at the end of the period	**91,469**	**81,084**

(1) 2014 loss adjusted by €85 thousand.

(c) Deferred tax assets and deferred tax liabilities

(in € thousand)	December 31, 2015	December 31, 2014
Deferred tax assets (investment grants and accelerated tax depreciation or amortization)	213	359
Deferred tax liabilities		
+ Corporate Social Solidarity Contribution (C3S)	0	(1)
+ Capital grants taxable at time of allotment	0	0
+ Operating grants taxable at time of allotment	0	0
+ Unrealized gains from UCITS	0	0
+ Employee profit-sharing	0	0
Total deferred tax assets/deferred tax liabilities)	**213**	**358**

4.4.13 Earnings per share

		December 31, 2015	December 31, 2014
Basic net loss (in euros)	(a)	(17,619,145)	(14,883,482)
Average number of shares outstanding:	(b)	74,012,127	56,846,809
Total number of potential shares	(c)	92,932,332	69,923,691
Basic net earnings per share (in euros)	**(a) / (b)**	**(0.24)**	**(0.26)**

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

5. OTHER INFORMATION

5.1 Commitments and contingent liabilities

5.1.1 Debt guarantee by collateral

(in € thousand)	December 31, 2015	December 31, 2014
Equipment pledge	429	600
Pledges on non-consolidated investments[1]	154,881	137,876
pledge on Vaccines Holdings Sweden AB intercompany loans[2]	5,255	0

(1) Securities of Valneva Austria GmbH in connection with the financing transaction with Pharmakon, and securities of Vaccines Holdings Sweden AB in connection with the financing transaction of Crucell Sweden AB with Athyrium, for respectively €137,876 thousand and €17,005 thousand.

(2) In connection with the financing transaction for the acquisition of Crucell Sweden AB (first-demand guarantee signed by Valneva SE on behalf of Athyrium).

For information, the Athyrium loan was paid back in full in January 2016, and in consequence the corresponding pledges were no longer in force on the date of publication of these French GAAP accounts.

5.1.2 Off-balance-sheet commitments

	At December 31,	
(in € thousand)	**2015**	**2014**
Commitments given		
+ Commitment on Pharmakon / Valneva Austria GMBH loan[1]	46,916	37,768
+ Commitment on the Athyrium loan[1]	18,340	0
+ Potential earn out payment on investment securities[2]	0	4,954
+ Purchase commitment with a supplier	0	619
+ Financial returns on OSEO reimbursable loans[3]	1,346	6,230
+ Property lease commitment	551	680
+ Equipment financing lease	34	47
+ Comfort letter in favor of Valneva GMBH[4]	7,794	8,662
+ Comfort letter in favor of the ERP fund for a loan relating to the *Pseudomonas* project	2,084	0
+ Comfort letter in favor of SC World	300	0
+ Comfort letter and guarantee for the benefit of Valneva Canada Inc. for a contract for vehicles	79	0
+ Financial returns and repayment of subordinated grants	220	220
+ Mortgage on loans	1,000	1,250
+ Interest payable on loans	41	91
Total commitments given	**78,705**	**60,521**

Commitments received	0	0
+ Grant from "Département 44" - Laennec construction	0	45
+ Bonds received from the Groupe Grimaud company	0	0
› CM 7-year loan	221	519
› CEP 5-year loan	180	281
› LCL 7-year loan	118	185
+ Securities received / bank accounts	50	100
Total commitments received	**568**	**1,130**

(1) Capital and interest until maturity on the Pharmakon and Athyrium loans guaranteed by Valneva SE. Note: the Athyrium loan was paid back in full in January 2016, and in consequence the corresponding commitment was no longer in force on the date of publication of these French GAAP accounts.

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

(3) The maximum amount repayable of reimbursable loans under the Vivabio program was reduced to €3 million in July 2015. This amount that is repayable until 2024, was recognized in the amount of €1,658 thousand (see Note 4.3.12)

(4) On lease installments payable until the end of the property lease in 2023.

5.1.3 Contingent liabilities

There are no significant cases of litigation in progress.

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

5.1.4 Auditors' fees

	PWC		**Deloitte**	
	In € excl. tax		**In € excl. tax**	
	2015	**2014**	**2015**	**2014**
Audit				
Statutory auditing	74,167	110,730	81,745	113,954
Capital increase	83,971	78,150	63,584	66,000
Merger				
Accessory missions			7,916	4,180
Subtotal	**158,138**	**188,880**	**153,245**	**184,134**
Other services				
Legal, tax, labor issues				
Other directly related procedures				
Accessory missions				
Subtotal	**0**	**0**	**0**	**0**
Total	**158,138**	**188,880**	**153,245**	**184,134**

5.2 Information concerning related parties

Related parties concern relations with Groupe Grimaud La Corbière and companies of said group (1), and relations with the subsidiaries Valneva Toyama Japan K.K. (2), Valneva Austria GmbH (3), Vaccines Holdings Sweden AB (4), Valneva Canada Inc. (5) and Valneva UK Ltd. (6).

1. For the Groupe Grimaud La Corbière and Groupe Grimaud La Corbière companies, services rendered related to either normal operating activities (interest rate swap allocation agreement) or regulated activities (guarantees). For fiscal 2015, €7 thousand excluding tax were invoiced for these services including €7 thousand for trade payables
2. Valneva Toyama Japan K.K invoiced Valneva €85 thousand for operating expenses with €55 thousand under trade payables at December 31, 2015.
3. Valneva SE guaranteed a loan of US$41 million from the investment fund managed by Pharmakon Advisors for the benefit of Valneva Austria GmbH. (Initial amount of US$30 million in December 2013, increased by US$11 million in July 2015). The purpose of this loan is to support growth in sales of the Japanese encephalitis vaccine of Valneva, IXIARO/JESPECT and to promote the company's portfolio of vaccine candidates. In February 2014, an agreement was signed between the two parties (and revised in November 2015 after the amount borrowed was increased by €11 million) whereby Valneva SE charges interest to Valneva Austria of 0.77% applied to the remaining loan amount outstanding. For 2015, interest thus invoiced amounted to €221 thousand).

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

   Under the terms of this agreement, in 2015 Valneva SE re-invoiced €210 thousand and Valneva Austria GmbH re-invoiced €3,983 thousand.

   These invoices were recognized in the current account balance (showing a credit balance for the net amount of €5,584 thousand at December 31, 2015).

   In October 2013, a loan agreement was signed between Valneva SE and Valneva Austria GmbH for €30 million subject to a rate of interest of 3-month Euribor plus 1%, with €15 million maturing on December 31, 2016 (€2,845 thousand was repaid as of December 31, 2015). €15 million will be repaid after repayment of the Pharmakon (Biopharma) debt by Valneva Austria GmbH.
4. In 2015, two loan agreements were signed between Valneva SE and its subsidiary Vaccines Holding Sweden AB representing €8 million at December 31, 2015 and subject to a rate of interest of 3-month Euribor plus 1%. These loans were paid back in full in February 2016.

   An agreement between Valneva SE and Vaccines Holdings Sweden AB entering into effect starting in 2015 sets guidelines for re-invoicing services by Valneva SE Under this agreement, €8 thousand were invoiced for fiscal 2015.
5. A loan agreement, entering into effect in March 2015, was signed between Valneva SE and its subsidiary Valneva Canada Inc. The amount of this loan, subject to interest at a rate of 3-month CDOR plus 1% is limited to C$10 million and must be paid back before January 31, 2020. The amount borrowed under this loan agreement amounted to €1.1 million at December 31, 2015.

An agreement between Valneva SE and Valneva Canada Inc. entering into effect starting in 2015 sets guidelines for re-invoicing services by Valneva SE. Under this agreement, €21 thousand were invoiced for fiscal 2015.

6. A loan agreement, entering into effect as from November 30, 2015 was signed between Valneva SE and its subsidiary Valneva UK Ltd. The amount of this loan, subject to interest at a rate of 3-month LIBOR plus 1%, is limited to £4 million and must be paid back before January 31, 2020. The amount borrowed under this loan agreement amounted to €4 thousand at December 31, 2015.

(in € thousand)	December 31, 2015	December 31, 2014
Financial assets		
+ Equity interests	163,927	137,928
Receivables		
+ Other receivables	36,411	21,985
Payables		
+ Trade payables and related accounts	62	58
+ Other financial liabilities	5,693	2,004
Revenues	**239**	**1,089**
Financial income	**545**	**533**
Operating expenses		
+ Other purchases and external expenses	4,184	3,668
Financial expense		
+ Interest and similar expenses	211	25

5.3 Dilutive instruments

Valneva SE's share capital after the exercise of different dilutive instruments at December 31, 2015

		Shares held	%[1]	Dilutive instruments	Breakdown of share capital after the exercise of dilutive instruments	%
Groupe Grimaud La Corbière[2]		**12,104,830**	**15.95**	**0**	**12,104,830**	**13.03**
Bpifrance Participations		**7,456,785**	**9.83**	**0**	**7,456,785**	**8.02**
Management Board members	**Total Management Board members[3]**	**660,048**	**0.87**	**2,402,446**	**3,060,884**	**3.29**
	Franck Grimaud	478,005	0.63	708,103	1,185,890	1.28
	Thomas Lingelbach	124,751	0.16	1,012,637	1,136,842	1.22
	Reinhard Kandera	57,292	0.08	681,706	738,152	0.79
Non-officer employees[4]		**127,007**	**0.17**	**2,097,129**	**2,223,806**	**2.39**
Other private individual shareholders		**1,548,609**	**2.04**	**134,018**	**1,681,126**	**1.81**
Of which private individual shareholders of the Groupe Grimaud Family and Financière Grand Champ SAS [2&5]		874,903	1.15	36,000	910,903	0.98
Of which investors		172,277	0.23	0	172,277	0.19
Of which independent members of the Supervisory Board[6]	Alain Munoz	41,800	0.06	19,500	61,300	0.07
	Michel Greco	618	0.00	19,754	20,340	0.02
	James Sulat	17,867	0.02	19,500	37,367	0.04
	Alexander Von Gabain	39,687	0.05	31,066	69,284	0.07
Other private individual investors with shares in registered form		401,457	0.53	8,198	409,655	0.44
Other bearer shares		52,804,261	69.58	0	52,804,261	56.82
Other preferred shares with a par value of €0.01 per share, increased to a par value of €0.15		1,186,748	1.56	9,338,503	9,338,503	10.05
BSA equity warrants held by non-shareholder members of the Supervisory Board		n.a.	n.a.	39,000	39,000	0.04
Anne Marie Graffin		n.a.	n.a.	19,500	19,500	0.02
Hans Wigzell		n.a.	n.a.	19,500	19,500	0.02
Warrants not yet exercised		n.a.	n.a.	4,223,349	4,223,349	4.54
TOTAL		**75,888,288**	**100.00**	**18,234,445**	**92,932,544**	**100.00**

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

[2] The "**Groupe Grimaud Family**" is comprised of the company "Groupe Grimaud La Corbière", the private shareholders of the Groupe Grimaud Family, and the company "Financière Grand Champ SAS".

[3] Securities mentioned in the column "Shares held" with respect to the Management Board members include preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each, and with respect to Messrs. Thomas Lingelbach and Reinhard Kandera, Valneva's bearer shares as well as preferred shares of the Company with a nominal value of €0.01 each, written down to a nominal value of €0.15.

[4] Securities mentioned in the column "Shares held" include preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each.

[5] Securities mentioned in the column "Shares held" include Valneva's bearer shares.

[6] Securities mentioned in the column "Shares held" with respect to Messrs. Michel Greco and Alexander Von Gabain, members of the Supervisory Board, include preferred shares of the Company with a nominal value of €0.01 each, written down to a nominal value of €0.15, as well as Valneva's bearer shares.

5.4 Subsidiaries and associates

SUBSIDIARIES
(more than 50%)

Name	Share capital / Shareholders' equity[1]	Ownership interest[2] / Dividends[3]	Gross value of securities / Net value of securities	Loans, advances[4] / Guarantees[5]	Net sales[6] / Profit or loss[7]
Valneva Toyama Japan K.K.	¥ 5,660,000	100 %	€ 46 471	€ 144,437	¥ 11,249,722
	¥ (1,133,331)	€ 0	€ 46,471	€ 0	¥580,566
Valneva Austria GmbH[8]	€ 10,070,000	100 %	€ 137,876,224	€ 27,155,647	€ 39,183,271
	€ 255,299,928	€ 0	€ 137,876,224	€ 0	€ (9,497,495)
Vaccines Holdings Sweden AB	SEK 50,000	100.00 %	€ 17,005,268	€ 8,082,469	SEK 63,227,029
	SEK 159,140,400	€ 0	€ 17,005,268	€ 0	SEK 115,817,819
Valneva Canada Inc.	CAD 1,000	100.00 %	€ 731	€ 1,168,805	CAD 2,481,418
	€ 0	€ 0	€ 731	€ 0	CAD 45,198
Valneva Scotland Ltd.	GBP 100	100.00 %	€ 136	€ 4,225	€ 0
	€ 0	€ 0	€ 136	€ 0	GBP (206,456)

NON-CONSOLIDATED INVESTMENTS
(less than 50%)

Name	Share capital / Shareholders' equity[1]	Ownership interest[2] / Dividends[3]	Gross value of securities / Net value of securities	Loans, advances[4] / Guarantees[5]	Net sales[6] / Profit or loss[7]
BliNK Biomedical SAS	€ 14,518,028	48.20%	€ 8,998,528.00	€ 0	€ 991,638
	€ 2,324	€ 0	€ 0	€ 0	€ (2,185,985)

(1) Equity = equity other than earnings and share capital

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

(3) Dividends = dividends received by Valneva in 2015

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

(5) Guarantees = outstanding balance of guarantees given by Valneva

(6) Net sales = sales excluding tax

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

(8) 2015 IFRS data

5.5 Market Risks

5.5.1 Interest rate risk

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

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

The Company has also obtained loans to finance its investments. At December 31, 2015, borrowings totaled €8,396 thousand including fixed rate debt of €221 thousand (see Note 4.3.14). Floating rates are based on the 3-month and 1-month Euribor benchmarks.

At 31 December 2015, the Company was covered by an interest rate hedging contract through Grimaud La Corbière SA. In consequence, its exposure to risks relating to floating-rate debt is limited.

5.5.2 Exchange rate risk

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

5.6 Subsequent events

At the date of issue of this report, no material events have occurred subsequent to the end of this reporting period that require disclosure.

VALNEVA SE

Consolidated Financial Statements

December 31, 2015

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1. CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Consolidated income statement

€ in thousand (except per share amounts)	**Note**	**Year ended December 31, 2015**	**2014**
Product sales	5.5	61,545	28,124
Revenues from collaborations, licensing and services	5.5	16,814	8,799
Revenues		**78,360**	**36,922**
Grant income		4,975	5,506
Revenues and Grants		**83,335**	**42,429**
Cost of goods and services	5.6/5.7	(46,961)	(17,144)
Research & Development expenses	5.6/5.7	(25,367)	(22,242)
Distribution and marketing expenses	5.6/5.7	(9,121)	(2,065)
General and administrative expenses	5.6/5.7	(14,394)	(12,077)
Other income and expenses, net	5.8	(152)	(395)
Amortization and impairment of fixed assets/intangibles	5.6	(7,273)	(12,323)
OPERATING LOSS		**(19,934)**	**(23,817)**
Finance income	5.9	5,073	2,273
Finance expenses	5.9	(9,716)	(4,394)
Result from investments in affiliates	5.15	(8,999)	-
Gain on bargain purchase	5.31	13,183	-
LOSS BEFORE INCOME TAX		**(20,393)**	**(25,938)**
Income tax	5.10	(224)	(334)
LOSS FOR THE YEAR		**(20,617)**	**(26,272)**
Losses per share for loss from continuing operations attributable to the equity holders of the Company, expressed in € per share (basic and diluted)	5.11	**(0.28)**	**(0.47)**
EBITDA	5.12	**(8,492)**	**(7,364)**

Consolidated statement of comprehensive income

€ in thousand	Note	Year ended December 31,	
		2015	2014
Loss for the year		**(20,617)**	**(26,272)**
Other comprehensive income/(loss)			
Items that are or may be reclassified subsequently to profit or loss			
Currency translation differences	5.23	(2,584)	(2,626)
Total items that are or may be reclassified subsequently to profit or loss		(2,584)	(2,626)
Other comprehensive income/(loss) for the year, net of tax		**(2,584)**	**(2,626)**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		**(23,200)**	**(28,897)**

2. CONSOLIDATED BALANCE SHEET

€ in thousand	Note	At December 31,	
		2015	2014
ASSETS			
Non-current assets		**158,804**	**166,567**
Intangible assets and goodwill	5.13	98,567	105,204
Property, plant and equipment	5.14	42,439	41,611
Other non-current assets	5.19	17,797	19,753
Current assets		**116,383**	**52,967**
Inventories	5.17	26,687	7,282
Trade receivables	5.18	15,754	6,850
Other current assets	5.19	31,374	9,366
Cash, cash equivalents, short-term deposits and current financial assets	5.20	42,567	29,468
Assets held for sale	5.21	**-**	**7,982**
TOTAL ASSETS		**275,187**	**227,517**
EQUITY			
Capital and reserves attributable to the Company's equity holders		**144,335**	**124,444**
Share capital	5.22	11,205	8,453
Share premium and other regulated reserves	5.22	245,965	206,707
Retained earnings and other reserves	5.22	(92,219)	(64,444)
Net result for the period		(20,617)	(26,272)
LIABILITIES			
Non-current liabilities		**84,489**	**75,704**
Borrowings	5.25	76,568	66,036
Deferred tax liability	5.10	112	103
Other non-current liabilities and provisions	5.28	7,810	9,564
Current liabilities		**46,363**	**26,387**
Borrowings	5.25	25,687	7,117
Trade payables and accruals	5.26	10,698	10,734
Current tax liability		425	275
Tax and employee-related liabilities	5.27	6,889	5,398
Other current liabilities and provisions	5.28	2,664	2,862
Liabilities held for sale	5.21	**-**	**982**
TOTAL LIABILITIES		**130,852**	**103,073**
TOTAL EQUITY AND LIABILITIES		**275,187**	**227,517**

3. CONSOLIDATED CASH FLOW STATEMENT

€ in thousand	Note	Year ended December 31,	
		2015	2014
Cash flows from operating activities			
Loss for the year		(20,617)	(26,272)
Depreciation and amortization	5.13, 5.14	11,442	12,359
Impairment fixed assets/intangibles	5.13, 5.14	-	4,095
Share-based payments	5.24	1,018	530
Income tax	5.10	238	334
Other adjustments for reconciliation to cash used in operations	5.29	2,829	(2,439)
Changes in working capital	5.29	(14,585)	(938)
Cash used in operations	5.29	**(19,674)**	**(12,332)**
Interest paid	5.9	(4,506)	(2,227)
Income tax paid	5.10	(153)	(385)
Net cash used in operating activities		**(24,334)**	**(14,944)**
Cash flows from investing activities			
Acquisition of other businesses, net of cash acquired	5.31	(22,181)	-
Purchases of property, plant and equipment	5.14	(1,854)	(946)
Proceeds from sale of fixed assets	5.29	128	1,712
Purchases of intangible assets	5.13	(792)	(2,792)
Purchases of financial assets		-	(13,616)
Proceeds from sale of financial assets		-	17,130
Investments in associated companies	5.15	(1,999)	-
Interest received		133	505
Net cash generated from/(used in) investing activities		**(26,565)**	**1,993**
Cash flows from financing activities			
Proceeds from issuance of common stock, net of costs of equity transactions	5.22	42,010	8,632
Disposal/(Purchase) of treasury shares		63	69
Proceeds from borrowings, net of transaction costs	5.25	26,472	1,656
Repayment of borrowings	5.25	(4,350)	(5,083)
Net cash generated from financing activities		**64,195**	**5,274**
Net change in cash and cash equivalents		**13,296**	**(7,677)**
Cash at beginning of the year		28,857	36,509
Exchange gains/(losses) on cash		(246)	25
Cash at end of the year	5.20	**41,907**	**28,857**
Cash, cash equivalents, and financial assets at end of the year		**42,567**	**29,468**

4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ in thousand	Note	Share capital	Share premium and other regulated reserves	Retained earnings and other reserves	Net result	Total equity
Balance as of January 1, 2014		**8,206**	**198,322**	**(38,308)**	**(24,110)**	**144,111**
Total comprehensive loss		-	-	(2,626)	(26,272)	(28,897)
Income appropriation		-	-	(24,110)	24,110	-
Employee share option plan:						
+ value of employee services	5.23	-	-	530	-	530
+ exercise of share options	5.22 / 5.24	6	(6)	-	-	-
Treasury shares	5.23			69	-	69
Issuance of common stock, May and June 2014	5.22	240	8,716	-	-	8,956
Cost of equity transactions, net of tax	5.22	-	(325)	-	-	(325)
		246	8,385	(26,136)	(2,162)	(19,667)
Balance as of December 31, 2014		**8,453**	**206,707**	**(64,444)**	**(26,272)**	**124,444**
Balance at January 1, 2015		**8,453**	**206,707**	**(64,444)**	**(26,272)**	**124,444**
Total comprehensive loss		-	-	(2,584)	(20,617)	(23,200)
Income appropriation		-	-	(26,272)	26,272	-
Employee share option plan:						
+ value of employee services	5.23	-	-	1,018	-	1,018
+ exercise of share options	5.22 / 5.24	17	299	-	-	317
Treasury shares	5.23	-	-	63	-	63
Issuance of common stock, February 2015	5.22	2,735	42,297	-	-	45,032
Cost of equity transactions, net of tax	5.22	-	(3,338)	-	-	(3,338)
		2,752	39,258	(27,775)	5,655	19,891
Balance as of December 31, 2015		**11,205**	**245,965**	**(92,219)**	**(20,617)**	**144,335**

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 General information

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

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

Valneva's portfolio includes two commercial vaccines for travelers: one for the prevention of Japanese encephalitis (IXIARO®/JESPECT®) and the second (DUKORAL®) indicated for the prevention of Cholera and, in some countries, prevention of Diarrhea caused by LT- ETEC (*Enterotoxigenic escherichia coli*). The Group has proprietary vaccines in development including candidates against Pseudomonas aeruginosa, Clostridium difficile and Lyme Borreliosis. A variety of partnerships with leading pharmaceutical companies complement the Group's value proposition and include vaccines being developed using Valneva's innovative and validated technology platforms (EB66® vaccine production cell line, IC31® adjuvant).

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

5.1.1 Changes in the Group structure during the year

In January 2015, the Company co-founded BliNK Biomedical SAS with UK Company BliNK Therapeutics Ltd. Valneva SE contributed assets and liabilities related to its VIVA|Screen® technology to BliNK Biomedical SAS. Valneva SE holds 48.22% of the shares of BliNK Biomedical SAS and does not have control over the company which is run as an independent business by its own management team. The investment is therefore consolidated at equity and Valneva SE's share in the result is shown in the income statement under a new line item "Result from investments in affiliates".

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

In March 2015, the Company founded Valneva Canada Inc. for the purpose of vaccine distribution in Canada.

In October 2015, the Company founded Valneva UK Ltd. for the purpose of vaccine distribution in the United Kingdom.

In September 2015, Valneva Austria GmbH resolved to dissolve its wholly owned subsidiary, Elatos GmbH, without liquidation via a universal transfer of its assets to Valneva Austria GmbH retroactively as of January 1, 2015. Removal of Elatos GmbH from the Commercial Register was effective on November 11, 2015.

5.1.2 List of direct or indirect interests

Name	Country of incorporation	Consolidation method	Interest held at December 31, 2015	2014
BliNK Biomedical SAS	FR	at equity	48.22%	-
Elatos GmbH	AT	full	-	100%
Intercell USA, Inc.	US	full	100%	100%
Vaccines Holdings Sweden AB	SE	full	100%	100%
Valneva Austria GmbH	AT	full	100%	100%
Valneva Canada Inc.	CA	full	100%	-
Valneva Scotland Ltd.	UK	full	100%	100%
Valneva Sweden AB	SE	full	100%	-
Valneva Toyama Japan KK	JP	full	100%	100%
Valneva UK Ltd.	UK	full	100%	-

The closing date for the consolidated financial statements is December 31 of each year. As Valneva Sweden AB has been acquired in February 2015, the subsidiary started to be included in the consolidated financial statements on February 9, 2015.

The Company is incorporated in Lyon where it also maintained its core center for antibody discovery programs until the end of 2014. The Valneva SE site in Nantes includes both general and administrative functions and R&D facilities which are used for the development of the EB66® cell line and the vaccine programs. The antibody discovery based on the VIVAIScreen® platform was spun off into BliNK Biomedical SAS as of January 16, 2015. Valneva Austria GmbH, Vienna, Austria, focuses on vaccines and pre-clinical and clinical development activities. Valneva Scotland Ltd., Livingston, United Kingdom, operates a dedicated biologics manufacturing facility used for production of the Group's Japanese encephalitis vaccine. Valneva Toyama Japan KK, Toyama, Japan, was established in 2011 as part of the asset acquisition from the Japanese company SC World. Its R&D activities were stopped at the end of 2013. Vaccines Holdings Sweden AB (formerly "Goldcup 10618 AB") served mainly as the acquisition vehicle and holding company of Crucell Sweden AB, now Valneva Sweden AB in February 2015 (see Note 5.31). Valneva Sweden AB, Solna, Sweden operates a vaccine distribution business in the Nordic countries a manufacturing site related to Dukoral®, a vaccine against cholera and traveler's diarrhea caused by certain types of ETEC and R&D activities. Valneva USA Inc., Valneva Canada Inc. and Valneva UK Ltd. are focused on sales and marketing of vaccines in the respective countries.

These consolidated financial statements have been approved and authorized for issue by the Management Board on March 17, 2016.

5.2 Summary of significant accounting policies

On February 9, 2015, the Group completed its acquisition of Crucell Assets (see Note 5.31). As a result of the acquisition, Crucell's business has been included in the Group's full year consolidated financial statements under IFRS from the acquisition closing date. Therefore, 2014 and 2015 results under IFRS are not fully comparable. While the results of Valneva SE Group were fully included in the income statement of the year 2015, the results from the ex-Crucell operations were only included starting from February 9, 2015.

Pro-forma comparative figures including the Crucell business for the full year 2015 and excluding one-time effects due to the acquisition were prepared for illustrative purposes only. For a detailed explanation of pro-forma assumptions and reconciliation to IFRS results, please refer to Note 5.33.

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

5.2.1 Basis of presentation

These 2015 Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), which comprise IFRS (International Financial Reporting Standards), IAS (International Accounting Standard), and their interpretations, SIC (Standards Interpretations Committee) and IFRIC (International financial Reporting Interpretations Committee) as adopted by the European Union.

The preparation of financial statements in conformity with IFRS as adopted by the European Union requires the use of certain critical accounting estimates. It also requires the Group's management to exercise its judgment in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.4.

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

5.2.2 Impact of new, revised or amended Standards and Interpretations

(a) New and amended standards adopted by the Group

Standard/Interpretation/Amendment		Effective Date	Effects
IAS 19 - amendment	Annual improvements to IFRSs 2011-2013 Cycle	Jan 1, 2015	No material impact

There are no IFRSs or IFRIC interpretations effective for the first time for the financial year beginning on or after January 1, 2015 that would be expected to have a material impact on the Group.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2015, and not early adopted.

Standard/Interpretation/Amendment		Effective Date	Expected Effects
IAS 19 - amendment	Defined Benefit Plans: Employee Contributions	Feb 1, 2015	None
	Annual improvements to IFRSs 2010-2012 Cycle	Feb 1, 2015	No material impact
IFRS 9	Financial instruments: Classification and Measurement	Jan 1, 2018	Change in the accounting treatment of fair value changes in financial instruments previously classified as available for sale
IFRS 14	Regulatory Deferral Accounts	Jan. 1, 2016	None

Standard/Interpretation/Amendment		Effective Date	Expected Effects
IFRS 15	Revenue from Contracts with Customers	Jan. 1, 2018	Impact to be assessed
IFRS 10 / IFRS 12 / IAS 28 amendment	Investment Entities: Applying the Consolidation Exception	Jan. 1, 2016	None
IAS 1 amendment	Disclosure Initiative	Jan. 1, 2016	No material impact
IAS 27 amendment	Equity Method in Separate Financial Statements	Jan. 1, 2016	None
IFRS 10 / IAS 28 amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely	None
IAS 16 / IAS 41 amendment	Bearer Plants	Jan. 1, 2016	None
IAS 16 / IAS 38 amendment	Clarification of Acceptable Methods of Depreciation and Amortization	Jan. 1, 2016	None
IFRS 11 amendment	Accounting for Acquisitions of Interests in Joint Operations	Jan. 1, 2016	None
	Annual improvements to IFRSs 2012-2014 Cycle	Jan. 1, 2016	No material impact

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

5.2.3 Consolidation

Subsidiaries

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

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

Intercompany transactions, balances, and unrealized gains on transactions between group companies are eliminated.

5.2.4 Segment reporting

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

The Management Board primarily uses a measure of adjusted earnings before interest, tax, depreciation and amortization (EBITDA, see Note 5.12) to assess the performance of the operating segments. However, the Management Board also receives information about the segments' revenue on a monthly basis.

For further disclosure, see Note 5.5.

5.2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Change in the fair value of monetary securities denominated in foreign currency and classified as “available-for-sale” is analyzed by considering translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are accounted for in profit or loss. Other changes in the carrying amount are accounted for in other comprehensive income and are shown as other reserves.

(c) Subsidiaries

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

(i) assets and liabilities presented for each balance sheet are converted according to the exchange rate valid on the balance sheet date;

(ii) income and expenses for each income statement are converted at monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are converted on the dates of the transactions); and

(iii) all resulting exchange differences are recognized as other comprehensive income and are shown as other reserves.

When a foreign operation is partially disposed of or sold, exchange differences that had been recorded in equity are recognized in the income statement as part of the gain or loss on sale.

5.2.6 Revenue recognition

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

(a) Product sales

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon delivery of the goods. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred and the Group has objective evidence that all criteria for acceptance have been satisfied. In cases where the goods are sold via a distributor and where the consideration consists of a fixed part and a variable part that is only payable upon the distributor's sale of the product to the ultimate purchaser, the fixed consideration is recognized when the Group has delivered products to the distributor, the distributor has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the distributor's acceptance of the products. The variable part of such consideration is recognized as soon as the distributor has sold the product to the market and all conditions for the Group to receive the variable consideration have been met. The Group does not operate any loyalty programs. Revenue from sales is based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns.

(b) Revenues from collaborations, licensing and services

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

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

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

Under certain arrangements, the Group receives non-refundable up-front fees for granting license options, which allow the licensee to obtain, upon execution of the option, a license for specific intellectual property rights on pre-defined terms and conditions. Such option premiums are deferred and amortized over the option period and the arrangement is not considered to give rise to a financial asset or liability.

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

(c) Grant income

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

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

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

Research & Development tax credit granted by tax authorities are accounted for as grants under IAS20. In consequence, the portion of the research tax credit covering operating expenses is recognized in the income statement under “Grants” in “Revenues and Grants” and the portion covering capitalized development expenditures under “Intangible assets” is recorded as deduction from the assets relating to.

(d) Interest income

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

5.2.7 Leases

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

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

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

5.2.8 Intangible assets

(a) Computer software

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

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

(b) Acquired R&D technology and projects

Acquired R&D technology projects are capitalized. Amortization of the intangible asset over its useful life starts when the product has been fully developed and is ready for use. These costs are amortized on a straight-line basis over their useful lives. This useful life is determined on a case-by-case basis according to the nature and characteristics of the items included under this heading. As long as the useful life is indefinite, in-process Research & Development projects are tested annually for impairment and carried at cost less accumulated impairment losses. Furthermore, assets with an indefinite useful life and assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The current acquired R&D technology and projects are amortized over a period between five and 18 years.

(c) Development costs

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

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(ii) management intends to complete the intangible asset and to utilize or sell it;

(iii) there is an ability to utilize or sell the intangible asset;

(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;

(v) adequate technical, financial, and/or other resources to complete the development and to utilize or sell the intangible asset are available; and

(vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

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

5.2.9 Property, plant and equipment

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

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

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

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

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

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

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

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

5.2.10 Impairment of non-financial assets

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

5.2.11 Equity-accounted investees

An associate (or affiliate) is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligation s or made payments on behalf of the associate.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company’s investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

5.2.12 Non-current assets and liabilities (or disposal groups) held for sale

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

5.2.13 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods, or services directly to a debtor with no intention of trading the receivable.

They are included in current assets, except those with maturities beyond 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as “trade receivables and other assets” in the balance sheet (see Note 5.2.16).

5.2.14 Derivative financial instruments

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

The valuation techniques utilized for establishing the fair values of assets and liabilities are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect management’s market assumptions.

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

5.2.15 Inventories

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

5.2.16 Trade receivables and other assets

Trade receivables and other assets are initially recognized at fair value.

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

5.2.17 Cash, cash equivalents and short-term deposits

Cash includes cash in hand, and deposits held at call with banks. Cash equivalents include time deposits and medium-term notes that can be assigned or sold on very short notice and are subject to insignificant risk of changes in value in response to fluctuations in interest rates. Restrictions on the remittance of cash and cash equivalents are described, if any, in Note 5.20.

5.2.18 Share capital, share premium and other regulated reserves, retained earnings and other reserves, and net result

Ordinary shares are classified as equity.

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

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

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

5.2.19 Trade payables

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

5.2.20 Borrowings

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

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

5.2.21 Current and deferred income tax

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

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

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

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

5.2.22 Employee benefits

(a) Share-based payments

Equity-settled transactions

The Company operates various equity-settled, share-based compensation plans. The fair value of such share-based compensation is recognized as an expense for employee services received in exchange for the grant of the options. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Annually, the Group revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, and makes a corresponding adjustment to equity.

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

(b) Bonus plans

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

(c) Employee commitments

Some group companies provide retirement termination benefits to their retirees.

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

+ a discount rate;
+ a salary increase rate;
+ an employee turnover rate.

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

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

5.2.23 Provisions

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

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

Provisions are not recognized for future operating losses.

5.2.24 Deferred Revenues

Deferred Revenues are comprised of advanced payments from collaboration partners (especially option fees) and conditional advances from subordinated grants. These are recognized under "other non-current liabilities and provisions" and "other current liabilities and provisions" according to their maturity.

5.3 Financial risk management

5.3.1 Financial risk factors

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

Financial risk management is carried out under the CFO's responsibility and is closely supervised by the Management Board. The Company's risk management systems identify, evaluate, and manage financial risks. The Management Board submits regular reports on its risk management systems, including the management of financial risks, to the audit committee of the Supervisory Board.

(a) Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. Dollar ("$"), the British Pound ("GBP"), the Swedish Krona ("SEK"), the Norwegian Krone ("NOK"), the Canadian Dollar ("CAD"), Australian Dollar ("AUD"), whereas the foreign exchange risk exposure to some other currencies, including the Danish Krone, the Swiss Franc, the New Zealand Dollar and the Japanese Yen is relatively limited. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.

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

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

At December 31, 2015, if the $ had weakened by 10% against the €, with all other variables held constant, pre-tax comprehensive loss for the year would have been lower by €3,251 thousand (2014: €2,060 thousand), mainly as a result of foreign exchange gains on the translation of $-denominated borrowings and trade payables, partly offset by a negative effect from cash equivalents and trade receivables. Income was more sensitive to fluctuations in the €/$ exchange rate at the balance sheet date in 2015 than it was in 2014 mainly because of the increased $-denominated borrowings and trade payables.

At December 31, 2015, if the SEK had weakened by 10% against the €, with all other variables held constant, pre-tax comprehensive loss for the year would have been €1,516 thousand higher (2014: €0 thousand), mainly as a result of foreign exchange losses on the translation of SEK-denominated cash equivalents and trade receivables, partly offset by a positive effect from trade payables.

At December 31, 2015, if the GBP had weakened by 10% against the €, with all other variables held constant, pre-tax comprehensive loss for the year would have been €446 thousand higher (2014: € 261 thousand). Income was more sensitive to fluctuations in the €/GBP exchange rate at the balance sheet date in 2015 than it was in 2014 mainly because of the increased amount of GBP-denominated cash equivalents.

At December 31, 2015, if the CAD had weakened by 10% against the €, with all other variables held constant, pre-tax comprehensive loss for the year would have been €201 thousand higher (2014: €0 thousand), mainly as a result of foreign exchange losses on the translation of CAD-denominated cash equivalents and trade receivables.

At December 31, 2015, if the AUD had weakened by 10% against the €, with all other variables held constant, pre-tax comprehensive loss for the year would have been €67 thousand higher (2014: €0 thousand), mainly as a result of foreign exchange losses on the translation of AUD-denominated trade receivables.

At December 31, 2015, if the NOK had weakened by 10% against the €, with all other variables held constant, pre-tax comprehensive loss for the year would have been €36 thousand lower (2014: €0 thousand), mainly as a result of foreign exchange losses on the translation of NOK-denominated trade payables, partly offset by a negative effect from trade receivables.

Interest rate risk

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

Borrowings issued at variable rates expose the Group to cash flow interest rate risk, which is offset by cash and financial assets held at variable rates. During 2015 and 2014, the Group's investments at variable rate as well as the borrowings at variable rate were denominated in €, SEK, $ and in GBP.

The Group analyzes its interest rate exposure on a dynamic basis. Based on this analysis, the Group calculated the impact on profit and loss of a defined interest rate shift. The same interest rate shift was used for all currencies. The calculation only includes investments in financial instruments and cash in banks that represent major interest-bearing positions. As of the balance sheet date, the calculated impact on income before tax of a 0.25% shift would be an increase or decrease of €5 thousand (2014: €36 thousand).

(b) Credit risk

The Group is exposed to credit risk. The Group holds bank accounts, cash balances, and securities at quality financial institutions with high credit ratings. To monitor the credit quality of its counterparts, the Group relies on credit ratings as published by specialized rating agencies such as Standard & Poor's, Moody's, and Fitch. The Group has policies that limit the amount of credit exposure to any single financial institution. The Group is also exposed to credit risk from its trade debtors, as its collaborations, licensing and services income arises from a small number of transactions. The Group has policies in place to enter into such transactions only with highly reputable, financially sound counterparts. If customers are independently rated, these ratings are used. Otherwise, in the case that there is no independent rating, risk management assesses the credit quality of the customer, taking into account its financial position, past experience, and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The credit quality of financial assets is described in Note 5.16.3.

(c) Liquidity risk

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

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

At December 31, 2014 € in thousand	**Less than 1 year**	**Between 1 and 3 years**	**Between 3 and 5 years**	**Over 5 years**	**Total**
Borrowings (excluding finance lease liabilities)[7]	6,282	25,572	9,544	1,701	43,099
Finance lease liabilities	836	1,693	1,722	25,804	30,054
Trade payables and accruals	10,734	-	-	-	10,734
Tax and employee-related liabilities[8]	3,278	-	-	-	3,278
Other liabilities and provisions[9]	23	-	178	9	210
	21,152	**27,265**	**11,444**	**27,514**	**87,375**

[7] 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.

[8] 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.

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

At December 31, 2015 € in thousand	**Less than 1 year**	**Between 1 and 3 years**	**Between 3 and 5 years**	**Over 5 years**	**Total**
Borrowings (excluding finance lease liabilities)[10]	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[11]	4,982	-	-	-	4,982
Other liabilities and provisions[12]	26	-	178	47	251
	44,766	**43,327**	**18,811**	**25,766**	**132,671**

The fair values as well as the book values of the Group's borrowings are disclosed in Note 5.25. To manage liquidity risk, the Group holds sufficient cash, cash equivalents and short-term deposit balances.

5.3.2 Accounting for hedging activities

At the balance sheet date, the Group does engage in hedging activities. For more information, see Note 5.16.2.

5.3.3 Capital risk management

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

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

5.3.4 Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the relatively short maturity of the respective instruments.

5.4 Critical accounting estimates and judgments

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

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[10] 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.

[11] 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.

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

5.4.1 Critical accounting estimates and assumptions

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

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

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

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

5.4.2 Critical judgments in applying the entity's accounting policies

Revenue recognition

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

5.5 Segment information

The segments consist of following:

+ "Commercialized vaccines" (marketed vaccines, currently the Group's JEV and DUKORAL® vaccines as well as 3rd Party vaccines distributed through the acquired Nordics distribution business);
+ "Technologies and services" (services and inventions in commercialization stage, i.e. revenue-generating through collaboration, service and licensing agreements, including EB66® and IC31®);
+ "Vaccine Candidates" (proprietary Research & Development programs aiming to generate new approvable products in order to generate future cash flows from product sales or from commercialization through partnering with pharmaceutical companies).

5.5.1 Income statement aggregates by segment:

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

€ in thousand	Commer-cialized vaccines	Techno-logies and services	Vaccine Candidates	Corporate Overhead	Total
Revenues and grants	28,289	5,067	9,072	-	**42,429**
Cost of goods and services	(15,565)	(1,578)	-	-	**(17,144)**
Research & Development expenses	(3,749)	(4,231)	(14,262)	-	**(22,242)**
Distribution and marketing expenses	(1,193)	(874)	-	-	**(2,067)**
General and administrative expenses	-	-	-	(12,074)	**(12,074)**
Other income and expenses, net	-	-	-	(395)	**(395)**
Amortization and impairment of fixed assets/intangibles	(6,637)	(5,686)	-	-	**(12,323)**
Operating profit / (loss)	**1,144**	**(7,302)**	**(5,190)**	**(12,469)**	**(23,817)**
Finance income/loss and income tax	-	-	-	(2,455)	**(2,455)**
Profit / (loss) from continuing operations	**1,144**	**(7,302)**	**(5,190)**	**(14,924)**	**(26,272)**

Income statement aggregates by segment for the year ended December 31, 2015:

€ in thousand	Commer-cialized vaccines	Techno-logies and services	Vaccine Candidates	Corporate Overhead	Total
Revenues and grants	62,052	12,591	8,691	-	**83,335**
Cost of goods and services	(41,943)	(5,020)	-	-	**(46,963)**
Research & Development expenses	(3,273)	(2,299)	(19,794)	-	**(25,365)**
Distribution and marketing expenses	(8,390)	(629)	(102)	-	**(9,121)**
General and administrative expenses	-	-	-	(14,394)	**(14,394)**
Other income and expenses, net	-	-	-	(152)	**(152)**
Amortization and impairment of fixed assets/intangibles	(6,712)	(561)	-	-	**(7,273)**
Operating profit / (loss)	**1,735**	**4,081**	**(11,204)**	**(14,546)**	**(19,934)**
Finance income/loss, result from investments in affiliates, gain on bargain purchase, and income tax	-	-	-	(683)	**(683)**
Profit / (loss) from continuing operations	**1,735**	**4,081**	**(11,204)**	**(15,229)**	**(20,617)**

5.5.2 Geographical segments

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

Revenues per geographical segment

€ in thousand	Year ended December 31,	
	2015	2014
France	3,768	4,845
Europe – without France	39,147	16,844
North America	33,933	19,160
Other	6,486	1,580
Revenues	**83,335**	**42,429**

Non-current assets per geographical segment

€ in thousand	At December 31,	
	2015	2014
France	7,050	7,833
Europe – without France	133,194	138,269
North America	763	712
Other	-	-
Non-current assets	**141,007**	**146,814**

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

5.5.3 Information about major customers

Product sales to the largest customer amounted to €30,309 thousand (2014: €27,781 thousand). Collaboration and licensing revenue from the two largest customers amounted to €5,014 thousand (2014: €5,054 thousand) and €4,626 thousand (2014: €1,328 thousand), respectively.

5.6 Expenses by nature

Cost of goods and services, Research & Development expenses, distribution and marketing expenses, general and administrative expenses, and amortization and impairment fixed assets/intangibles include the following items by nature of cost:

€ in thousand	**Year ended December 31,**	
	2015	**2014**
Consulting and other purchased services	22,251	14,662
Employee benefit expense (Note 5.7)	33,651	21,864
Depreciation and amortization	11,442	12,359
Impairment	-	4,095
Building and energy costs	7,166	3,244
Raw materials and consumables used	2,036	2,060
Supply, office and IT-costs	1,434	677
Travel and transportation costs	1,120	762
Advertising costs	1,763	25
License fees and royalties	2,173	3,836
Other expenses	357	134
Amounts capitalized as development costs and changes in inventory	19,724	2,133
Cost of goods and services, Research & Development expenses, distribution and marketing expenses, general and administrative expenses, and amortization and impairment fixed assets/intangibles	**103,116**	**65,851**

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

€ in thousand excl. VAT	**Year ended December 31, 2015**		**Year ended December 31, 2014**	
	PwC	**Deloitte & Associés**	**PwC**	**Deloitte & Associés**
Audit				
Statutory audit				
+ Valneva SE	81	82	111	114
+ Fully consolidated subsidiaries	113	44	53	44
Audit procedures in relation with the issuance of common stock in February 2015	36	37	78	66
Other procedures and services direct related to the statutory auditor's engagement				
+ Valneva SE	21	8	-	4
+ Fully consolidated subsidiaries	19	-	17	16
Audit sub-total	**270**	**171**	**258**	**245**
Other services				
Legal, tax, labor issues				
+ Valneva SE	-	-	-	-
+ Fully consolidated subsidiaries	37	152	-	-
Other directly related procedures	-	-	-	-
Accessory missions	-	1	-	-
Other services sub-total	37	153	-	-
Fees charged by the statutory auditors and members of their network	**307**	**324**	**258**	**245**

5.7 Employee benefit expense

Employee benefit expenses include the following:

€ in thousand	**Year ended December 31, 2015**	**Year ended December 31, 2014**
Salaries	23,705	16,483
Social security contributions	7,557	4,236
Training and education	542	292
Share options granted to management and employees	1,018	528
Other employee benefits	830	325
Employee benefit expense	**33,651**	**21,864**

During the year 2015, the Group had an average of 390 employees (2014: 275 employees).

5.8 Other income/(expenses), net

Other income, net of other expenses, includes the following:

€ in thousand	Year ended December 31,	
	2015	2014
Taxes, duties, fees, charges, other than income tax	(116)	(258)
Gain/(loss) on disposal of fixed assets, net	29	(63)
Miscellaneous income/(expenses), net	(66)	(74)
Other income/(expenses), net	**(152)**	**(395)**

5.9 Finance income/(expenses), net

€ in thousand	Year ended December 31,	
	2015	2014
Finance income		
+ Interest income from bank deposits	43	132
+ Interest income from other parties	3,053	93
+ Gains on financial assets/liabilities	-	48
+ Foreign exchange gains	1,977	1,999
	5,073	**2,273**
Finance expense		
+ Interest expense to banks and government agencies	(148)	(190)
+ Interest expense on other loans	(9,569)	(4,204)
	(9,716)	**(4,394)**
Finance income/(expenses), net	**(4,643)**	**(2,121)**

The Group benefits from government assistance through arranging borrowing facilities that would have otherwise not been available to the Group. This assistance includes guarantees for the amount outstanding. For more information, see Note 5.25.

5.10 Income tax

5.10.1 Income tax

Income tax is comprised of current and deferred tax.

€ in thousand	Year ended December 31,	
	2015	2014
Current tax	(549)	(315)
Deferred tax	325	(19)
Income tax	**(224)**	**(334)**

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

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

€ in thousand	**Year ended December 31,**	
	2015	**2014**
Loss before tax	(20,393)	(25,938)
Tax calculated at domestic tax rates applicable to profits in the respective countries	6,919	7,650
Income not subject to tax	5,085	1,828
Expenses not deductible for tax purposes	(5,350)	(1,602)
Deferred tax asset not recognized	(6,721)	(8,163)
Deemed income	(117)	-
Adjustments in respect of prior years	6	(20)
Effect of change in applicable tax rate	5	2
Exchange differences	(21)	(4)
Income tax of prior years	(22)	-
Minimum income tax	(2)	(3)
Withholding tax	(7)	(23)
Income tax	**(224)**	**(334)**

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

5.10.2 Deferred tax

As of December 31, 2015 the deferred tax asset of €106,002 thousand (2014: €95,114 thousand) are not recognized as there was no sufficient evidence that adequate taxable profit will be available against which the unused tax losses can be utilize in the foreseeable future.

As of December 31, 2015 the Group has tax losses carried forward of €433,078 thousand (2014: €422,023 thousand), of which €91,469 thousand are related to Valneva SE in France (2014: €81,169 thousand), €318,135 thousand are related to Valneva Austria GmbH (2014: €322,984 thousand) and €20,180 thousand are related to Intercell USA, Inc in U.S. (2014: €17,871 thousand) and €1,970 thousand are related to Valneva Sweden AB..

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

The offset amounts are as follows:

€ in thousand	At December 31,	
	2015	2014
Deferred tax assets		
+ Deferred tax asset to be recovered after more than 12 months	18,275	21,774
+ Deferred tax asset to be recovered within 12 months	428	1,569
Total deferred tax assets	**18,703**	**23,343**
Deferred tax liabilities		
+ Deferred tax liability to be recovered after more than 12 months	(18,457)	(23,259)
+ Deferred tax liability to be recovered within 12 months	(357)	(187)
Total deferred tax liability	**(18,815)**	**(23,446)**
Deferred tax, net	**(112)**	**(103)**

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

€ in thousand	2015	2014
Beginning of year	(103)	(79)
Exchange differences	(6)	(6)
Income statement charge	(2)	(18)
End of year	**(112)**	**(103)**

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

€ in thousand	At December 31,	
	2015	2014
Deferred tax asset from		
Tax losses carried forward	118,888	115,015
Fixed assets	2,230	1,051
Borrowings	1,478	-
Other items	2,109	2,390
Non-recognition of deferred tax assets	(106,002)	(95,114)
Total deferred tax assets	**18,703**	**23,343**
Deferred tax liability from		
Fixed assets	(526)	(526)
Intangible assets	(18,130)	(22,780)
Other items	(159)	(140)
Total deferred tax liability	**(18,815)**	**(23,446)**
Deferred tax, net	**(112)**	**(103)**

The income tax rate in the United Kingdom has been reduced from 21% to 20% and will be 19% from starting April 1, 2017. The deferred tax assets and liabilities presented above as at December 31, 2015 and December 31, 2014 have been adjusted for this change in tax rates.

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

5.11 Earnings/Losses per share

Basic earnings/losses per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of outstanding shares during the year, excluding shares purchased by the Company and held as treasury shares (Note 5.23).

	Year ended December 31,	
	2015	**2014**
Net loss from continuing operations attributable to equity holders of the Company (€ in thousand)	(20,617)	(26,272)
Weighted average number of outstanding shares	72,740,348	55,493,043
Basic earnings/(losses) from continuing operations per share (€ per share)	**(0,28)**	**(0.47)**

Diluted losses per share equal basic losses per share, because the conversion of all potentially dilutive shares (outstanding preferred shares, share options, free shares, and equity warrants) (see Notes 5.22 and 5.24) would result in a decrease in the loss per share and is therefore not to be treated as dilutive.

5.12 EBITDA

EBITDA (Earnings before interest, taxes, depreciation and amortization) was calculated by excluding depreciation, amortization and impairment fixed assets/intangibles from the operating loss.

€ in thousand	**Year ended December 31,**	
	2015	**2014**
Operating loss	(19,934)	(23,817)
Depreciation	4,437	3,861
Amortization	7,005	8,498
Impairment on intangibles and fixed assets	-	4,095
EBITDA	**(8,492)**	**(7,364)**

5.13 Intangible assets and Goodwill

€ in thousand	Software	Acquired R&D techno-logy and projects	Deve-lopment costs	Good-will	Advance payments	Total
January 1, 2014						
Cost	2,334	131,800	13,617	350	1	148,102
Accumulated amortization and impairment	(2,036)	(10,776)	(9,887)	-	-	(22,699)
Net book value	**299**	**121,023**	**3,730**	**350**	**1**	**125,403**
Year ended December 31, 2014						
Opening net book value	299	121,023	3,730	350	1	125,403
Exchange rate differences	8	340	20	-	-	367
Additions	228	198	1,649	-	95	2,170
Reclassification	-	194	-	-	9	202
Disposals	-	(23)	63	(350)	-	(310)
Amortization charge	(240)	(7,519)	(757)	-	-	(8,516)
Impairment charge	-	(7,263)	-	-	-	(7,263)
Transferred to Assets held for sale	-	(6,816)	(33)	-	-	(6,849)
Closing net book value	**294**	**100,134**	**4,672**	**-**	**105**	**105,204**
December 31, 2014						
Cost	2,420	113,608	16,698	-	105	132,831
Accumulated amortization and impairment	(2,127)	(13,474)	(12,026)	-	-	(27,627)
Net book value	**294**	**100,134**	**4,672**	**-**	**105**	**105,204**

€ in thousand	Software	Acquired R&D techno-logy and projects	Deve-lopment costs	Good-will	Advance payments	Total
Year ended December 31, 2015						
Opening net book value	294	100,134	4,672	-	105	105,204
Exchange rate differences	3	296	38	-	-	336
Acquisition of subsidiary (Note 5.31)	-	2	-	-	-	2
Additions	136	83	337	-	65	622
Reclassification	105	-	-	-	(105)	-
Disposals	(2)	-	(62)	-	-	(64)
Amortization charge	(220)	(6,494)	(818)	-	-	(7,532)
Impairment charge	-	-	-	-	-	-
Closing net book value	**315**	**94,021**	**4,167**	**-**	**65**	**98,567**
December 31, 2015						
Cost	2,591	117,811	10,511	-	65	130,979
Accumulated amortization and impairment	(2,277)	(23,791)	(6,344)	-	-	(32,412)
Net book value	**315**	**94,021**	**4,167**	**-**	**65**	**98,567**

5.13.1 Significant intangible assets

Intangible assets primarily relate to in-process R&D projects, the Japanese encephalitis vaccine, the Pseudomonas vaccine and in 2014 the VivalScreen® technology.

In 2014, the impairment charge of €7,263 thousand is related to the antibody technologies VivalScreen® and eMAB® and was netted in the profit and loss statements with the related changes from a financial liability, which was amended due to the change of the agreement in relation with the new structure of this technology.

5.13.2 Impairment testing

(a) Impairment testing of in-process Research & Development projects

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

The calculations use post tax risk-adjusted cash flow projections based on the Group's long-range business model including the Management's best estimate on probability of success of the respective projects (risk-adjustment) and a discount rate of 11.66% to 11.83% per annum (2014: 9.15% per annum).

The discount rate of 11.66% to 11.83% per annum (2014: 9.15% per annum) is based on 1.58% risk-free rate (2014: 1.59%), 7.00% market risk premium (2014: 6.50%), 0.93% to 1.16% country risk premium (2014: 0%), 0.49% to 0.52% currency risk (2014: 0%), a beta of 1.44 (2014: 1.16), and a peer group related equity-capital ratio.

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

There was no impairment of in-process Research & Development projects in the year 2014 and 2015.

(b) Impairment testing for Assets held for sale

In January 2015 BliNK Biomedical SAS, a private company specialized in the discovery of innovative monoclonal antibodies was created – see Note 5.15.

Therefore the Viva|Screen®-assets and liabilities have been recognized as assets and liabilities held for sale and valued at the fair value less cost to sell as of December 31, 2014.

In connection with the spin-off of the VivaIScreen® technology into BliNK Biomedical SAS in January 2015, management decided to stop the development of the eMAB® technology. As there is no internal use and no external market the technology was re-valued to zero.

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

5.13.3 Sensitivity to changes in assumptions

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

+ discount rate
+ probability of project success
+ reduction in expected revenues / royalties

The net present value calculation uses a discount rate of 11.66% to 11.83% (2014: 9.15%). An increase in the discount rate of 2.70% to 63.92% would trigger an impairment loss (2014: 0.08% to 9.23%). Furthermore, an increase in the discount rate of one percentage point would result in no additional impairment loss (2014: €1.0 million).

The result of the acquired Research & Development projects is inherently uncertain and the Group may experience delays or failures in clinical trials. A failure to demonstrate safety and efficacy in clinical product development of one of the acquired Research & Development projects would result in an impairment loss. The net present value calculation uses a probability of success rate of 10% to 50% for acquired products in the stage of Research & Development. Applying the Industry standard for the likelihood of successfully passing clinical Phase II, Phase III or final filing stages, results in no additional impairment. Assumptions used were a 10% likelihood of failure in final filing stage (2.5% weighted risk), a 50% chance to fail in Phase III after having successfully passed Phase II (22.5% weighted risk) and a risk of 50% for failing in Phase II after successful finalization of Phase I (50% weighted risk).

The net present value calculations are based upon assumptions regarding market size, expected sales volumes resulting in sales value expectations or expected royalty income. A reduction in revenues or royalty income of 10% would result in no additional impairment loss. A reduction of expected revenues / royalties of 25.50% to 48.47% would trigger an impairment loss

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5.14 Property, plant and equipment

€ in thousand	Land, buildings and leasehold improve-ments	Manu-facturing and laboratory equipment	Computer hard-ware	Furniture, fittings and other	Assets in the course of con-struction	Total
January 1, 2014						
Cost	51,181	18,456	1,471	1,390	-	72,497
Accumulated depreciation and impairment	(10,941)	(14,379)	(1,327)	(782)	-	(27,430)
Net book value	**40,240**	**4,076**	**143**	**607**	**-**	**45,067**
Year ended December 31, 2014						
Opening net book value	40,240	4,076	143	607	-	45,067
Exchange rate differences	287	70	5	11	-	372
Additions	71	953	85	18	-	1,127
Reclassification	(9)	-	-	-	-	(9)
Disposals	-	(176)	(1)	(1)	-	(177)
Depreciation charge	(2,455)	(1,243)	(88)	(125)	-	(3,911)
Impairment charge	-	(235)	-	-	-	(235)
Transferred to Assets held for sale	-	(560)	(12)	(52)	-	(623)
Closing net book value	**38,134**	**2,886**	**132**	**458**	**-**	**41,611**
December 31, 2014						
Cost	51,899	18,072	1,386	1,305	-	72,661
Accumulated depreciation and impairment	(13,765)	(15,186)	(1,254)	(846)	-	(31,050)
Net book value	**38,134**	**2,886**	**132**	**458**	**-**	**41,611**
Year ended December 31, 2015						
Opening net book value	38,134	2,886	132	458	-	41,611
Exchange rate differences	215	106	4	10	34	369
Acquisition of subsidiary (Note 5.31)	202	1,254	50	32	1,130	2,669
Additions	56	985	93	106	540	1,780
Reclassification	38	655	-	2	(696)	-
Disposals	(19)	(23)	(1)	-	-	(43)
Depreciation charge	(2,297)	(1,412)	(96)	(140)	-	(3,945)
Impairment charge	-	-	-	-	-	-
Closing net book value	**36,329**	**4,452**	**182**	**469**	**1,009**	**42,439**
December 31, 2015						
Cost	52,821	20,069	1,523	1,461	1,009	76,883
Accumulated depreciation and impairment	(16,492)	(15,618)	(1,341)	(992)	-	(34,443)
Net book value	**36,329**	**4,452**	**182**	**469**	**1,009**	**42,439**

Depreciation and amortization expenses of €1,346 thousand (2014: €1,384 thousand) were charged to Research & Development expenses, €20 thousand (2014: €3 thousand) were charged to distribution and marketing expenses, and €110 thousand (2014: €25 thousand) were charged to general and administrative expenses.

Operating property leases amounting to €2,170 thousand (2014: €365 thousand) are included in the income statement.

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

€ in thousand	Buildings and lease-hold improve-ments	Manu-facturing and laboratory equip-ment	Computer hardware	Furniture, fittings and other	Assets in the course of con-struction	Total
December 31, 2015						
Cost	34,795	-	-	-	-	34,795
Accumulated depreciation	(5,919)	-	-	-	-	(5,919)
Net book value	**28,876**	**-**	**-**	**-**	**-**	**28,876**

5.15 Equity-accounted investees

Details of the Group's material associate are as follows:

Name of associate	Place of business	Measurement method	% of ownership interest at December 31, 2015	2014
BliNK Biomedical SAS	FR	Equity method	48.22%	-

In January 2015, Valneva and the UK company BliNK Therapeutics Ltd founded BliNK Biomedical SAS, a private company specialized in the discovery of innovative monoclonal antibodies. Valneva contributed assets and liabilities in conjunction with the VIVA|Screen® technology.

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

5.15.1 Summarized financial information for material associate

The summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs (adjusted by the Group for equity accounting purposes).

€ in thousand	At December 31,	
	2015	2014
BliNK Biomedical SAS		
Non-current assets	12,469	-
Current assets	3,779	-
Non-current liabilities	1,999	-
Current liabilities	1,915	-
Revenue	992	-
Profit/(Loss) from continuing operations	(2,186)	-
Post-tax profit or loss from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	(2,186)	-

5.15.2 Reconciliation to the carrying amount

€ in thousand	At December 31,	
	2015	2014
Net assets of associate	12,334	-
Proportion of the Company's ownership interest in BliNK Biomedical SAS	48.22%	-
Company's share in net assets	5,948	-
Additional investment – convertible bonds	1,999	-
Impairment	(7,946)	-
Balance at December 31	-	-

The book values of equity-accounted investees have been assessed annually for impairment testing purposes using the risk-adjusted discounted cash flow method (value in use approach). The resulting net present value of cash flows using this valuation methodology did not confirm the book value. BliNK Biomedical's business strategy is to use its technologies to develop own products, as opposed to Valneva's previous strategy of generating early revenues from services, upfront license fees and milestone revenues from out-licensing. The long term-nature and development risks inherent to own product development, together with the significant cost of capital of an early stage company explain the valuation result based on BliNK Biomedical's business plan.

BliNK Biomedical is private company and its shares are not listed on a stock exchange. After the financing that followed its foundation, no shares of BliNK Biomedical have been sold or issued to third parties and no offers for a purchase of shares by independent parties have been received so far. Therefore, the initial fair market value used in the initial valuation of the BliNK Biomedical asset could not be confirmed by any recent fair market value and the investment has been impaired at the end of 2015.

5.16 Financial instruments

5.16.1 Financial instruments by category

December 31, 2014 € in thousand	Loans and receivables	Total
Assets as per balance sheet		
Trade receivables	6,850	6,850
Other assets[13]	12,950	12,950
Cash, cash equivalents, short-term deposits and current financial assets	29,468	29,468
Assets	**49,268**	**49,268**

	Liabilities at fair value through profit and loss	Other financial liabilities	Total
Liabilities as per balance sheet			
Borrowings (excluding finance lease liabilities)[14]	-	43,099	43,099
Finance lease liabilities	-	30,054	30,054
Trade payables and accruals	-	10,734	10,734
Tax and employee-related liabilities[15]	-	3,278	3,278
Other liabilities and provisions[16]	3	208	210
Liabilities held for sale	-	982	982
Liabilities	**3**	**88,355**	**88,358**

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

[14] 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.

[15] 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.

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

December 31, 2015 € in thousand	Loans and receivables	Total
Assets as per balance sheet		
Trade receivables	15,754	15,754
Other assets[17]	31,073	31,073
Cash, cash equivalents, short-term deposits and current financial assets	42,567	42,567
Assets	**89,394**	**89,394**

	Liabilities at fair value through profit and loss	Other financial liabilities	Total
Liabilities as per balance sheet			
Borrowings (excluding finance lease liabilities)[18]	-	73,039	73,039
Finance lease liabilities	-	29,217	29,217
Trade payables and accruals	-	10,698	10,698
Tax and employee-related liabilities[19]	-	4,982	4,982
Other liabilities and provisions[20]	2	249	251
Liabilities held for sale	-	-	-
Liabilities	**2**	**118,183**	**118,185**

5.16.2 Fair value measurements

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

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

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

[18] 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.

[19] 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.

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

December 31, 2014 € in thousand	Level 2	Total
Other liabilities and provisions		
Derivative financial instruments	3	3
Other liabilities and provisions	**3**	**3**

December 31, 2015 € in thousand	Level 2	Total
Other liabilities and provisions		
Derivative financial instruments	2	2
Other liabilities and provisions	**2**	**2**

At December 31, 2015, the fair value of these swaps was not material.

Since 2010, the Company has been covered by interest rate hedging contracts through Groupe Grimaud La Corbière.

In 2012, an interest rate hedging contract was set up for €394 thousand and reduced to €385 thousand at December 31, 2012 then to €325 thousand at December 31, 2013, to €270 thousand at December 31, 2014 and to €215 thousand at December 31, 2015. This contract was implemented on October 17, 2012 for a seven-year period. This interest rate swap agreement provides for a payment to Groupe Grimaud La Corbière each month at 1-month Euribor plus a fixed-rate amount of 0.58%.

5.16.3 Credit quality of financial assets

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

€ in thousand	At December 31,	
	2015	2014
Trade receivables		
Receivables from governmental institutions	284	3
AAA	307	-
AA	-	6,324
A	5,280	-
Counterparties without external credit rating	9,884	522
Trade receivables	**15,754**	**6,850**
Other assets		
Receivables from governmental institutions	189	1,299
AAA	19,159	-
A	237	175
Counterparties without external credit rating or rating below A	11,488	11,477
Other assets	**31,073**	**12,950**
Cash, cash equivalents, short-term deposits and current financial assets		
AA	357	-
A	25,178	23,748
Counterparties without external credit rating or rating below A	17,032	5,720
Cash, cash equivalents, short-term deposits and current financial assets	**42,567**	**29,468**

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

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

5.17 Inventories

€ in thousand	At December 31,	
	2015	2014
Raw materials	1,715	582
Work in progress	17,322	5,891
Finished goods	7,651	811
Inventory	**26,687**	**7,283**

The cost of inventories recognized as an expense and included in "cost of sales" amounted to €40,890 thousand (2014: €12,481 thousand). The cost of inventories recognized as an expense includes €17,377 thousand (2014: €819 thousand write-ups) related to write-downs of inventory to net realizable value.

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

5.18 Trade receivables

Trade receivables and other assets include the following:

€ in thousand	**At December 31,**	
	2015	**2014**
Trade receivables	15,754	6,850
Less: provision for impairment of receivables	-	-
Trade receivables, net	**15,754**	**6,850**

During the years 2015 and 2014, no impairment losses have been recognized. The amount of trade receivables past due in 2015 amounted to €1,361 thousand (2014: €62 thousand).

The fair values of trade receivables equal their book values.

5.19 Other assets

Other assets include the following:

€ in thousand	**At December 31,**	
	2015	**2014**
Prepaid expenses	1,876	995
Non-current financial assets	403	333
Other receivables	46,892	27,791
	49,172	29,119
Less non-current portion	(17,797)	(19,753)
Current portion	**31,374**	**9,366**

The fair values of other assets equal their book values. Other receivables include various deposits and advances, R&D tax credit receivables, tax receivables and consumables and supplies on stock. The increase compared to the previous year mainly results from a receivable from Johnson & Johnson amounting to €18,279 thousand in connection with the acquisition of Crucell Sweden – see Note 5.31.

5.20 Cash, cash equivalents, short-term deposits and current financial assets

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

As of December 31, 2015, cash and cash equivalents include €660 thousand (December 31, 2014: €592 thousand) for which there are restrictions on remittances. Furthermore, according to a loan agreement, the Group needs to hold a minimum amount of cash of €2,000 thousand at any time until December 31, 2016.

€ in thousand	At December 31,	
	2015	2014
Cash in hand	7	2
Cash at bank	38,174	27,571
Short-term bank deposits (maturity less than 3 months)	3,726	1,284
Mutual funds	-	-
Restricted cash	660	592
Current financial assets	-	19
Cash, cash equivalents, short-term deposits and current financial assets	**42,567**	**29,468**

5.21 Assets and Liabilities held for sale

In January 2015 the Company contributed assets and liabilities relating to the VIVA|Screen® technology to BliNK Biomedical SAS (see Note 5.1 and 5.15), which are shown as held for sale as of December 2014.

As of December 31, 2015, there are no assets or liabilities held for sale or associated with discontinued operations.

5.21.1 Breakdown of Assets held for sale

€ in thousand	At December 31,	
	2015	2014
Intangible assets – gross amounts	-	17,430
Intangible assets – amortization	-	(4,971)
Intangible assets – impairment	-	(5,610)
Intangible assets – net amounts	**-**	**6,849**
Property, plant and equipment – gross amounts	-	967
Property, plant and equipment – depreciation	-	(343)
Property, plant and equipment – impairment	-	-
Property, plant and equipment – net amounts	**-**	**623**
Inventories	-	510
Inventories – net amounts	**-**	**510**
Total Assets held for sale & discontinued operations	**-**	**7,982**

5.21.2 Liabilities held for sale

Liabilities held for sale in connection with the founding of BliNK amounted to €982 thousand as of December 31, 2014.

5.22 Share capital, share premium and other regulated reserves

€ in thousand (except numbers of shares)	Number of shares	Share capital	Share premium	Other regulated reserves[21]	Total share capital, share premium and other regulated reserves
Balance at January 1, 2014	**54,709,000**	**8,206**	**145,502**	**52,820**	**206,529**
Employee share option plan:					
+ exercise of share options	42,833	6	(6)	-	-
+ Issuance of common stock, May and June 2014	1,600,000	240	8,716	-	8,956
+ Cost of equity transactions, net of tax	-	-	(325)	-	(325)
Balance at December 31, 2014	**56,351,833**	**8,453**	**153,887**	**52,820**	**215,160**
Balance at January 1, 2015	**56,351,833**	**8,453**	**153,887**	**52,820**	**215,160**
Employee share option plan:					
+ exercise of stock options and full vesting of free shares	115,874	17	299	-	317
+ Issuance of common stock, February 2015	18,231,466	2,735	42,297	-	45,032
+ Cost of equity transactions, net of tax	-	-	(3,338)	-	(3,338)
Balance at December 31, 2015	**74,699,173**	**11,205**	**193,145**	**52,820**	**257,170**

Increases of share capital

The acquisition of the Crucell Sweden (see Note 5.31) was financed in part through a public rights issue with shareholders' preferential subscription rights, which was launched on January 12, 2015 and closed on February 4, 2015. The final gross proceeds of the rights issue amounted to €45.0 million, corresponding to the issuance of 18,231,466 new ordinary shares, at a subscription price of €2.47 per new ordinary share.

In addition, the Company issued 115,874 (2014: 42,333) new ordinary shares in connection with the exercise of stock options and the full vesting of free shares during the reporting period, resulting in an increase in the share capital of €17 thousand (2014: €6 thousand).

Conditional and authorized capital

On December 31, 2015, the Company had 18,234,445 shares of conditional capital in connection with (see Note 5.24):

+ the possible exercise of existing stock options
+ the grant of free shares being vested
+ the possible exercise of existing equity warrants
+ the possible conversion of existing preferred shares
+ the possible conversion of existing convertible preferred shares or convertible preferred shares being vested

[21] Regulated non-distributable reserve relating to the merger with Intercell AG

Pursuant to resolution No. 16 of the General Meeting held on June 25, 2015, the nominal amount of increases in Valneva's share capital which can be carried out by the Company, immediately or in the future, may not under any circumstances exceed a maximum overall amount €4,500 thousand or the equivalent value in a foreign currency, to which amount will be added, if applicable, the supplementary amount of shares or securities to be issued for the purposes of any adjustments to be made in accordance with applicable legislative or regulatory provisions and, if applicable, with contractual stipulations providing for other forms of adjustment, in order to preserve the rights of the holders of securities giving access, immediately or in the future, to the share capital of the Company.

5.23 Retained earnings and other reserves

€ in thousand	Currency translation	Treasury shares	Retained earnings	Total
Balance at January 1, 2014	**1,666**	**(1,141)**	**(38,833)**	**(38,308)**
Currency translation differences	(2,626)	-	-	(2,626)
Income appropriation	-	-	(24,110)	(24,110)
Employee share option plan:				
- value of employee services	-	-	530	530
Purchase/Sale of treasury shares	-	69	-	69
Balance at December 31, 2014	**(960)**	**(1,072)**	**(62,413)**	**(64,444)**
Balance at January 1, 2015	**(960)**	**(1,072)**	**(62,413)**	**(64,444)**
Currency translation differences	(2,584)	-	-	(2,584)
Income appropriation	-	-	(26,272)	(26,272)
Employee share option plan:				
- value of employee services	-	63	-	63
Purchase/Sale of treasury shares	-	-	1,018	1,018
Balance at December 31, 2015	**(3,544)**	**(1,009)**	**(87,667)**	**(92,219)**

The Company has not received a dividend and has not paid a dividend to its shareholders in the years ended December 31, 2015 and 2014.

5.24 Share-based payments

5.24.1 Stock option plans

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

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

	2015			2014		
	Number of options	**Number of shares available**	**Average exercise price in € per share**	**Number of options**	**Number of shares available**	**Average exercise price in € per share**
Outstanding at January 1	955,340	1,072,860	3.07	1,022,640	1,140,160	3.08
Granted	712,000	712,000	3.92	-	-	-
Adjusted	-	97,998	-	-	-	-
Forfeited	(78,940)	(95,504)	3.17	(67,300)	(67,300)	3.21
Exercised	(700)	(79,800)	1.80	-	-	-
Outstanding at year end	**1,587,700**	**1,707,554**	**3.48**	**955,340**	**1,072,860**	**3.07**
Exercisable at year end	448,725	524,439		8,040	125,560	

700 share options have been exercised in 2015 at a price of €1.80 per share (2014: no options have been exercised). The weighted average value per share at the time of option exercise was €3.75 in 2015.

As a consequence of the capital increase in February 2015 an adjustment to the number of shares available through existing share option plans had to be made in accordance with article L. 228-99 of the French Commercial Code, which resulted in an additional number of 97,998 of shares available.

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

	Exercise price	**Number of options at December 31,**	
Expiry date	**in € per share**	**2015**	**2014**
2016	1.80	250	1,040
2020	5.19	7,000	7,000
2023	3.21	882,950	947,300
2025	3.92	697,500	-
		1,587,700	**955,340**

In 2015, 712,000 options were granted (2014: no options were granted). The weighted average grant date fair value of options granted during the year 2015 was €1.06. The fair value of the granted options was determined using the Black Scholes valuation model. The significant inputs into the models were:

	2015
Expected volatility (%)	41.76
Expected vesting period (term in years)	2.00 – 4.00
Risk-free interest rate (%)	(0.26) – (0.12)

5.24.2 Free shares

Over the years, the Company established free share plans for employees that are divided into several tranches.

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

Changes in the free shares outstanding are as follows:

	Number of free shares	
	2015	**2014**
Outstanding at January 1	39,000	97,333
Granted	-	-
Forfeited	(3,000)	(15,500)
Definitively granted	(35,000)	(42,833)
Outstanding at year end	**1,000**	**39,000**

5.24.3 Equity warrants

In 2011 and 2015, the Company granted equity warrants to members of the Supervisory Board. The warrants granted in 2011 vest in four equal portions after one, two, three and four years. The warrants granted in 2015 vest in four equal portions after two, 17, 31 and 45 months. The subscription price of the equity warrants granted in the year 2011 amounts to €5.17 per share. The subscription price of the equity warrants granted in the year 2015 amounts to €3.92 per share.

Changes in the equity warrants outstanding are as follows:

	Number of equity warrants	
	2015	**2014**
Outstanding at January 1	5,625	11,250
Granted	153,000	-
Forfeited	(5,625)	(5,625)
Outstanding at year end	**153,000**	**5,625**

5.24.4 Free convertible preferred share plan

On June 25, 2015, the General Meeting of Valneva SE decided to create convertible preferred shares for the benefit of the Management Board members, but also for the benefit of key employees, members of the Executive Committee. Consequently, on July 28, 2015, the Management Board implemented the free convertible preferred share plan 2015-2019, a long-term incentive program for the Company's executive management.

The granted payable convertible preferred shares ("SPS") are as follows:

	Number of payable convertible preferred shares subscribed for by the beneficiaries	Subscription amount (in €)
Management Board	744	119,784
Other Executive Committee members	330	53,130
	1,074	**172,914**

Following the subscription of SPS the Management Board conditionally granted the Program beneficiaries a number of free convertible preferred shares ("FCPS") corresponding to a ratio of 25 FCPS to 1 SPS, as follows:

	Number of free convertible preferred shares allotted to the beneficiaries
Management Board	18,600
Other Executive Committee members	8,250
	26,850

SPS and FCPS will be convertible into Valneva's ordinary shares 4 years after their issuance (with respect to the SPS) or their initial granting (with respect to the FCPS), if the conversion conditions are met.

5.25 Borrowings

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

€ in thousand	**At December 31,**	
	2015	**2014**
Non-current		
Bank borrowings	2,812	3,536
Other loans	45,384	33,281
Finance lease liabilities	28,372	29,219
	76,568	**66,036**
Current		
Bank borrowings	2,885	3,339
Other loans	21,957	2,943
Finance lease liabilities	845	836
	25,687	**7,117**
Total borrowings	**102,255**	**73,153**

The maturity of non-current borrowings is as follows:

€ in thousand	**At December 31,**	
	2015	**2014**
Between 1 and 2 years	26,424	13,276
Between 2 and 3 years	21,803	13,989
Between 3 and 4 years	1,537	9,766
Between 4 and 5 years	1,345	1,500
Over 5 years	25,460	27,505
Non-current borrowings	**76,568**	**66,036**

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

€ in thousand	**At December 31,**	
	2015	**2014**
EUR	61,710	47,048
USD	40,546	26,105
Total borrowings	**102,255**	**73,153**

5.25.1 Finance lease liabilities

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

5.25.2 Bank borrowings and other loans secured

As at December 31, 2015, €14,123 thousand of the outstanding bank borrowings and other loans are guaranteed, secured, or pledged. These bank borrowings and other loans are related to financing of R&D expenses, fixed assets and CIR (R&D Tax credit France) mobilization and have various conditions (interest rates) and terms (maturities).

The following table presents the fair value of guaranteed bank borrowings and other loans without taking the interest subsidy into consideration, based on an estimated arms' length interest rate of 8.75% at year-end 2015:

€ in thousand	**At December 31, 2015**	
	Carrying amounts	**Fair values**
Bank borrowings	5,520	5,258
Other loans (excluding the other loans described in Note 5.25.3)	8,603	7,617
Guaranteed, secured, or pledged borrowings	**14,123**	**12,875**

5.25.3 Other loans

On December 20, 2013 the Group received a $30 million financing from an investment fund managed by Pharmakon Advisors for its Austrian subsidiary Valneva Austria GmbH. The loan extends over a five year period and carries an interest rate ranging from 9.5% to 10.5%. On November 18, 2015 the loan was increased by an additional financing of $11 million. From 2016 onwards, the Company will pay a royalty to Pharmakon Advisors ranging from 2.5% to 3.1% on its IXIARO®/JESPECT® sales during the term of the loan. The interest rate and the royalty payable in connection with the loan are both recognized as finance expenses. The finance expenses are calculated using the effective interest method and are therefore recognized pro rata to the outstanding principal in each accounting period until the loan is fully amortized. The foreign currency valuation is done at each balance sheet date and resulting exchange gains or losses are shown as finance income/expenses. The asset-based loan is guaranteed by Valneva SE and secured by a security interest on the incoming funds from Valneva's sales of IXIARO®/JESPECT® and on the shares of the Group's Austrian and Scottish subsidiaries, which hold the key IXIARO®/JESPECT® assets. At December 31, 2015 the book values of the assets pledged amounted to €267,019 thousand (2014: €275,328 thousand).

The loan is included in the balance sheet item "borrowings".

€ in thousand	2015	2014
Balance at January 1	**26,105**	**21,023**
Proceeds of issue	9,985	-
Transaction costs	(91)	-
Accrued interest and royalty expense	4,061	3,816
Payment of interest	(2,589)	(1,646)
Foreign exchange valuation	3,074	2,912
Balance at December 31	**40,546**	**26,105**
Less non-current portion	(39,691)	(25,514)
Current portion	**854**	**592**

In connection with the acquisition of Crucell Sweden AB and its related assets the Group entered into a €15 million term loan facility from funds managed by Athyrium Capital Management, LLC. The loan originally extended over a 5 year period and carried a fixed yearly interest rate of 11% payable in cash on a quarterly basis. The loan was secured by collateral on the assets acquired in the course of the above mentioned acquisition. In order to reflect the business changes resulting from the adjustments to the DUKORAL® label in Canada in December 2015, the parties agreed on an early repayment of the loan which was made in January 2016 (see Note 5.34).

At December 31, 2015 the loan is included in the balance sheet item "borrowings" as follows:

€ in thousand	2015
Balance at January 1	**-**
Proceeds of issue	15,000
Transaction costs	(390)
Accrued interests and prepayment fees	4,985
Payment of interest	(1,410)
Balance at December 31	**18,184**
Less non-current portion	-
Current portion	**18,184**

5.26 Trade payables and accruals

Trade payables and accruals include the following:

€ in thousand	At December 31,	
	2015	2014
Trade payables	6,325	5,192
Accrued expenses	4,372	5,542
	10,698	**10,734**
Less non-current portion	-	-
Current portion	**10,698**	**10,734**

5.27 Tax and employee-related liabilities

€ in thousand	At December 31,	
	2015	2014
Social security and other taxes	1,907	2,121
Employee-related liabilities	4,982	3,278
	6,889	**5,398**
Less non-current portion	-	-
Current portion	**6,889**	**5,398**

5.28 Other liabilities and provisions

€ in thousand	At December 31,	
	2015	2014
Deferred income	9,467	11,859
Other financial liabilities	251	210
Provisions for employee commitments	188	163
Other liabilities	53	58
Other provisions	514	135
	10,474	**12,426**
Less non-current portion	(7,810)	(9,564)
Current portion	**2,664**	**2,862**

5.28.1 Deferred Income

€ in thousand	At December 31,	
	2015	2014
Arising from collaboration and licensing agreements	8,681	10,812
Arising from government grants	785	1,047
	9,467	**11,859**
Less non-current portion	(7,379)	(9,197)
Current portion	**2,087**	**2,662**

5.28.2 Provisions for employee commitments

(a) Assumptions used

	At December 31,	
	2015	2014
Discount rate	1.90%	1.80%
Salary increase rate	2.00%	2.00%
Turnover rate	0%-45.90%	0%-45.90%
Social security rate	47.00%-48.00%	45.00%
Average remaining lifespan of employees (in years)	20	20

(b) Changes in defined benefit obligation

Present value of obligation development:

€ in thousand	2015	2014
Balance at January 1	**163**	**23**
Current service cost	2	-
Re-measurements	23	140
Benefit payments		-
Balance at December 31	**189**	**163**

5.28.3 Other provisions

€ in thousand	At December 31,	
	2015	2014
Non-current	-	-
Current	514	135
Provisions	**514**	**135**

	2015	2014
Balance at January 1	**135**	**371**
Charged to the income statement:		
+ Additional provision	502	113
+ Reversed provision	(113)	-
Used provisions	(11)	(350)
Exchange differences	1	1
Balance at December 31	**514**	**135**

Other liabilities and provisions include a provision of €312 thousand in connection with the right of return of sold goods by GSK in the course of the transition phase of the cancelled distribution agreement. In addition, a provision of €190 thousand relates to restructuring costs for the acquired production site in Solna, Sweden.

5.29 Cash used in operations

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

€ in thousand	Note	Year ended December 31,	
		2015	2014
Loss for the year		(20,617)	(26,272)
Adjustments for			
+ Depreciation and amortization	5.13 5.14	11,442	12,359
+ Impairment fixed assets/intangibles	5.13 5.14	-	4,095
+ Share-based payments	5.24	1,018	530
+ Income tax	5.10	238	334
+ (Profit)/Loss from disposal of fixed assets	5.8	(29)	63
+ Gain on bargain purchase	5.31	(13,183)	-
+ Share of (profit)/loss from associates	5.15	8,998	-
+ Other non-cash income/expense		1,651	(1,034)
+ Fair value gains/losses on derivative financial instruments	5.9	-	(48)
+ Interest income	5.9	(3,096)	(226)
+ Interest expense	5.9	9,716	4,394
+ Changes in other long-term assets and liabilities		(1,229)	(5,589)
Changes in working capital (excluding the effects of acquisition and exchange rate differences on consolidation):			
+ Inventory		7,537	(1,870)
+ Trade and other receivables		(3,235)	(279)
+ Trade and other payables and provisions		(18,887)	1,211
Cash used in operations		**(19,674)**	**(12,332)**

The following table shows the adjustments to reconcile net profit/loss from the disposal of fixed assets to proceeds from the disposal of fixed assets:

€ in thousand	At December 31,	
	2015	2014
Net book value	99	75
Profit/(Loss) on disposal of fixed assets	29	(63)
Proceeds from disposal of fixed assets	**128**	**12**

5.30 Commitments and contingencies

(a) Capital commitments

There were no capital expenditure contracted for at December 31, 2015, and December 31, 2014.

(b) Operating lease commitments

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

€ in thousand	At December 31,	
	2015	2014
Not later than 1 year	2,248	265
Later than 1 year and not later than 5 years	8,135	672
Later than 5 years	596	32
Operating lease commitments	**10,980**	**970**

The Group leases office space, cars and equipment.

(c) Other commitments and guarantees

The other commitments consisted of:

€ in thousand	At December 31,	
	2015	2014
Potential earn out payment on investment securities	-	4,954
Commitment with a supplier and subcontractors	-	619
Loans and grants	2,607	7,790
Other	34	47
Other commitments	**2,641**	**13,410**

The guarantees and pledges consisted of:

€ in thousand	At December 31,	
	2015	2014
Equipment pledge	429	600
Pledges on consolidate investments	324,292	285,426
Guarantees for non-consolidated investments	300	-
Guarantees and pledges	**325,021**	**286,026**

In connection with the foundation of BliNK Biomedical SAS, Valneva issued a Guarantee and Comfort Letter to SC World Inc., Japan. In case BliNK Biomedical SAS fails to pay specific milestones under an Asset Sale and Purchase Agreement, Valneva guarantees to pay up to an amount of €300 thousand.

5.31 Business combination

On February 9, 2015, the Group completed the acquisition of Crucell Sweden AB, (subsequently renamed to Valneva Sweden AB), and all assets, licenses and privileges related to DUKORAL®, a vaccine against cholera and traveler's diarrhea caused by certain types of ETEC (including a manufacturing site in Solna, Sweden) as well as a vaccine distribution business in the Nordic countries (together "**Crucell Sweden**"). After completion of the acquisition Valneva holds 100% of the voting rights of the acquired company.

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

The carve-out consolidated revenue generated by Crucell Sweden amounted to €36.4 million in the year ended December 31, 2014.

The initial agreed aggregate acquisition price amounts to €45.0 million (the "**Acquisition Price**") and was comprised of €3.0 million of cash consideration paid on the signing date, €32.0 million paid on the completion date of the transaction and a packaging line milestone payment of €10.0 million. In order to reflect the business changes resulting from the adjustments to the DUKORAL® label in Canada in December 2015, the seller Crucell Holland BV and Valneva agreed on an adjustment to the purchase price. Crucell Holland BV waived the €10 million milestone payment and repaid €15 million from the acquisition price. Together, the €10 million milestone waiver and the €15 million cash repayment resulted in a €25 million reduction of the purchase consideration, bringing the original €45 million down to €20 million. The acquisition, the components of the acquisition consideration and its subsequent adjustment are viewed as a single transaction. The sale and purchase agreement also provided for a working capital adjustment mechanism of the acquisition price calculated as the difference between an agreed working capital level and the actual working capital at the completion date. The resulting adjustment to the acquisition price resulted in a payment received by the Company. In addition the seller assumed payment obligations for cash outflows under certain outstanding liabilities.

Purchase consideration **€ in thousand**	
Cash consideration paid as of Feb 9, 2015	35,000
Packaging line milestone	10,000
Reduction following label-change in Canada	(25,000)
Total cash consideration	**20,000**
Less: working capital adjustment payment by the seller	(5,550)
Less: other liabilities assumed by the seller	(4,592)
Total net purchase consideration	**9,858**
Fair value of net assets acquired	23,041
Gain on bargain purchase	13,183

The acquisition was financed through a combination of debt and equity. The latter was raised through a public rights issue with final gross proceeds of €45.0 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 (see Notes 5.25 and 5.34).

The cash consideration paid as of December 31, 2015, net of cash acquired through the acquisition, is as follows:

€ in thousand	
Cash consideration paid	35,000
Cash and cash equivalents in acquired business	(2,795)

Payments received from J&J (WC adjustment, other liabilities)	(10,024)
Cash outflow through acquisition	22,181

The main acquired assets and liabilities remain located in Sweden. The acquired assets and liabilities have been included in the Company's assets and liabilities as of the acquisition closing date February 9, 2015 and were consolidated from this date onwards. From the acquisition closing date through December 31, 2015, the acquired business contributed revenues and grants of €36,427 thousand and a net profit of €9,038 thousand to the Group's consolidated income.

If the transaction had occurred on January 1, 2015, the Group's consolidated revenues and grants for the year ended December 31, 2015 would have been €89,235 thousand, and its net loss would have been €19,341 thousand, of which €497 thousand result from non-recurring acquisition costs.

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

€ in thousand	Fair Value	Acquiree's carrying amount
Cash, cash equivalents and financial assets	2,795	2,795
Property, plant and equipment, hardware	2,670	10,706
Intangible assets	-	4
Other non-current assets	-	369
Inventories	25,846	20,183
Trade receivables and other current assets	3,294	3,294
Deferred tax liability	-	-
Trade payables, accruals and other payables	(11,564)	(11,135)
Net assets acquired	**23,041**	**26,217**

The fair value of trade receivables and other current assets equals their book values (gross values). No receivables are expected to be uncollectable.

The initial accounting for the business combination was adjusted within twelve months from the acquisition date. The values reported as of December 31, 2015 are final.

5.32 Related-party transactions

5.32.1 Purchases of services

Services provided by companies of Grimaud Group are considered related party transactions and included a group management agreement and the provision of services as well as miscellaneous items by Groupe Grimaud to Valneva SE. These services were rendered in connection with operating activities (interest rate swap allocation agreement) or with regulated activities (guarantees).

€ in thousand	Year ended December 31,	
	2015	2014
Purchases of services:		
+ Operating activities	7	35
+ Group management	-	-
Purchases of services	**7**	**35**

5.32.2 Key management compensation

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

€ in thousand	Year ended December 31,	
	2015	**2014**
Salaries and other short-term employee benefits	1,379	1,421
Other long-term benefits	24	14
Share-based payments (expense of the year)	498	131
Key management compensation	**1,901**	**1,566**

5.32.3 Supervisory Board compensation

The aggregate compensation of the members of the Company's Supervisory Board amounted to €250 thousand (2014: €243 thousand). In the years 2011 and 2015, the Company granted equity warrants to members of the Supervisory Board. For more information, see Note 5.24.3.

5.33 Pro Forma Information related to the acquisition of Crucell Sweden

5.33.1 Background to the preparation of the merger pro forma information

On January 5, 2015, Valneva entered into a Sale and Purchase Agreement with Crucell Holland BV, to acquire all shares of Crucell Sweden AB, DUKORAL® - related assets and privileges owned by other affiliates of the seller and assets and privileges of the Nordics Trade business. The closing date (defined as the date at which certain closing conditions were fulfilled, in particular the completion of an equity and debt fundraising such that the Company had sufficient immediately available funds to pay the purchase price at completion) was February 9, 2015. From that time onward the Crucell Assets have been consolidated in full. The carve-out consolidated revenue from Crucell Sweden, Dukoral® and Nordics Trade amounted to €36.4 million in the year ended December 31, 2014.

For more information, see Note 5.31.

The pro forma consolidated income statement for the year ended on December 31, 2015 reflects the consolidated results of the Valneva Group as if the acquisition of the Crucell Sweden had occurred on January 1, 2015. The pro forma adjustments are based on available information and on assumptions that are considered reasonable by Valneva Group.

The pro forma financial information (hereafter referred to as the "Pro Forma Financial Information") is presented exclusively for illustrative purposes and does not provide for an indication of the results of operating activities or the financial position of Valneva SE that would have been obtained for the period ending on December 31, 2015 if the acquisition had been completed at the date considered. Similarly, it does not provide for an indication of the future results of operating activities or financial position of Valneva SE.

5.33.2 Income statement for the year ended December 31, 2015 and pro forma income statement for the year ended December 31, 2015

Pro forma income statement (unaudited)

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

5.33.3 Reconciliation to the Group's consolidated financial statements under IFRS

	Full year ended December 31, 2015			
€ in thousand (unaudited)	Valneva reported income statement (IFRS)	Crucell assets income statement for the period Jan 1– Feb 9, 2015	Pro forma adjustments - exclusion of acquisition-related costs	Adjusted pro forma income statement
Product sales	61,545	5,900		67,445
Revenues from collaborations, licensing and services	16,814	-		16,814
Revenues	**78,359**	**5,900**		**84,259**
Grant income	4,975	-		4,975
Revenues and Grants	**83,335**	**5,900**		**89,235**
Cost of goods and services	(46,961)	(2,900)		(49,861)
Research & Development expenses	(25,367)	-		(25,367)
Distribution and marketing expenses	(9,121)	(900)		(10,021)
General and administrative expenses	(14,394)	(400)	*497*	(14,297)
Other income and expenses, net	(152)	(500)		(652)
Amortization and impairment of fixed assets/intangibles	(7,273)			(7,273)
OPERATING PROFIT/(LOSS)	**(19,934)**	**1,200**	***497***	**(18,237)**
Finance income	5,073	-		5,073
Finance expenses	(9,716)			(9,716)
Result from investments in affiliates	(8,999)			(8,999)
Gain on bargain purchase	13,183			13,183
PROFIT/(LOSS) BEFORE INCOME TAX	**(20,393)**	**1,200**	***497***	**(18,696)**
Income tax	(224)	(421)		(645)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	**(20,617)**	**779**	***497***	**(19,341)**

The main adjustments in the year ended December 31, 2015 are the following:

Cancellation of the impact of acquisition costs of €0.5 million incurred by Valneva in order to perform the acquisition. These items represent significant charges that impact current results, but have been considered unrelated to the Group's ongoing operations and performance.

5.33.4 Basis of preparation

The Pro Forma Financial Information was prepared based on published data of Valneva SE and Johnson & Johnson pro forma management reporting, which was subject to a number of presentation reclassifications.

(a) Regulatory framework

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

(b) Acquisition

The acquisition has been treated in the Pro Forma Financial Information as an acquisition of Crucell Sweden by Valneva, if analyzed in terms of the criteria provided for by IFRS 3r, applicable as of December 31, 2013.

(c) Reclassifications and harmonization of accounting principles

The Pro Forma Financial Information has been prepared in accordance with the IFRS accounting standards that are applied in the financial statements for the year ended December 31, 2015 published by Valneva SE.

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

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

(d) Underlying assumptions

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

+ audited consolidated IFRS financial statements for the Valneva SE Group, at December 31, 2015
+ unaudited Johnson & Johnson pro forma management reporting for the period Jan 1, 2015 to Feb 9, 2015

The pro forma adjustments to the pro forma consolidated income statements for the years ended on December 31, 2015 were calculated on the assumption that the acquisition had been completed on January 1, 2015.

The Pro Forma Financial Information is presented exclusively for illustrative purposes and does not provide for an indication of the results of operating activities or the financial position of Valneva SE that would have been obtained for the period ending December 31, 2015 if the acquisition had been completed at the dates considered. Similarly, it does not provide for an indication of the future results of operating activities or financial position of Valneva SE.

All pro forma adjustments relate directly to the acquisition.

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

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

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

(e) Intragroup transactions

To the best of the two companies' knowledge, there were no intragroup transactions among companies in the consolidated Group that might have had a significant impact on the income statements of the acquired business for the period Jan 1, 2015 to Feb 9, 2015.

5.34 Events after the reporting period

In connection with the acquisition of Crucell Sweden AB and its related assets the Group entered into a €15 million term loan facility from funds managed by Athyrium Capital Management, LLC. Following changes to the DUKORAL® label in Canada in December 2015 the parties agreed on an early repayment of the loan. This voluntary prepayment triggered a 20% prepayment fee in the amount of €3,000 thousand. Alongside with 1% participation fee and the interest for the remaining period the repayment amounts to €18.340 thousand and was redeemed to the lender on January 26, 2016 (see Note 5.25.3).

No further events that are expected to have a material effect on the financial statements occurred after the reporting period until March 18, 2016.

VALNEVA

A European company (*Societas Europaea*) with a Management and a Supervisory Board
Share capital: €11,383,243.14
Registered offices: 70, rue Saint Jean de Dieu, 69007 Lyon
Lyon Companies Register (RCS) No. 422 497 560

Annual Management Report - Excerpt

To the Shareholders,

We hereby provide you with the information required for the Valneva Group Annual Financial Report, with respect to the fiscal year ended December 31, 2015.

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

THE MANAGEMENT BOARD

Thomas Lingelbach
Chairman of the Management Board

Franck Grimaud
Deputy CEO

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

1.1 Valneva Group (IFRS)

Financial Review

Key Financial Information

EUR in thousands	**12 months ended December 31,** *(Audited)*		
	2015	**2014**	**2015 pro forma**
Revenues & Grants	83,335	42,429	89,235
Net profit/(loss)	(20,617)	(26,272)	(19,341)
EBITDA	(8,492)	(7,364)	-
Net operating cash flow	(24,334)	(14,944)	-
Cash, short-term deposits and marketable securities, end of period	42,567	29,468	42,567

*Note: As a result of the acquisition of Crucell Sweden AB and all DUKORAL® related assets[22], Crucell Sweden AB's business has been included in the Group's consolidated financial statements from the merger closing date, i.e. February 9, 2015. Therefore, the 2015 and 2014 IFRS results are not fully comparable as the Crucell Sweden AB operations were only included for the period 2015 starting from February 10, 2015. Pro forma figures including the Crucell Sweden AB business for the 2015 period and excluding one-time effects due to the acquisition were prepared for illustrative purposes only. For detailed explanation of pro-forma assumptions and reconciliation to IFRS results, please refer to the Note 5.33 of the Consolidated Financial Statements 2015 available on the Group's website (**www.valneva.com**).*

Revenues and grants

Valneva's aggregate revenues and grants increased to €83.3 million in the full year 2015 from €42.4 million in the year 2014. This increase was mainly a result of the acquisition of the Crucell Sweden's business whose overall revenue contribution amounted to €36.4 million in 2015 of which €31.0 were product sales, and €5.5 million related to revenues from collaborations and licensing. IXIARO®/JESPECT® product sales contributed €30.6 million to revenues in 2015, representing an 8.8% increase over the 2014 product sales of €28.1 million. This increase was recorded despite the transition towards a newly established global marketing and distribution network following Valneva's termination of the marketing and distribution partnership with GSK in June 2015. DUKORAL® product sales contributed €21.0 million and third party product distribution contributed €9.9 million to the full year 2015 product sales.

Revenues from collaborations and licensing increased to €16.8 million in 2015 from €8.8 million in 2014. Acquisition effects from the Crucell Sweden business amounted to €5.5 million, primarily related to R&D services provided to Johnson & Johnson. Excluding acquired revenues, revenues from

[22] See Section 1.2.1 of the Annual Management Report for the fiscal year 2015.

collaborations and licenses grew to €11.3 million in 2015 from €8.8 million in 2014. They mainly benefited from additional licensing agreements and milestone payments received for the EB66® platform as well as co-development revenues for the Pseudomonas project from partner GSK.

Grant income amounted to €5.0 million in 2015 representing a reduction of €0.5 million compared to 2014.

Operating result and EBITDA

Cost of goods and services sold (COGS) were €47.0 million in 2015 of which €16.4 million related to IXIARO® sales, yielding a product gross margin of 46.4%. €18.2 million of COGS related to DUKORAL® sales, yielding a gross margin for the acquired DUKORAL® business of 13.3%, which was negatively impacted by idle capacity costs during a manufacturing transition period in 2015 and by acquisition accounting effects (cost of sales of acquired product inventory recorded at fair market value as opposed to the lower historical manufacturing cost). Of the remaining 2015 COGS, €7.3 million related to the Third Party product distribution business and €5.0 million related to cost of services. In the comparable period of 2014, COGS were €17.1 million, of which €15.6 million related to IXIARO® and €1.6 million to cost of services.

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

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

General and administrative (G&A) expenses in 2015 amounted to €14.4 million, compared to €12.1 million in 2014. This increase was due to €2.9 million additional G&A costs from the newly acquired ex-Crucell business, which were partly offset by lower G&A expenses of the original business.

Other income/expense amounted to €0.2 million expenses in 2015 and to €0.4 million expenses in 2014.

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

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

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

Segment overview

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

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

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

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

Net result

Valneva's net loss in 2015 was €20.6 million compared to a net of €26.3 million in the prior year, an improvement of €5.7 million, or 21.5%. Net finance expenses were €4.6 million in 2015 and €2.1 million in 2014. The increase in net finance expenses mainly resulted from an increase in interest expenses due to a higher level of debt. The 2015 net result also includes a loss from investments in affiliates of €9.0 million related to Valneva's 48.2% shareholding in BliNK Biomedical SAS. The investment in this spin-off company, which mainly consisted in the contribution of Valneva's antibody technology, was fully impaired at the end of 2015.

The 2015 net result was positively impacted by a €13.2 million gain on bargain purchase ("negative goodwill") related to the acquisition of the ex-Crucell business including DUKORAL® and the vaccine distribution business in the Nordics. The gain resulted from an adjustment to the initial purchase accounting in December 2015 after Health Canada had requested changes to the DUKORAL® product monograph. In order to reflect the business changes resulting from the DUKORAL® label change in Canada, Valneva and the seller 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. Following a re-assessment of the valuation of the acquired assets, their fair value exceeded the total net purchase consideration by the amount of €13.2 million ("negative goodwill") which was retrospectively recognized in the first quarter of 2015 as gain on bargain purchase.

An unaudited quarterly breakdown of the audited full year 2015 financial results (as will be used for prior year comparators in 2016 interim financial reports) is available on the Company's website www.valneva.com. These quarterly results differ from previously released results due to the retrospective adjustments to the purchase accounting for the ex-Crucell acquisition in the first quarter of 2015.

Cash flow and liquidity

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

Cash out-flows from investing activities amounted to €26.6 million in 2015 and resulted primarily from the acquisition of Crucell Sweden AB and all assets, licenses and privileges related to DUKORAL® as well as a vaccine distribution business in the Nordics, net of cash, and from investments in associated companies. In 2014 cash in-flows from investing activities amounted to €2.0 million and mainly related to net proceeds from financial assets (securities and deposits).

Cash inflows from financing activities in 2015 amounted to €64.2 million and primarily included net proceeds from a capital increase of €42.0 million (after deduction of transaction costs of €3.3 million) in February 2015 and net proceeds of new borrowings amounting to €26.5 million. Cash inflows from financing activities in 2014 amounted to €5.3 million, resulting primarily from a capital increase through an equity line.

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

1.2 Valneva SE (French GAAP accounts)

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

Operating income

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

Revenue amounted to €0.8 million in 2015, compared to €1.4 million in 2014.

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

Operating expenses

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

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

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

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

The decrease of expenses across all line items reflects largely the transfer of the antibody activities from Valneva SE to BliNK Biomedical SAS, on January 1, 2015[23].

Operating loss from ordinary activities

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

[23] See Section 1.2.2 of the Annual Management Report for the fiscal year 2015.

Net financial expense

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

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

Net exceptional items

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

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

Corporate income tax

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

Net loss

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

Fixed assets

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

This net increase results mainly from the sale for €7.8 million of tangible and intangible assets relating to the VIVA│Screen® technology to the company BliNK Biomedical SAS and from the acquisition for €17 million of the new subsidiaries' shares[24].

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

Current assets

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

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

Shareholders' equity

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

On February 4, 2015, Valneva SE launched a share capital increase with preferential subscription rights. Gross proceeds from this share capital increase amounted to €45 million, entailing the issuance of 18,231,466 new ordinary shares of the Company at a subscription price of €2.47 each[25].

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[24] See Section 1.3 of the Annual Management Report for the fiscal year 2015.

[25] See Section 1.2.1 of the Annual Management Report for the fiscal year 2015.

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

Liabilities

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

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

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

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

Cash

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

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

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

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

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

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

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

Pursuing biotech innovation includes the inherent risk of failure and the Group is therefore exposed to significant industry-specific risks. Valneva is subject to additional risks because (a) virtually all of its revenues, excepting grants and third party products, arise from two commercialized vaccines only, namely DUKORAL® and IXIARO®/JESPECT® and (b) Valneva has recently created its own distribution network, a combination of in-house sales and marketing entities and independent distributors, and needs to demonstrate that these can reach the expected level of sales. Moreover, the Group has incurred significant losses since its inception, is exposed to liquidity risk and may never reach sustainable profitability. Management has undertaken considerable efforts to establish a risk management system in order to monitor and mitigate the risks associated with its business.

However, the Group remains exposed to significant risks, in particular the following:

At the end of 2015, following a regulatory process initiated by *Health Canada*, the **DUKORAL® indications in Canada** were narrowed[26]. Valneva might not be able to limit the adverse impact on sales in 2016. Because Canada is the largest market for the DUKORAL® vaccine, a decline in sales could adversely affect Valneva's revenues, operations and financial condition.

Following the IXIARO® business transition process[27], the Group expects the **IXIARO®/JESPECT® sales** to grow very significantly in 2016, from €30.6 million to approximately €50 million. To achieve the planned level of sales, Valneva's new sales and marketing organization and distributors need to gain further market acceptance for this product and to achieve superior sales and marketing performance in full compliance with applicable laws and regulations. The degree of market acceptance among Valneva's primary customers, the customers of Valneva's distributors and the medical community, will depend upon many factors, including recommendations by global and local health organizations, reimbursements by health authorities and health insurers and payers, legislative efforts to control or reduce health care costs or reform government healthcare programs, and the ability of customers to pay or be reimbursed for treatment costs. Demand for Valneva's Japanese encephalitis vaccine may be adversely affected by international, national or local events or economic conditions that affect consumers' willingness to travel, such as security concerns relating to threatened or actual terrorist attacks, armed conflicts or recent crises in the global economy. If Valneva and its distributors fail to gain further market acceptance or do not perform well, Valneva's revenues, operations and financial condition could be adversely affected.

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

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

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

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[26] See Section 1.2.11 of the Annual Management Report for the fiscal year 2015.

[27] See Sections 1.2.6 and 4.2 of the Annual Management Report for the fiscal year 2015.

related to compliance and remediation efforts that may adversely affect the Group's performance and financial condition.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Further risk factors are set out in detail in the Registration Document of Valneva filed with the AMF on June 16, 2015 under number D.15-0614.

3. FINANCIAL RISKS

The Group is exposed to financial risks (market risks, credit risks, liquidity risks) such as described in Note 5.3 of the consolidated financial statements for the year 2015.

4. SHARE BUYBACKS

During the fiscal year ended December 31, 2015, the Company only proceeded with share buybacks pursuant to 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.

4.1 Share buyback program implemented pursuant to a liquidity agreement

The General Meeting of the Company, held on June 25, 2015, authorized the Company to implement a share buyback program, such authorization being valid for 18 months from the date of the Meeting (resolution No. 6).

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

In accordance with article L. 225-209 of the French Commercial code, and pursuant to the liquidity agreement, the Company acquired 1,252,657 Valneva’s ordinary shares and sold 1,259,269 Valneva’s ordinary shares in 2015, for a weighted average purchase price of €3.90 per share (weighted average purchase price in 2014: €5.57) and a weighted average sale price of €3.92 per share (weighted average purchase price in 2014: €5.56). Valneva has not paid any execution fees.

On December 31, 2015, Valneva held, in connection with this liquidity agreement, 20,110 Valneva’s ordinary shares (or 0.03%[28] of the share capital at December 31, 2015, compared to 0.05%[29] at December 31, 2014), corresponding to an amount on the closing date of December 31, 2015 of €76,418 (€3,016.50 in nominal value[30]).

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

[29] This rate is calculated in reference to (a) 26,772 Valneva’s ordinary shares held by the Company pursuant to the liquidity agreement, and (b) a share capital totaling 57,540,948 Valneva shares, divided into (a) 56,351,833 ordinary shares with a nominal value of €0.15 each, and 17,836,719 preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15.

[30] The nominal value of a Valneva ordinary share amounts to €0.15.

4.2 Treasury shares held in connection with the "Exit Right" linked to the merger of May 28, 2013 with Intercell AG

At December 31, 2015, the Company held 124,332 own shares with a nominal value of €0.15 per share and the same number of preferred shares with a nominal value of €0.01. The Company holds these shares as a result of the share buyback related to the merger with Intercell AG and the “exit” right offered to the latter’s shareholders, combined with the simultaneous implementation of consideration for the merger, as defined in article 3 of the Merger Agreement in its December 16, 2012 version.

Implementation of the exit right

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

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

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

+ receive the shares held by exiting Intercell shareholders;
+ receive the new ordinary shares and the preferred shares to which the exiting Intercell shareholders would have been entitled had they not exercised their Exit Right;
+ sell the new ordinary shares and preferred shares to Valneva at a price equal to or greater than the amount of the financial compensation offered in place of said new ordinary shares and preferred shares;
+ receive the proceeds from the sale of new ordinary shares and preferred shares to Valneva;
+ if necessary, withdraw, from the bank guarantee established as security, the total amount of the financial compensation requested by exiting Intercell shareholders; and
+ pay the financial compensation.

At the time of the merger, the Company had to buyback nearly 382,529 ordinary shares from exiting Intercell shareholders, under the share buyback program implemented by Valneva pursuant to the authorization given by its Combined General Meeting of March 7, 2013.

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

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

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

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

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

5.1 Structure of the Company's share capital at December 31, 2015

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; and
+ 17,836,719 preferred shares with a nominal value of €0.01 each;
+ 1,074 preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each.

The theoretical number of corresponding voting rights (including voting rights having been suspended, such as those associated with treasury shares, as well as double voting rights[31]) amounts to 93,844,740.

A description of the structure of Valneva's share capital at December 31, 2015 is presented below:

[31] See Section 5.2.1 of this excerpt from the Annual Management Report.

Structure of the Company's share capital at December 31, 2015

		Shares held	%[32]	Number of theoretical voting rights (including suspended voting rights and double voting rights)	%
Groupe Grimaud La Corbière[33]		**12,104,830**	**15.95**	**23,948,157**	**25.52**
Bpifrance Participations SA		**7,456,785**	**9.83**	**12,956,648**	**13.81**
Management Board members	**Total Management Board members [34]**	**660,048**	**0.87**	**1,018,083**	**1.08**
	Franck Grimaud	478,005	0.63	837,432	0.89
	Thomas Lingelbach	124,751	0.16	124,205	0.13
	Reinhard Kandera	57,292	0.08	56,446	0.06
Non-officer employees[35]		**127,007**	**0.17**	**226,907**	**0.24**
Other private individual shareholders		**1,548,609**	**2.04**	**2,890,684**	**3.08**
Of which private individual shareholders of the Groupe Grimaud Family and Financière Grand Champ SAS [27 & 36]		874,903	1.15	1,655,260	1.76
Of which investors		172,277	0.23	344,528	0.37
Of which independent members of the Supervisory Board [37]	Alain Munoz	41,800	0.06	83,600	0.09
	Michel Greco	618	0.00	686	0.00
	James Sulat	17,867	0.02	31,367	0.03
	Alexander Von Gabain	39,687	0.05	38,218	0.04
Other private individual investors with shares in registered form		401,457	0.53	737,025	0.79
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**
Other bearer shares		**52,804,261**	**69.58**	**52,804,261**	**56.27**
TOTAL		**75,888,288**	**100.00**	**93,844,740**	**100.00**

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

[33] The "**Groupe Grimaud Family**" is comprised of the company "Groupe Grimaud La Corbière", the private shareholders of the Groupe Grimaud Family, and the company "Financière Grand Champ SAS".

[34] Securities mentioned in the column "Shares held" with respect to the Management Board members include preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each, and with respect to Messrs. Thomas Lingelbach and Reinhard Kandera, Valneva's bearer shares as well as preferred shares of the Company with a nominal value of €0.01 each, written down to a nominal value of €0.15.

[35] Securities mentioned in the column "Shares held" include preferred shares convertible into Valneva's ordinary shares, with a nominal value of €0.15 each.

[36] Securities mentioned in the column "Shares held" include Valneva's bearer shares.

[37] Securities mentioned in the column "Shares held" with respect to Messrs. Michel Greco and Alexander Von Gabain, members of the Supervisory Board, include preferred shares of the Company with a nominal value of €0.01 each, written down to a nominal value of €0.15, as well as Valneva's bearer shares.

5.2 Restrictions under the Articles of Association on the exercise of voting rights or the transfer of shares; clauses of agreements brought to the attention of the Company in accordance with article L. 233-11 of the French Commercial code

5.2.1 Restrictions relating to double voting rights

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

Following the merger, and in accordance with the Merger Agreement in its version dated December 16, 2012, it was agreed that the double voting right for holders of Vivalis' ordinary shares would be cancelled and that a new system of double voting right would be effective again two years after the merger. Consequently, double voting rights have been reinstated as from May 28, 2015.

Article 13.2, 3° of the Articles of Association stipulates that "Ordinary Shares fully paid up for which it is evidenced that they have been held in registered form in the name of the same shareholder for at least two years from the registration of the Company as a European company, carry a double voting right in respect to that granted to other ordinary shares [of the Company], according to the portion of share capital they represent. This double voting right is also conferred, upon the issue of shares during a share capital increase by capitalization of reserves, profits or issue premiums, to the registered Ordinary Shares granted free of consideration to a shareholder for previous Ordinary Shares already carrying this double voting right."

5.2.2 Restrictions on voting rights exercisable in General Meetings

The Company's Articles of Association (article 13.2, 4°) set forth certain restrictions on voting rights exercisable in General Meetings. On this basis, "regardless of the number of Ordinary Shares directly or indirectly held, a shareholder acting alone or in concert may not express, by way of the votes which it submits, whether in its own name or as a proxy during a General Meeting, more than 29.9% of the votes attached to the Ordinary Shares issued and with attached voting rights at the date of the General Meeting. This cap shall apply to shareholders acting in concert according to article L. 233-10 of the French Commercial code, the voting rights of such shareholders to be aggregated for this purpose. If the cap is to apply to one or more shareholders, the quorum and majority rules shall be determined for each General Meeting by taking into account the number of voting rights that could be validly exercised by the relevant shareholders. This cap shall apply for a period of five (5) years from the registration of the Company as a European Company with the Trade and Companies Registry."

Article 12, paragraphs 8 and 9, also states that "failure to observe the notification obligation shall be sanctioned, at the demand (recorded in the minutes of the General Meeting) of one or several shareholders who together hold a fraction of at least 2% of the share capital or voting rights of the Company, by suspension of voting rights attached to the Shares which exceed the fraction that has not been regularly declared for each General Meeting of Shareholders held until the date of regularization of the notification. Furthermore, in the event that the registered shareholder knowingly disregards the notification obligation for threshold crossing with regard to the Company, the Commercial Court within the jurisdiction of which the Company has its registered offices 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 Commercial Code, within six (6) months of the publication of the said declaration."

5.2.3 Clauses of agreements brought to the attention of the Company in accordance with article L. 233-11 of the French Commercial code

The Company was not informed in 2015 of any new contractual provisions providing for preferential terms and conditions for the sale and purchase of Valneva shares concerning at least 0.5% of the Company's share capital or voting rights.

Readers are nevertheless invited to refer to Section 5.6 of this excerpt from the Annual Management Report, with respect to the shareholders agreement executed on July 5, 2013 between Groupe Grimaud La Corbière, France's Strategic Investment Fund (Fonds Stratégique d'Investissement, renamed "Bpifrance Participations"), Messrs. Franck Grimaud, Majid Mehtali, Thomas Lingelbach and Reinhard Kandera.

5.3 Direct or indirect shareholdings in the share capital of the Company, of which the Company has been informed in accordance with articles L. 233-7 and L. 233-12 of the French Commercial code

In accordance with the Articles of Association of Valneva SE, in addition to the legal disclosure obligation to inform the Company of ownership of certain percentages of the share capital and to carry out any declaration of intent arising therefrom, any natural person or legal entity, acting on his/her/its own or in concert, owning or ceasing to own a proportion of the share capital or voting rights equal to 2%, or any multiple of this percentage, is obliged to inform the Company thereof within four trading days of the crossing of one of these thresholds, stating the total number of shares, the corresponding voting rights and the number of securities giving access to the capital that he/she/it owns individually or in concert.

During the fiscal year ended December 31, 2015, the Company has been informed of the threshold crossings hereinafter described.

5.3.1 Declarations of the Groupe Grimaud Family

Declaration of threshold crossings received pursuant to the share capital increase resulting from the acquisition of Crucell Sweden AB and all assets, licenses and privileges related to DUKORAL®, as well as a Nordics vaccine distribution business of the seller and its affiliates (see Section 1.2.1 of the Annual Management Report for the fiscal year 2015)

The company Financière Grand Champ SAS declared, for regularization purposes, for itself and for the following concert parties:

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

(together referred to as the "**Groupe Grimaud Family** ")

that on February 6, 2015, it has crossed below the legal threshold of 20% of the share capital and voting rights, as well as the statutory thresholds between 22% and 18%, as a consequence of the share capital increase with preferential subscription rights opened for subscription from January 15 to

January 28, 2015, as described in the prospectus duly approved by the French Financial Markets Authority on January 12, 2015, under Visa No. 15-020.

The Groupe Grimaud Family stake was reduced, pursuant to this transaction, to 17.14% of the share capital and 17.42%[38] of the voting rights of the Company:

	Shares held	% of the share capital	Voting rights	% of the voting rights
Groupe Grimaud La Corbière	12,104,830	15.98	12,104,830	16.23
Financière Grand Champ	334,977	0.44	334,977	0.45
Frédéric Grimaud	257,996	0.34	257,996	0.35
Joseph Grimaud	157,835	0.21	157,835	0.21
Marie-Thérèse Grimaud	69,230	0.09	69,230	0.09
Renée Grimaud	64,135	0.08	64,135	0.09
Agnès Grimaud	1,022	ns	1,022	ns
Anne Marie Grimaud	480	ns	480	ns
Thomas Grimaud	100	ns	100	ns
Odile Grimaud Chateigner	62	ns	62	ns
Bruno Grimaud	66	ns	66	ns
TOTAL Groupe Grimaud Family	**12,990,733**	**17.14**	**12,990,733**	**17.42**

On this occasion, the company Groupe Grimaud La Corbière declared that it has individually crossed below the same thresholds.

Declaration of threshold crossings pursuant to the grant of double voting rights, and declaration of intent

The company Financière Grand Champ SAS declared, for itself and for the other members of the Groupe Grimaud Family with which it is acting in concert, that on May 28, 2015, it has crossed above the legal thresholds of 20% and 25% of the voting rights of the Company, as well as the statutory[39] thresholds between 18% and 28% of such voting rights, pursuant to the grant of double voting rights in accordance with the provision of article 13.2.3 of the Articles of Association of Valneva SE.

[38] Rates calculated in reference to a share capital totaling 75,772,414 Valneva shares (divided into 74,583,299 ordinary shares with a nominal value of €0.15 each, and 17,836,719 preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15), representing 74,583,299 voting rights of the Company.

[39] Meaning herein the thresholds defined under the Company's Articles of Association.

The Groupe Grimaud Family stake has been increased to 28.13%[40] of the voting rights of the Company:

	Shares held	% of the share capital	Voting rights	% of the voting rights
Groupe Grimaud La Corbière	12,104,830	15.96	22,990,110	26.43
Financière Grand Champ	334,977	0.44	563,149	0.65
Frédéric Grimaud	257,996	0.34	457,996	0.53
Joseph Grimaud	157,835	0.21	234,765	0.27
Marie-Thérèse Grimaud	69,230	0.09	119,230	0.14
Renée Grimaud	64,135	0.08	99,135	0.11
Agnès Grimaud	1,022	ns	1,022	ns
Anne Marie Grimaud	480	ns	480	ns
Thomas Grimaud	100	ns	200	ns
Odile Grimaud Chateigner	62	ns	62	ns
Bruno Grimaud	66	ns	66	ns
TOTAL Groupe Grimaud Family	**12,990,733**	**17.13**	**24,466,215**	**28.13**

On this occasion, the company Groupe Grimaud La Corbière declared that it has individually crossed upwards the same thresholds.

In addition, in accordance with the provisions of article L. 233-7, VII of the French Commercial code, and after the Groupe Grimaud Family has crossed above, on May 28, 2015, the thresholds of 20% and 25% of the share capital and voting rights of the Company Valneva SE, the Groupe Grimaud Family declared that:

+ the thresholds crossings of 20% and 25% of the voting rights results from the grant of 11,475,482 double voting rights, on May 28, 2015, in accordance with the provisions of article 13.2.3 of the Articles of Association of the Company Valneva SE;
+ it is acting in concert with the following persons:
  › Groupe Grimaud La Corbière, its subsidiary over which it exercises control and with which it is considered to be acting in concert in accordance with article L. 233-10, II, 2° of the French Commercial code;
  › Mr. Frédéric Grimaud, Chairman of the company Groupe Grimaud La Corbière, deemed to be acting in concert in accordance with article L. 233-10, II, 1° of the French Commercial code;
  › Mr. Joseph Grimaud, Mrs. Marie-Thérèse Grimaud, Mrs. Renée Grimaud, Mr. Thomas Grimaud, Mrs. Odile Grimaud Chateigner, Mrs. Agnès Grimaud, Mrs. Anne Marie Grimaud, Mr. Bruno Grimaud, associates of the company Financière Grand Champ, deemed to be acting in concert in accordance with article L. 233-10, II, 4° of the French Commercial code;
+ the company is not considering further purchases, nor acquiring the control of the Company Valneva SE, nor engaging in any particular strategy *vis-à-vis* the issuer;

[40] Rates calculated in reference to a share capital totaling 75,852,214 Valneva shares (divided into 74,663,099 ordinary shares with a nominal value of €0.15 each, and 17,836,719 preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15), representing 86,980,615 voting rights of the Company.

+ none of the transactions provided by article 223-17, I, 6° of the General Regulations of the French Financial Markets Authority is being considered;
+ it does not hold any of the instruments or agreements listed in article L. 233-9, I, 4° and 4° bis of the French Commercial code;
+ it has not concluded any temporary sale agreement concerning the shares or voting rights of the Company Valneva SE;
+ it does not plan to ask for the appointment of Management Board or Supervisory Board members of Valneva SE, knowing that Mr. Frédéric Grimaud, Chairman of the company Groupe Grimaud La Corbière, is already Chairman of the Supervisory Board of the Company.

5.3.2 Declaration of thresholds crossings of Novartis AG pursuant to the sale of Valneva shares to the company Glaxo Group Limited and to various Company's share capital increases

(a) Novartis AG, acting in its name and on its behalf, as well as in the name and on behalf of the companies Novartis Pharma AG ("Novartis Pharma") and Novartis Vaccines and Diagnostics Inc. ("NVD Inc." and, together with Novartis AG and Novartis Pharma, the "Novartis Group"), declared, for regularization purposes, that it has passively crossed below certain legal and statutory thresholds of the share capital and voting rights of the Company, following various Company's share capital increases. Novartis AG also declared, in its name and on its behalf, as well as in the name and on behalf of the other companies within the Novartis Group, that it has actively crossed below certain legal and statutory thresholds of the share capital and voting rights of the Company, following the Sale (as defined hereinafter):

Date of the threshold(s) crossing(s)	Description of the trigger event	% of the share capital of the Company			% of the voting rights of the Company			Description of the crossed threshold(s)
		Novartis Pharma	NVD Inc.	Novartis Group	Novartis Pharma	NVD Inc.	Novartis Group	
March 3, 2015	Sale	0	0	0	0	0	0	**Novartis AG** has indirectly and actively crossed below: + the statutory thresholds of 2% of the share capital + the statutory threshold of 2% of the voting rights **Novartis Pharma** has directly and actively crossed below: + the statutory thresholds of 2% of the share capital + the statutory threshold of 2% of the voting rights
February 6, 2015	Company's share capital increase	2.66	1.10	3.76	2.54	1.04	3.58	**Novartis AG** has indirectly and passively crossed below: + the statutory thresholds of 4% of the share capital + the statutory threshold of 4% of the voting rights
June 25, 2014	Company's share capital increase	3.51	1.45	4.96	3.39	1.38	4.78	**Novartis AG** has indirectly and passively crossed below: + the legal thresholds of 5% of the share capital
July 5, 2013	Company's share capital increase	3,62	1.49	5.11	3.47	1.43	4.90	**Novartis AG** has indirectly and passively crossed below: + the legal thresholds of 5% of the voting rights + the statutory thresholds of 6% of the share capital + the statutory threshold of 6% of the voting rights **Novartis Pharma** has directly and passively crossed below: + the statutory thresholds of 4% of the share capital + the statutory threshold of 4% of the voting rights **NVD Inc. has** directly and passively crossed below: + the statutory thresholds of 2% of the share capital

(b) It has been specified, in accordance with article 12 of the Articles of Association of the Company, that:

+ all the shares and voting rights held by the Novartis Group in the capital of the Company have been granted to the Novartis Group in the context of the merger between the companies Intercell AG and Vivalis SA (now Valneva SE) of May 28, 2013; and
+ since May 28, 2013, and until the closing of the Sale (as defined below):
  › the Novartis Group did not sell or acquire shares or voting rights of the Company, nor subscribe to a share capital increase of the Company; and
  › the number of ordinary shares and preferred shares held by the Novartis Group remains unchanged, i.e.:

	Share capital		
	Ordinary shares	**Preferred shares**	**Voting rights**
Novartis Pharma	1,894,024	1,894,024 i.e. 3,788,048	1,894,024
NVD Inc.	780,000	780,000 i.e. 1,560,000	780,000
Novartis Group	**2,674,024**	**2,674,024** **i.e. 5,348,048**	**2,674,024**

› with the exception of the above-mentioned shares and voting rights, the Novartis Group does not hold, and never held, securities giving access to the share capital and/or voting rights of the Company.

(c) In addition, on March 3, 2015, the ownership of all shares and voting rights held in the share capital of the Company by Novartis Pharma and NVD Inc. has been transferred to the benefit of the company Glaxo Group Limited (the "**Sale**"). Consequently, on even date, the Novartis Group did not hold shares or voting rights of Valneva SE anymore.

5.3.3 Declaration of threshold crossing of the group Glaxo SmithKline ("GSK Group") pursuant to the acquisition of Valneva shares held by companies of the Novartis group

On March 2, 2015, the company Glaxo Smith Kline Limited, a subsidiary of the GSK Group, acquired the Valneva shares held by Novartis Pharma and Novartis Vaccines and Diagnostics Inc. (see Section 5.3.2 of this excerpt from the Annual Management Report). In addition, GSK Biologicals SA, a subsidiary of the GSK Group, was holding shares of the Company on even date. This acquisition, added to this pre-existing stake in the Company's share capital, led to the GSK Group's crossing above the threshold of 2% of the share capital and voting rights of Valneva SE.

Consequently, the GSK Group, acting in the name and on behalf of its subsidiaries, GSK Biologicals SA and Glaxo Group Limited, declared that on March 2, 2015, it was holding:

+ 2,966,524 ordinary shares of the Company; and
+ 2,674,024 preferred shares of the Company;

i.e.

+ 4.15% of the share capital of the Company; and
+ 3.97% of the voting rights of the Company[41].

5.3.4 Declarations of the EPIC BPI-Groupe

Declaration of thresholds crossings pursuant to the grant of double voting rights, and declaration of intent

The EPIC BPI-Groupe declared that, on July 25, 2015, it has crossed above, indirectly through Bpifrance Participations SA over which it exercises control with the meaning of article L. 233-3 of the French Commercial code, the following thresholds:

+ the legal threshold of 10% of the voting rights of the Company;

[41] Rates calculated in reference to a share capital totaling 75,852,214 Valneva shares (divided into 74,663,099 ordinary shares with a nominal value of €0.15 each, and 17,836,719 preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15), representing 74,663,099 voting rights of the Company.

+ the statutory thresholds of 10%, 12% and 14% of the voting rights of the Company.

These thresholds crossings result from the grant of 5,499,863 double voting rights to Bpifrance Participations, increasing the EPIC BPI-Groupe stake at 7,456,785 ordinary shares and 12,956,648 voting rights of the Company, representing 9.83% of the share capital and 14.01%[42] of the voting rights issued in Valneva SE:

	Shares held	% of the share capital	Voting rights	% of the voting rights
EPIC BPI-Groupe (directly)	0	0	0	0
EPIC BPI-Groupe (indirectly, through Bpifrance Participations)	7,456,785	9.83	12,956,648	14.01
TOTAL EPIC BPI-Groupe	**7,456,785**	**9.83**	**12,956,648**	**14.01**

+ In addition, in accordance with article L. 233-7, VII of the French Commercial code, the EPIC BPI-Groupe declared that for the six coming months, the intents of Bpifrance Participations, company over which it indirectly exercises control through the company BPI-Groupe SA, are the following:
+ Bpifrance Participations crossed above the threshold of 10% of the voting rights of the Company, as a result of the grant, to its benefit, of 5,499,863 double voting rights, and therefore, has not resorted to any form of financing;
+ Bpifrance Participations is acting alone;
+ Bpifrance Participations does not intend to proceed with purchases on the market;
+ Bpifrance Participations does not intend to obtain control over the Company;
+ Bpifrance Participations intends to support the development of Valneva SE, but though has no plans to carry out transactions referred to by article 223-17, I, 6° of the General Regulations of the French Financial Markets Authority;
+ Bpifrance Participations does not hold any of the instruments or agreements listed in article L. 233-9, I, 4° and 4° bis of the French Commercial code;
+ Bpifrance Participations has not concluded any temporary sale agreement concerning the shares or voting rights of the Company Valneva SE.
+ Bpifrance Participations does not intend to ask for […] the appointment of board members.

Declaration of threshold crossing pursuant to issuance of new shares and new double voting rights

The EPIC-BPI Groupe declared that on August 4, 2015, it has passively crossed below, through Bpifrance Participations SA, the statutory threshold of 14% of the voting rights of the Company.

This threshold crossing results from the issuance of new Valneva shares and new double voting rights; the EPIC-BPI-Groupe stake, amounting to 7,456,785 ordinary shares and 12,956,648 voting rights of the Company, is now representing 9.82% of the share capital and 13.82% of the voting rights issued in Valneva SE.

[42] Rates calculated in reference to a share capital totaling 75,852,214 Valneva shares, representing 92,479,478 voting rights of the Company.

5.3.5 Declaration of thresholds crossings of the Caisse des Dépôts et Consignations ("CDC") pursuant to the grant of double voting rights, and declaration of intent

On July 25, 2015, the CDC, through Bpifrance Participations, crossed above the following thresholds:

+ The legal threshold of 15% of the voting rights of the Company;
+ The statutory thresholds of 12% and 14% of the voting rights of the Company.

These thresholds crossings result from the grant of 5,499,863 double voting rights to Bpifrance Participations.

Consequently, the CDC holds, indirectly through Bpifrance Participations and CDC Entreprises Valeurs Moyennes ("**CDC EVM**"), 8,810,485 ordinary shares and 14,310,348 voting rights of the Company, representing 11.61% of the share capital and 15.47%[43] of the voting rights issued by Valneva SE:

	Shares held	% of the share capital	Voting rights	% of the voting rights
CDC	0	0	0	0
CDC Entreprises Valeurs Moyennes	1,353,700	1.78	1,353,700	1.46
Bpifrance Participations SA	7,456,785	9.83	12,956,648	14.01
TOTAL CDC	**8,810,485**	**11.61**	**14,310,348**	**15.47**

In addition, in accordance with article L. 233-7, VII of the French Commercial code, the Caisse des Dépôts et Consignations declared that, for the coming six months, the intents of CDC EVM and Bpifrance Participations, company over which it indirectly exercises control through the company BPI-Groupe SA, are the following:

+ the threshold crossing is passive and linked to the grant of double voting rights. As such, no financing was required;
+ CDC EVM and Bpifrance Participations are acting alone;
+ Bpifrance Participations does not intend to purchase shares in the coming months;
+ CDC EVM intends to purchase non-significant amounts of shares in the coming months;
+ neither CDC EVM nor Bpifrance Participations intend to obtain control over the Company;
+ CDC EVM and Bpifrance Participations intend to support the development of Valneva SE, but though have no plans to carry the transactions referred to in article 223-17, I, 6° of the General Regulations of the French Financial Markets Authority;
+ neither CDC EVM, nor Bpifrance Participations, holds any of the instruments or agreements listed in article L. 233-9, I, 4° and 4° bis of the French Commercial code;
+ neither CDC EVM, nor Bpifrance Participations, concluded any temporary sale agreement concerning the shares or voting rights of the Company Valneva SE;
+ neither CDC EVM, nor Bpifrance Participations, intends to ask for […] the appointment of board members.

[43] Rates calculated in reference to a share capital totaling 75,852,214 Valneva shares, representing 92,479,478 voting rights of the Company.

5.4 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 (see Section 5.2.1 of this excerpt from the Annual Management Report).

5.5 Control mechanisms provided for in a potential employee stock ownership system, where control rights are not exercised by the latter

The Company has not implemented an employee stock ownership system potentially including mechanisms of control when the control rights are not exercised by the personnel.

5.6 Shareholders agreements known to the Company and which may result in share transfer and voting rights restrictions

A shareholders agreement was executed on July 5, 2013, between the company Groupe Grimaud La Corbière ("**GGLC**"), France's Strategic Investment Fund (Fonds Stratégique d'Investissement, renamed "Bpifrance Participations"), Messrs. Franck Grimaud, Majid Mehtali, Thomas Lingelbach and Reinhard Kandera.

The shareholders agreement was executed in connection with the capital increase with preferential subscription rights of Valneva SE, amounting approximately to €40 million, for which the prospectus was submitted for clearance with the French Financial Markets Authority (Visa No. 13-0275) and which follows the creation of the Company from the merger of Vivalis SA and Intercell AG.

The shareholders agreement's main provisions are as follows:

Agreement to not act in concert

Bpifrance Participations, GGLC and the Management Board members do not intend to act in concert vis-à-vis Valneva SE. In particular, by entering into this shareholders agreement, Bpifrance Participations wishes to maintain its financial interests in the Company.

Governance

Composition of the Supervisory Board

+ The shareholder agreement notes that Vivalis SA's General Meeting convened on March 7, 2013 to approve the merger and capital increase, appointed the following individuals as initial members of the Supervisory Board for a 3-year term: (i) three candidates put forth by GGLC (Messrs. Frédéric Grimaud, Michel Greco and Alain Munoz), whose terms took effect at the date of the merger between Vivalis SA and Intercell AG, (ii) three candidates put forth by Intercell AG (Messrs. James Sulat, Alexander Von Gabain and Hans Wigzell), whose terms took effect at the date of the merger between Vivalis SA and Intercell AG, and (iii) one candidate put forth by Bpifrance Participations (Mrs. Anne-Marie Graffin), whose term took effect at the date of settlement and delivery of the capital increase;
+ The Supervisory Board member appointed by Bpifrance Participations also sits on the Compensation and Appointments Committee;
+ Throughout the term of the shareholders agreement, GGLC and Bpifrance Participations will make every effort to abide by these principles for allocating seats in the Supervisory Board;
+ Bpifrance Participations will also be appointed as a Non-Voting Observer (*Censeur*) of the Supervisory Board for a term of three years as of the date of settlement and delivery of the capital increase;

+ Supervisory Board decisions are taken by simple majority of those members in attendance or represented, with the exception of (i) certain decisions requiring a qualified majority of 4 out of 7 members (budget, business plan, appointment and removal of Management Board members, distribution of dividends, draft resolutions for Extraordinary General Meetings, capital increases, etc.), and (ii) any decision for international relocation of Valneva SE's registered offices or of an R&D center operated by Valneva SE in France, which shall require a unanimous vote. For these two types of decision, the quorum (required only upon the first call) shall be the majority of the members with at least one representative nominated by each of GGLC, Intercell and Bpifrance Participations. Upon the second call, the quorum shall be the majority of Supervisory Board members.

Composition of the Management Board

The shareholders agreement notes that Management Board members, appointed for 3-year terms as of the date of the merger between Vivalis SA and Intercell AG, are (i) two candidates put forth by GGLC (Messrs. Franck Grimaud and Majid Mehtali) and (ii) two candidates put forth by the Intercell AG Supervisory Board (Messrs. Thomas Lingelbach and Reinhard Kandera).

Following the death of Majid Mehtali in August 2013, the Company's Management Board was made up of three members at the date of this Annual Management Report, namely Messrs. Franck Grimaud, Thomas Lingelbach and Reinhard Kandera.

Transfer of shares

Lock-up commitment

Bpifrance Participations shall be subject to a two-year lock-up commitment for its shares. This period shall be four years for GGLC (subject to certain exceptions, such as a relief clause applicable to 50% of its securities as of the third anniversary of the shareholders agreement). Management Board members shall be bound by a 3-year lock-up (subject to certain exceptions, such as selected cases of dismissal as well as a relief clause applicable to 20% of their securities).

Unrestricted transfers

Transfers between affiliates will not be subject to restrictions (subject to the customary conditions: membership, joint liability of the transferor, etc.). Likewise, there is no restriction for contributions of Valneva securities by a party to a public offering.

Right of first refusal

Following the lock-up period, any transfer of securities by GGLC or Bpifrance Participations (without prejudice to the abovementioned free transfers) shall be subject to a right of first refusal granted to Bpifrance Participations or GGLC, according to the circumstances, at the price offered by the transferor. Should this right be waived, the transferor shall be entitled to transfer the securities in question by any means for a period of three months, and at a sale price equal to, or greater than, the price offered to GGLC or Bpifrance Participations.

Anti-dilution

Should Valneva SE wish to carry out a capital increase (in cash) liable to have a dilutive effect on Bpifrance Participations' stake in the Company, GGLC shall, at the request of Bpifrance Participations, make every effort to take measures guaranteeing that Bpifrance Participations' interest in the Company is maintained at its previous level.

Duration of the shareholders agreement

The shareholders agreement is concluded for a period of six years, renewable by successive one-year periods, unless prior notice of termination is given by one of the parties.

5.7 Rules and regulations related to the appointment and replacement of Management Board members, and to the modifications to the Articles of Association of the Company

The rules and regulations applicable in this respect comply with the provisions of the Articles of Association and the law.

5.8 Powers of the Management Board in particular for the issuance and buyback of shares

With regards to the issuance and buyback of shares, the powers of the Management Board are those provided for by statute and regulations applying to European companies (*Societas Europaea*) with a Management Board and a Supervisory Board.

5.8.1 Current delegations in connection with stock option and free shares

Combined General Meeting held on June 26, 2014

Resolution	Nature of the delegation	Duration of the delegation	Authorized amount	Uses during fiscal year 2015
20	**Issuance of stock option – Grant of authority to the Management Board for this purpose**	38 months, i.e. until August 26, 2017	The maximal total number of stock options to be granted under this resolution shall represent a maximum of shares to be subscribed of 4 % of the share capital of the Company at the date of the allocation of options.	Delegation used during the fiscal year ended December 31, 2015, in the context of the new stock option plan of the Company (Plan No. 8 – Tranche 1), set on July 28, 2015, for 712,000 stock option giving right to the grant of 712,000 ordinary shares of the Company (see Section 13.2.1 of the Annual Management Report for the fiscal year 2015).
21	**Issuance of free shares, repurchase by the Company of its own shares on the market for this purpose – Corresponding grant of authority to the Management Board**	38 months, i.e. until August 26, 2017	The total number of ordinary shares that may be freely granted under this authorization may not exceed more than 2% of the share capital of the Company on the date of the allocation of the free shares.	Delegation not used during the fiscal year ended December 31, 2015.

5.8.2 Current authorizations related to share buyback programs and cancellation of shares of the Company

Combined General Meeting held on June 25, 2015

Resolution	Nature of the delegation	Duration of the delegation	Authorized amount	Uses during fiscal year 2015
6	**Authorization and powers to be given to the Management Board for purchase by the Company of its own shares**	18 months, i.e. until December 25, 2016	Authorization to proceed with the purchase, sale or transfer, on one or more occasions, at any time, including during a public offering, and by any means, especially by trading in the market or off-market, including block transactions, except involving the use of derivatives. The purchase and sale of shares through block trades may account for the entire authorized share buyback program. The Company may: + purchase its own shares up to a maximum of 5% of the shares comprising its share capital, as adjusted based on corporate actions that might affect the share capital after this resolution, less treasury shares, at a price per share not exceeding €10. However, when shares are purchased to promote liquidity under the conditions defined by the French Financial Market Authority's General Regulations, the number of shares to be taken into account for calculating this 5% limit will equal the number of shares purchased minus shares resold during the authorization period. Furthermore, the number of shares acquired by the Company to be held and subsequently used in payment or exchange in connection with a merger, spin-off or contribution, may not exceed 5% of the share capital, after adjustments for corporate actions occurring after this decision; + sell, assign or transfer by any means all or part of the shares thus acquired; + or cancel said shares by reducing the share capital, within the limit of 5% of the Company's share capital per twenty-four (24) month period. In the event of an increase in the capital by capitalizing reserves and a grant of restricted share units, stock splits or reverse stock splits, the prices indicated above will be adjusted by a multiplier equal to the ratio between the number of shares making up the share capital before and after the transaction. These share purchases may be made for the purposes provided for by law, or subsequently permitted by law, and notably to: + maintain an orderly market in the Company's share through a liquidity guarantee that complies with the AMAFI code of professional conduct dated March 8, 2011 and concluded with an investment services provider acting independently; + hold acquired shares and subsequently remit them as payment or in exchange as part of financial transactions or acquisitions, pursuant to the applicable regulations; + implement and honor obligations, and in particular remit shares pursuant to the exercise of rights attached to securities giving access, by any means, immediately or in the future, to the Company's shares, as well as all hedging transactions resulting from the obligations of the Company relating to these securities, in accordance with the provisions provided for by market authorities and at such times as the Management Board or the person	Delegation used during the fiscal year ended December 31, 2015, in the context of the liquidity agreement executed with the financial institution Natixis (see Section 4.1 of this excerpt from the Annual Management Report).

			acting on the authority of the latter shall determine; + cancel acquired shares; + cover share option plans reserved for employees or other share allocations according to the conditions set out in articles L. 3332-1 *et seq.* and R. 3332-4 of the French Labor code, or the allocation of Company shares to employees and/or corporate officers of the Company, or companies referred to in article L. 225-197-2 of the French Commercial code, or share allocations as part of employee profit sharing. The maximum amount of funds allocated for this program is set at fifteen million euros (€15 000 000).	
7	**Authorization granted to the Management Board for cancellation by the Company of its own shares**	18 months, i.e. until December 25, 2016	Authorization to proceed with the reduction, on one or more occasions, of the share capital of the Company, within the limit of 10% of the Company's capital, adjusted for corporate actions that could affect the share capital after this decision, per twenty-four (24) month period, by canceling the shares that the Company holds or might hold by any means, including by purchasing shares through buyback programs authorized by resolution six submitted to the shareholders' vote during the Combined General Meeting held on June 25, 2015, or buyback programs authorized previously or following the date of said Meeting, or by any other means, by charging the difference between the buyback price of the canceled shares and their nominal value to additional paid-in capital and available reserves.	Delegation not used during the fiscal year ended December 31, 2015.

5.8.3 Other current delegations

Combined General Meeting held on June 25, 2015

Resolution	Nature of the delegation	Duration of the delegation	Authorized amount	Uses during fiscal year 2015
8	**Issuance of equity warrants**	18 months, i.e. until December 25, 2016	Authorization for the issuance of 250,000 equity warrants of the Company “BSA 26”, each giving right to the grant of one new ordinary share of the Company.	Delegation not used during the fiscal year ended December 31, 2015.
10	**Grant of authority to the Management Board to increase the share capital by issuing ordinary shares or any securities giving access to the capital while maintaining the preferential subscription right**	26 months, i.e. until August 25, 2017	<u>Nominal amount of the share capital increases:</u> maximum four million five hundred thousand euros (€4,500,000). The issued securities giving access to shares in the Company may consist of debt securities or be linked to the issuing of such securities, or enable the issue thereof as intermediate securities. <u>Maximal nominal amount of the debt securities:</u> maximum one hundred twenty-five million euros (€125,000,000).	Delegation not used during the fiscal year ended December 31, 2015.

11	**Grant of authority to the to the to the Management Board to increase the capital by issuing ordinary shares or all securities conferring rights to the capital, through a public offering, canceling preferential subscription rights, while including an option for a priority period**	26 months, i.e. until August 25, 2017	Nominal amount of the share capital increases: maximum four million five hundred thousand euros (€4,500,000). The issued securities giving access to shares in the Company may consist of debt securities or be linked to the issuing of such securities, or enable the issue thereof as intermediate securities. Maximal nominal amount of the debt securities: maximum one hundred twenty-five million euros (€125,000,000).	Delegation not used during the fiscal year ended December 31, 2015.
12	**Grant of authority to the Management Board in order to increase the share capital through the capitalization of reserves, earnings or premium**	26 months, i.e. until August 25, 2017	Nominal amount of the share capital increases: maximum four million five hundred thousand euros (€4,500,000).	Delegation used during the fiscal year ended December 31, 2015, in the context of final grant of free shares upon Management Board decisions dated July 24, 2015 and September 7, 2015, for a total amount of €5,250 (see Section 13.2.2 of the Annual Management Report for the fiscal year 2015).
13	**Grant of authority to the Management Board to increase the share capital by issuing shares and/or securities giving present and/or future access to the Company's share capital through private placement, with cancellation of preferential subscription rights**	26 months, i.e. until August 25, 2017	Total amount of the share capital increases: maximum 20% of the share capital of the Company per year. The issued securities giving access to shares in the Company may consist of debt securities or be linked to the issuing of such securities, or enable the issue thereof as intermediate securities. Maximal nominal amount of the debt securities: maximum one hundred twenty-five million euros (€125,000,000).	Delegation not used during the fiscal year ended December 31, 2015.
14	**Grant of authority to the Management Board in order to implement the issue of Company ordinary shares and/or securities giving immediate and/or later access to the capital of the Company with cancellation of preferential subscription rights, and to set the issue price in accordance with the rules set by the General Meeting up to a limit of 10% of the share capital per year**	26 months, i.e. until August 25, 2017	Nominal amount of the share capital increases: maximum 10% of the share capital of the Company, (this limit being determined on the date of the Combined General Meeting held on June 25, 2015), within the limit of the maximum increase in capital provided for under resolution eleven, or according to the case, resolution thirteen of the Combined General Meeting held on June 25, 2015, and the maximum capital increase provided for by resolution sixteen from which it is deducted.	Delegation not used during the fiscal year ended December 31, 2015.
15	**Grant of authority to the Management Board to increase the share capital by issuing shares and/or securities giving immediate and/or future access to the capital of the Company, in consideration for contributions in kind for equity securities or other securities giving access to the capital, with cancellation of preferential subscription rights**	26 months, i.e. until August 25, 2017	Nominal amount of the share capital increases: maximum four million five hundred thousand euros (€4,500,000). The issued securities giving access to shares in the Company may consist of debt securities or be linked to the issuing of such securities, or enable the issue thereof as intermediate securities. Maximal nominal amount of the debt securities: maximum one hundred twenty-five million euros (€125,000,000).	Delegation not used during the fiscal year ended December 31, 2015.

16	**Maximum aggregate amount of capital increases**	The maximum aggregate amount of capital increases that may be carried out, with immediate effect or in the future, under resolutions ten to fifteen of the Combined General Meeting held on June 25, 2015, may not exceed four million five hundred thousand euros (€4,500,000), it being specified that to this maximum aggregate amount will be added the supplementary amount of shares or securities to be issued for the purposes of any adjustments to be made in accordance with applicable legal or regulatory provisions and, if applicable, with contractual provisions providing for other forms of adjustment, in order to preserve the rights of the holders of securities or other rights giving immediate and/or future access to the capital of the Company		
17	**Creation of a new class of preferred shares into ordinary shares following a period of 4 years**			
18	**Grant of authority to the Management Board in order to increase the share capital by issuing preferred shares convertible into ordinary shares, and canceling the preferential subscription rights for the benefit of a defined category of persons**	18 months, i.e. until December 25, 2016	The maximum number of convertible preferred shares that may be issued based on this delegation of power is 2,000[44]. The maximum number of ordinary shares that may be created if the convertible preferred shares are converted amounts to 200,000, or a maximum capital increase of €30,000, these limits being set without taking into account the legal, regulatory or contractual adjustments required to preserve the rights of beneficiaries of convertible preferred shares.	Delegation used during the fiscal year ended December 31, 2015 (Management Board held on July 28, 2015) in the context of the subscription, for consideration, of 1,074 convertible preferred shares (i) giving right to the grant of 107,400 ordinary shares of the Company at maximum, and (ii) which gave the right to the grant of free preferred shares convertible into Valneva's ordinary shares (see Section 13.3 of the Annual Management Report for the fiscal year 2015).
20	**Authorization for the Management Board to grant free convertible preferred shares of the Company for the benefit of employees and/or corporate officers of the Company and its subsidiaries, entailing waiver by shareholders of their preferential subscription right**	38 months, i.e., until August 25, 2018	The total number of convertible preferred shares that may be freely granted based on this resolution may not represent more than 5.5%[45] of the Company's share capital on the date of the Management Board's grant decision. The maximum number of ordinary shares that may be created if these convertible preferred shares are converted is four million, or a maximum capital increase of €600,000, it being specified that these limits are set without taking into account the legal, regulatory or contractual adjustments required to preserve the rights of beneficiaries of convertible preferred shares.	Delegation used during the fiscal year ended December 31, 2015, in the context of the grant of 26,850 free convertible preferred shares, declared by the Management Board on July 28, 2015, giving right, at maximum, to the grant of 2,685,000 ordinary shares of the Company (see Section 13.3 of the Annual Management Report for the fiscal year 2015).

[44] 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.

[45] Idem.

5.9 Agreements executed by the Company that may be modified or terminated in the event of a change in control of the Company

As disclosed in the Note 5.2 to the statutory financial statements for the fiscal year 2015, a loan amounting approximatively to US$ 40 million was granted to Valneva Austria GmbH, an Austrian subsidiary of the Company, by an investment fund managed by *Pharmakon Advisors*.

In the event of a change in control of the Company, this loan shall be subject to prepayment, with certain additional indemnities, from which are deducted interest payments already made.

5.10 Agreements providing for indemnities to Management Board members or employees in the event of resignation, dismissal without just and sufficient cause, or termination of employment resulting from a public offering

There is no agreement providing for the payment of indemnities to employees in the event of resignation, dismissal without just and sufficient cause, or termination of employment resulting from a public offering.

Indemnities or benefits payable by the subsidiary Valneva Austria GmbH to Messrs. Thomas Lingelbach and Reinhard Kandera pursuant to their Management Agreements entered into force on June 25, 2015[46]

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

[46] See Section 22 of the Annual Management Report for the fiscal year 2015.

Description of the event	Indemnities or benefits
(6) Termination by the corporate officer of its Management Agreement subject to a notice period corresponding to the notice period Valneva Austria GmbH would have to adhere in accordance with Section 20 of the Austrian White Collar Workers Act, ending on the last day of each calendar month	+ Payment of the salary defined by Section 6.1 of the Management Agreement; and + Payment of the bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis. In all cases, such payments are to be made for the duration of the competition prohibition pursuant to Section 10.2 of the Management Agreement, i.e. 1 year following termination of the Management Agreement. + The foregoing shall not apply if Valneva Austria GmbH notifies waiver of the non-compete provisions within the notice period. In such case, the corporate officer shall not be entitled to any further remuneration after expiry of the notice period.
(7) The corporate officer's appointment to his "Valneva SE Management Position" (i.e. President and CEO of Valneva SE with respect to Mr. Thomas Lingelbach, and member of the Management Board and CFO with respect to Mr. Reinhard Kandera) terminates by resignation by such corporate officer or by termination by the relevant company of the Group prior the end of the Term of the Management Agreement, due to circumstances involving a legal, functional or actual diminution of the corporate officer's responsibilities in this Valneva SE Management Position	Possibility for the corporate officer to resign as Managing Director of Valneva Austria GmbH and: + payment of the salary defined by Section 6.1 of the Management Agreement; and + payment of the bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis. In all cases, such payments are to be made until the end of the Term of the Management Agreement.

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

Description of the event	Amounts
(1) Inability to work due to illness / accident	Inability to work during a period of 3 months + 3 months without any previous absence period for illness/accident
	Thomas Lingelbach **Maximum amount of indemnities to be paid by the subsidiary**: €122,076.89 **Costs**: €17,998.86 **Total**: €140,075.75
	Reinhard Kandera **Maximum amount of indemnities to be paid by the subsidiary**: €91,557.67 **Costs**: €16,988.67 **Total**: €108,546.34
(2) Declaration by Valneva Austria GmbH of execution of non-compete provisions (Section 10.2 of the Management Agreement) upon ordinary notice of termination by Valneva Austria GmbH	Basis of calculation: gross annual salary, to which a bonus of 60% and 50% of such salary is respectively added for Mr. Thomas Lingelbach and Reinhard Kandera (see event (4) for the applicable cap regarding the bonus), for all cases over a period of 12 months from the termination of the Management Agreement.
	Thomas Lingelbach **Maximum amount of indemnities to be paid by the subsidiary**: €524,357.12 **Costs**: €56,094.52 **Total**: €580,451.64
	Reinhard Kandera **Maximum amount of indemnities to be paid by the subsidiary**: €368,688.60 **Costs**: €49,437.65 **Total**: €418,126.25
(4) Termination of the Management Agreement by the corporate officer on cause pursuant to Section 26 of the Austrian White Collar Workers Act	Basis of calculation: gross annual salary, to which a bonus of 60% and 50% of such salary is respectively added for Mr. Thomas Lingelbach and Reinhard Kandera, for both cases until June 30, 2019
	Thomas Lingelbach **Maximum amount of indemnities to be paid by the subsidiary**: €1,310,892.80 **Costs**: €140,236.31 **Total**: €1,451,129.11
	Reinhard Kandera **Maximum amount of indemnities to be paid by the subsidiary**: €921,721.50 **Charges**: €123,594.12 **Total**: € 1,045,315.62
(5) Removal by Valneva Austria GmbH of the corporate officer as Managing Director of Valneva Austria GmbH and termination of the Management Agreement, upon notice period in accordance with Section 20 of the Austrian White Collar Workers Act, ending on the last day of each calendar month	Basis of calculation: gross annual salary until June 30, 2019, to which a bonus of 60% and 50% of such salary is respectively added for Mr. Thomas Lingelbach and Reinhard Kandera, as well as fringe benefits related to the company car leasing and to the death and endowment insurance policy (for such bonus and benefits, until termination of the notice period)
	Thomas Lingelbach **Maximum amount of indemnities to be paid by the subsidiary**: €874,346.48 **Costs** : €106,768.98 **Total** : €981,115.46
	Amounts
	Reinhard Kandera **Maximum amount of indemnities to be paid by the subsidiary**: €663,286.40 **Costs** : €100,243.52 **Total** : €763,529.92

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

Indemnities or benefits payable by the Company to Mr. Franck Grimaud (Management Board member and Deputy CEO)

Indemnities or benefits provided by the Management Agreement in its version dated December 16, 2012, currently into force

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

Description of the event	Indemnities or benefits
(5) Resignation and termination of the Management Agreement by the corporate officer, with a notice period of 4 weeks, ending on the last day of each calendar month	If Valneva SE does not waive its rights related to the non-compete provisions of Section 10.1 of the Management Agreement: + payment of the remuneration pursuant to Section 6.1 of the Management Agreement; + payment of a bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis. In all cases payments are to be made for the duration of the competition prohibition pursuant to Section 10.1 of the Management Agreement, subject to the corporate officer having achieved, if applicable, the performance criteria set out by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code. If Valneva SE waives its rights related to the non-compete provisions of Section 10.1 of the Management Agreement: the corporate officer shall not be entitled to any further remuneration after expiry of the notice period.
(6) Termination of the Management Board of Valneva SE membership of the corporate officer and of the Management Agreement by mutual consent of Valneva SE and the corporate officer (even if the proposal for termination is made by the corporate officer)	Subject to the corporate officer having achieved, if applicable, the performance criteria set out by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code: payment of the remuneration pursuant to Section 6.1 of the Management Agreement and of a bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis In any case, these payments are to be made until the end of the Initial Term of the Management Agreement. From the amount of remuneration to be paid in accordance with the foregoing, shall be deducted the amount of the allowance actually received by the corporate officer under the GSC policy during the period when such remuneration is paid.
(7) Termination by the corporate officer of by the relevant company of any corporate officer's position within the Group ("Group Management Position"), prior to the end of the Initial Term ("Early Termination"), due to circumstances involving a legal, functional or actual diminution of the corporate officer's responsibilities in any such position within the Group	Subject to case No. 3 above, possibility for the corporate officer to resign from the Management Board of Valneva SE and: + payment of the remuneration pursuant to Section 6.1 of the Management Agreement; and + payment of a bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis. In all cases such payment are to be made until the end of the Initial Term, subject to the corporate officer having achieved, if applicable, the performance criteria set out by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code.
(8) Early Termination for circumstances other than those set forth in case No. (7) above	Subject to case No. 3 above, possibility for the corporate officer to resign from the Management Board of Valneva SE and: + payment of the remuneration pursuant to Section 6.1 of the Management Agreement; and + payment of a bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis. In all cases such payment are to be made until the earlier of : (i) the date the corporate officer begins alternative full-time employment with an equivalent or similar level or remuneration, and (ii) the end of the Initial Term of the Management Agreement, subject to the corporate officer having achieved, if applicable, the performance criteria set out by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code.

Indemnities or benefits provided by the Management Agreement to be executed as from the General Meeting of Valneva SE which will consider Valneva SE's annual financial statements for fiscal year 2015, intended to take place in June 2016

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

Description of the event	Indemnities or benefits	Estimate gross amounts to be paid by the Company, including charges, in case of event occurring at December 31, 2016
(4) Removal of the corporate officer from the Management Board by Valneva SE and termination of the Management Agreement with a notice period of 2 months, ending on the last day of each calendar month	+ Payment of the remuneration pursuant to Section 6.1 of the Management Agreement until the end of the "**Term**" of the Management Agreement (i.e. the earlier of (i) the date of the General Meeting of Valneva SE which will consider Valneva SE's annual financial statements for fiscal year 2018, intended to take place in June 2019, or (ii) June 30, 2019), subject to the corporate officer having achieved, if applicable, the performance criteria set out by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code; and + For the period until expiry of the notice period, payment of a bonus as defined by Section 6.3 of the Management Agreement (it being understood that the maximum bonus shall not exceed 50% of the annual gross remuneration set in Section 6.1 of the Management Agreement), on a pro rata basis, and (ii) payment of insurance premiums as defined by Section 6.5 of the Management Agreement, and (iii) reimbursement of expenses in accordance with Section 7 of the Management Agreement, and (iv) benefits in kind in accordance with Section 8 of the Management Agreement.	Basis of calculation: gross annual salary until June 30, 2019, to which a bonus of 50% of such salary, the fees for the GSC and expenses related to the leased company car are added, over the 2 month notice period. **Maximum amount of indemnities to be paid by the Company**: €637,847.09 **Costs**: €169,352.69 **Total**: €807,199.78
(5) Resignation and termination of the Management Agreement by the corporate officer, with a notice period of 2 months, ending on the last day of each calendar month	If Valneva SE does not waive its rights related to the non-compete provisions of Section 10.1 of the Management Agreement: payment of the remuneration pursuant to Section 6.1 of the Management Agreement; payment of a bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis, In all cases, such payment are to be made for the duration of the competition prohibition pursuant to Section 10.1 of the Management Agreement, subject to the corporate officer having achieved, if applicable, the performance criteria set out by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code. If Valneva SE waives its rights related to the non-compete provisions of Section 10.1 of the Management Agreement or does not declare to continue payment for the entire remuneration for the duration of the non-compete period: the corporate officer shall not be entitled to any further remuneration after expiry of the notice period.	Basis of calculation: gross annual salary, to which a bonus of 50% of such salary is added, in both cases over a period of 12 months from the termination of the Management Agreement. **Maximum amount of indemnities to be paid by the Company**: €365,762.67 **Costs**: €99,104.12 **Total**: €464,866.79

Description of the event	Indemnities or benefits	Estimate gross amounts to be paid by the Company, including charges, in case of event occurring at December 31, 2016
(6) The corporate officer's appointment to his "Valneva SE Management Position" (i.e. Managing Director / Deputy CEO) terminates by resignation by such corporate officer or by termination by the relevant company of the Group prior the end of the Term of the Management Agreement, due to circumstances involving a legal, functional or actual diminution of the corporate officer's responsibilities in this Valneva SE Management position	Subject to case No. 3 above, possibility for the corporate officer to resign from the Management Board of Valneva SE and: + payment of the remuneration pursuant to Section 6.1 of the Management Agreement; and + payment of a bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis. + In all cases such payment are to be made until the end of the Term of the Management Agreement, subject to the corporate officer having achieved, if applicable, the performance criteria set out by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code. + From the amount of remuneration to be paid in accordance with the foregoing, shall be deducted the amount of the allowance actually received by the corporate officer under the GSC policy during the period when such remuneration is paid.	Basis of calculation: gross annual salary, to which a bonus of 50% of such salary is added, in both cases until June 30, 2019. **Maximum amount of indemnities to be paid by the Company**: €921,721.53 **Costs**: €243,597.80 **Total**: €1,165,319.33

+ Indemnities set forth pursuant to events (3) to (6) are exclusive of any other indemnity, compensation or benefit, to the fullest extent permitted by law.

+ The relationship between Valneva SE and M. Franck Grimaud in his capacity as member of the Management Board of the Company and Managing Director is regulated by the French law and regulations, the Articles of Association of the Company, the provisions of his Management Agreement and the resolutions of the Supervisory Board of Valneva SE.

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

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

The premium currently paid by Valneva Austria GmbH amounts to €1,000 per month for each of them[47].

Valneva Austria GmbH will stop paying this insurance premium upon termination or expiration of the Management Agreements between these corporate officers and Valneva Austria GmbH. Mr. Lingelbach and Mr. Kandera may then, in their sole discretion, (a) leave the accrued savings within the insurance policy until the retirement age (such savings would then approximately amount to €313,000[48]), (b) terminate the insurance policy and get the accrued savings as a cash settlement, or (c) convert the accrued savings into a life annuity paid by the insurance company.

Upon expiration of the Management Agreements at the end of June 2019, Mr. Lingelbach could get approximately €136,229 as a cash settlement, or €5,896 per year as a life annuity, and Mr. Kandera could receive approximately €109,000 as a cash settlement, or €2,772 per year as a life annuity[49].

6. AUTHORIZATIONS FOR CAPITAL INCREASES

In accordance with the provisions of article L. 225-100, subsection 7, of the French Commercial code, Section 5.8 of this excerpt from the Annual Management Report provides information on the current authorizations granted to the Management Board by the General Meeting of the Company in order to proceed with capital increases in accordance with articles L. 225-129-1 and L. 225-129-2 of the French Commercial code, and on the uses made of these authorizations during the fiscal year ended December 31, 2015.

[47] See Section 20.1.1 of the Annual Management Report for the fiscal year 2015.

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

[49] Idem.

VALNEVA

A European company (Societas Europaea) with a Management and a Supervisory Board
With a share capital of €11,383,243.14
Registered offices: 70, rue Saint Jean de Dieu, 69007 Lyon
Lyon Companies Register (RCS) No. 422 497 560

Report by the Chairman of the Supervisory Board on the preparation and organization conditions of the Supervisory Board and the internal control procedures implemented by the Company (article L. 225-68, subsection 7 of the French Commercial Code)

To the shareholders,

In accordance with the provisions of article L. 225-68, subsection 7 of the French commercial code, I hereby report to you on:

+ the composition of your Board;
+ the conditions for the preparation and organization of the work of your Supervisory Board for the fiscal year ended 31 December 2015;
+ special procedures relating to the participation of shareholders in general meetings;
+ the internal control procedures implemented by the Company;
+ risk management procedures;
+ the principles and rules established for determining remuneration and benefits granted to officers.

This report was approved by the Supervisory Board on March 18, 2016.

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

In 2010, the Supervisory Board adopted the corporate governance code for small and mid-caps published in December 2009 by MiddleNext. The Company implements most recommendations of this code. This report states those recommendations which the Company does not implement and the reasons for that, according to the "comply or explain" principle.

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Valneva SE is a European company focusing on vaccines, striving to become a leader in its field.

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1. COMPOSITION OF THE SUPERVISORY BOARD

1.1 Supervisory Board members appointed by shareholders

Your Supervisory Board has seven members, all being individuals.

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

Frédéric Grimaud - Chairman of the Supervisory Board (age 51): After setting up a company providing services to businesses in the field of motivational management of human resources and quality, Mr. Grimaud joined the Groupe Grimaud Family in 1988, initially taking on commercial responsibilities in France. At the beginning of the 1990s, he headed the group's international development and later become involved in initiating biotech projects before assuming general management responsibilities and finally the chairmanship of the Management Board of Groupe Grimaud La Corbière in the early 2000s.

Alain Munoz - Supervisory Board member (age 66): A graduate in cardiology and anaesthesia/resuscitation, Mr. Alain Munoz is a medical Doctor, former staff doctor and hospital clinic manager. After being Vice-President of international development at Sanofi, he was Senior Vice-Chairman of the pharmaceutical division of the Fournier Group for ten years. Under his management, a number of drugs received international marketing licenses (in particular Adenocard®, Cordarone®, Plavix®, Tricor®, and Esclim®). Dr. Munoz was a member of the Scientific Council ("Scientific Advisory Board") of the Drugs Agency (*Agence du Médicament)*. He runs his own company focusing on the development of drugs and is a Board member in several European biotechnology companies.

Michel Greco - Supervisory Board member (age 72): Mr. Michel Greco is a graduate of the Institute of Political Science (*Institut d'Etudes Politiques*) in Paris (1965) and holds an MBA from Western Ontario University / Richard Ivey Business School (Canada, 1968). Managing Director of Aventis Pasteur for five years, Mr. Michel Greco has 35 years' experience in the pharmaceutical and vaccine industry. Over the last 12 years, Mr. Michel Greco served on the Board of over 20 biotechnology companies and international Non-Governmental Organizations, including being an advisor to the World Health Organization and GAVI. He is presently a Board member of Texcell and Synthelis and the Chairman of the Board of the Saint Joseph Saint Luc hospital in Lyon, France.

James Sulat – Supervisory Board member (age 65) – Mr. Sulat, an American national, holds Masters Degrees in Business Administration and Health Administration from Stanford University. Mr. Sulat has been a member of the Intercell AG Supervisory Board since January 2005. Mr. Sulat currently serves as Vice-Chair of the Supervisory Board and Chairman of the Company's Audit and Governance Committee. He is also currently a member of the Board of Directors of Momenta Pharmaceuticals, Inc., AMAG Pharmaceuticals, Inc., Diadexus, Inc. and Arch Therapeutics, Inc. Mr Sulat served as Chief Executive Officer and Chief Financial Officer of the biopharmaceuticals company Maxygen, Inc., from October 2009 until June 2013, while also serving on the Board of Directors. He previously served as Chief Executive Officer, President, Chief Financial Officer and member of the Board of Directors of Memory Pharmaceuticals Corp., and as Chief Financial Officer of R.R. Donnelley & Sons Co., Chiron Corporation and Stanford Health Services, Inc.

Hans Wigzell – Supervisory Board member (age 77) - A Swedish national, Professor Wigzell holds Doctorates in medicine and science from Karolinska Institute. Prof. Wigzell has been a member of the Intercell AG (now Valneva) Supervisory Board since May 2006. He also sits on the Boards of Directors of Karolinska Development AB, Raysearch AB, SOBI AB and Sarepta Therapeutics. He has been President of the Stockholm School of Entrepreneurship since 2000.

Alexander Von Gabain – Supervisory Board member (age 66) - An Austrian national, Professor Alexander von Gabain is currently Deputy Vice-Chancellor for Innovation and Commercial Outreach at the Karolinska Institute in Stockholm and was appointed to this position in 2014. He obtained his Ph.D. in Molecular Biology at the University of Heidelberg, held a post-doctorate position at the Stanford University and was Professor at the Karolinska Institute in Stockholm, as well advisor to biotech industries. From 1992 to 1998, as Chair of Microbiology at the University of Vienna, he was involved in building a public-private partnership with Boehringer Ingelheim. In 1998, he co-founded Intercell AG, led the company as CEO until it was floated on the Stock Exchange in 2005 and remained CSO until 2009. In 2011, he re-entered the Intercell AG Supervisory Board, and he remained a Board member after Intercell AG merged with Vivalis SA to create the biotech company "Valneva SE", listed in Paris and Vienna, in 2013. He has co-founded further biotech companies and since 2007 has been holding the position of Chairman of the business incubator of the Viennese Universities, initiating more than 140 start-ups. From 2008 until 2014, he served on the Governing Board of the European Institute of Innovation and Technology ("**EIT**") and was the chairman of this Board from 2011 until the end of his term. Under his leadership, the EIT has evolved into an EC innovation fund, with a €2.8 billion budget that has enabled the EIT to implement further Knowledge and Innovation Communities until 2018. A large number of publications, patents, book chapters, and editions of books have documented his passion for biomedical innovation. His achievements have been recognized by prestigious industrial awards, academic prizes and honorable memberships, including the Swedish Royal Academy of Engineering Science.

Anne-Marie Graffin – Supervisory Board member (age 54) – A French national, Ms. Anne-Marie Graffin holds a degree from ESSEC Paris. After beginning her pharmaceutical career in the group Fournier (URGO Soin et Santé) and Johnson & Johnson (RoC SA), Ms. Graffin joined Sanofi Pasteur MSD in 1998. She rose from the position of Executive Director to that of Vice-President for Business Management, and finally to European Vice-President President Office with a seat on the Executive Committee until 2010. Today, Ms Graffin is an expert and independent director for industrial pharmaceutical companies and biotechnology firms. Ms Anne-Marie Graffin served as director of the Austrian company Themis Bioscience GmbH and is currently a member of Nanobiotix' Supervisory Board.

(a) Supervisory Board members elected by employees

None.

(b) Shareholders' Observers (*Censeurs*)

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

(c) Cooptations

None.

(d) Number of qualifying shares to be held by each Supervisory Board member

None.

(e) Number of female members

In compliance with article L. 225-37 of the French commercial code (law of January 27, 2011), we hereby report to you on the application of the principle of balanced gender representation on the Board. Our Supervisory Board has one female member. The Company is currently not in compliance with the statutory requirement that not less than 20% of Supervisory Board members are female.

(f) Term of office

Recommendation No. 10 of the MiddleNext Code does not include provisions with respect to the term. In contrast, it is recommended that the Board ensure that the terms of appointments be adapted, within the limits established by the law, to the specific characteristics of the company. The terms of Supervisory Board members are set by the Articles of Association at three years (one year being understood as the period between two consecutive annual general meetings of shareholders), in accordance with the law.

1.2 Other appointments held by Supervisory Board members and permanent representatives

A list of the other directorships or officer positions held by the Company's Supervisory Board members is included in Section 19.2 of the Management Board report for 2015.

The members of the Supervisory Board comply with the rules governing the holding of multiple appointments provided for in articles L. 225-21 and L. 233-16 of the French commercial code. The members of the Supervisory Board do not simultaneously hold more than five appointments as Director or member of the Supervisory Board of other companies with a head office in France, being understood that (a) this number does not include directorships or Supervisory Board memberships in companies controlled by the Company in the meaning of article L. 233-16 of the French commercial code, and (b) directorships in companies whose shares are not listed on a regulated stock market within the meaning of article L .233-16 of the French commercial code and which are held by a single company count as one directorship, provided that the number of such directorships does not exceed five.

1.3 Independence of members of the Supervisory Board

1.3.1 Criteria for independence of the Supervisory Board members

We apply the criteria for the definition of independent Supervisory Board members as set forth in the MiddleNext Code (Recommendation No. 8):

"Four criteria have been retained to determine the independence of members of the Board defined as the absence of any material financial, contractual or family relationship that could compromise their free exercise of judgment and notably, board members shall not:

+ *be a current employee or corporate officer of the company or a company of its group or have been so within the past three years;*
+ *be a significant customer, supplier or banker of the company or its group, or for which the company or its group represents a significant part of its business;*
+ *be a main shareholder of the company;*
+ *be related by close family ties to an executive officer or a main shareholder;*
+ *have been an auditor of the corporation within the previous three years."*

1.3.2 Number of Supervisory Board members qualified as independent

According to the criteria for independence defined above, the Company considers that Messrs. Greco, Munoz, Sulat, Von Gabain and Wigzell meet all these criteria and consequently are independent members. Therefore, the Company meets recommendation No. 8 of the MiddleNext Code.

1.3.3 Conflicts of interest involving the Management Board, the Supervisory Board and general management bodies

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

To the best knowledge of the Company, there is no potential conflict of interest between the duties of the members of the Management Board and the Supervisory Board and their private interests and/or other duties.

To the best knowledge of the Company, there are no agreements or any agreement with certain major shareholders, customers, suppliers or others, pursuant to which a member of the Management Board or the Supervisory Board of the Company has been appointed in that capacity.

However, in 2013, the members of the Company's Management Board accepted some restrictions on the sale of their stake in the Company. Please refer to Section 15.6 of the Company's Annual Management Report for 2015, concerning the shareholder agreement signed on July 5, 2013 between Groupe Grimaud La Corbière, Bpifrance Participations, Mr. Franck Grimaud, Mr. Majid Mehtali, Mr. Thomas Lingelbach and Mr. Reinhard Kandera.

1.3.4 Other persons present at Supervisory Board meetings

Management Board members are invited to attend every Supervisory Board meeting. Mr. Thomas Lingelbach, Chairman of the Management Board, Franck Grimaud, Managing Director, and Reinhard Kandera, CFO, have been present at all Supervisory Board meetings held since the merger with Intercell AG in May 2013.

Also attending these meetings are Mr. Frédéric Jacotot, General Counsel and Secretary to the Supervisory Board, and Ms. Maïlys Ferrère, representing Bpifrance Participations, Observer. From the DUKORAL® acquisition in February 2015 until resignation on February 3, 2016, Mr. Laurent Hermouet, representing Athyrium Capital Management LP, Observer, attended Supervisory Board meetings.

The joint auditors are also invited to those Supervisory Board meetings that examine the half-year and annual financial statements.

2. CONDITIONS OF PREPARATION AND ORGANISATION OF THE WORK OF THE SUPERVISORY BOARD FOR THE FISCAL YEAR ENDED 31 DECEMBER 2015

2.1 Role and work of the Supervisory Board of Valneva

2.1.1 Role of the Board

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

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

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

It carries out the verifications and inspections which it considers appropriate at any time of the year and may order the forwarding of documents which it considers necessary for carrying out its duties.

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

(i) any sale of property in kind;

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

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

(iv) any agreement referred to in article 22 of the Articles of association and subject, according to article L. 229-7 of the French Commercial code, to the rules set forth in articles L. 225-89 through L. 225-90 of the Commercial code, which relates to the Supervisory Board's approval of regulated agreements, with the exception of agreements related to standard transactions entered into upon ordinary terms.

With a majority representing more than half of its members in office (i.e. for the first Supervisory Board, by a majority of 4 out of the 7 members in office), the Supervisory Board authorizes, prior to their conclusion, the following agreements and transactions:

(i) approval of the annual budget;

(ii) approval of the business plan;

(iii) appointment and revocation of the members of the Management Board and executive officers, decisions on their remuneration and leaving terms;

(iv) submission of draft resolutions to the shareholders' meeting relating to any distribution (including distribution of dividends or reserves) to the shareholders;

(v) approval of material changes in accounting policies;

(vi) submission of draft resolutions to Extraordinary Meetings of shareholders and exercise of delegations of authority or delegations of powers granted by shareholders' meetings and relating to the issue of shares or securities granting access, immediately and/or in the future, to the share capital of the Company;

(vii) share capital reductions and share buy-back programs;

(viii) submission of draft resolutions to the shareholders' meeting relating to any amendment to the Articles of Association;

(ix) acquisition and disposal of business branches, equity interests or assets for an amount exceeding €1 million as well as any lease management (*location-gérance*) of all or part of the fonds de commerce, except for the transactions previously submitted and approved as part of the annual budget or business plan;

(x) sale of rights to, or licensing of, antibodies, vaccines or related products for an amount exceeding €1.5 million;

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

(xii) implementation of any expense for recruiting a team for a total annual gross compensation (including social charges and withholding taxes) of €1.5 million in the first year, if not previously submitted and approved as part of the annual budget;

(xiii) any implementation, refinancing or amendment to the terms of any borrowings (including any bonds) for an amount exceeding €1 million, if not previously submitted and approved as part of the annual budget;

(xiv) allocation of options entitling their holders to subscribe for newly issued shares (o*ptions de souscription d'actions*) or to acquire existing shares (*options d'acquisition d'actions*), allocation of free shares or other plans in favor of the Management Board members and key employees (i.e employees with an annual gross compensation in excess of €100,000); any merger, spin-off, contribution, winding-up, liquidation or other reorganization;

(xv) any merger, demerger, asset contribution, dissolution, liquidation or other restructurings;

(xvi) any settlement or compromise relating to any litigation of an amount exceeding €500,000, provided that any settlement or compromise relating to a litigation of an amount exceeding €250,000 will be reviewed by the audit committee of the Supervisory Board;

(xvii) any material change in the business; and

(xviii) any agreement or undertaking to do any of the foregoing.

At the annual Ordinary General Meeting, the Supervisory Board presents its observations on the report by the Management Board, as well as on the annual financial statements to the Annual Ordinary General Meeting of shareholders.

The Supervisory Board may grant all special mandates or specific missions to one or several of its members, for one or several given purposes.

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

2.1.2 Holding of the Board meetings and attendance rate

The Valneva SE Supervisory Board met 16 times in the 2015 fiscal year. The average attendance rate of the Supervisory Board was 95.53%. The Supervisory Board members thus comply with Recommendation No. 7 of the MiddleNext Code relating to the Board's conduct of business rules and notably meeting attendance.

A record of attendance is signed by all Supervisory Board members present.

However, it has to be noted that not all members of the Supervisory Board could be present at the combined General Meeting of shareholders held on June 25, 2015; therefore, the Company did not fully comply with Recommendation No. 7 of the MiddleNext Code relating to the Board's conduct of business and notably meeting attendance.

Minutes are made for each meeting of the Supervisory board and state all decisions on agenda items. The agenda may be amended during the meeting. Draft minutes are submitted to every Supervisory Board member before the next Supervisory Board meeting, and are then approved and signed during such next Supervisory Board meeting.

2.1.3 Notification of meetings to Supervisory Board members and Statutory Auditors

Each year, Valneva SE makes a provisional schedule of the Supervisory Board meetings of the following calendar year.

Furthermore, Valneva SE sends the Supervisory Board a meeting notice by email to the Supervisory Board members and by registered letter with acknowledgment to the Joint Auditors, approximately 8 days before the meeting.

In advance of Supervisory Board meetings, all documents, technical files and information necessary for the performance of their duties is provided to the seven members and the observers. The Management Board may inform the Supervisory Board members of major events and provide additional information outside meetings. The Company in consequence applies Recommendation No. 11 of the MiddleNext Code.

Furthermore, Supervisory Board members are reminded of the confidential nature of items provided to them, including both the documents themselves as well as the accompanying e-mails or correspondence (Recommendation No. 7 of the MiddleNext Code).

2.1.4 Purpose of meetings

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

+ Amendment to intercompany loan agreement;
+ Approval of Project Voyager;
+ Approval of the guarantee to be given by the Company for its Swedish subsidiary's obligations under the terms of the Sale and Purchase Agreement with Crucell Holland BV;
+ Approval of a loan to the Company's Swedish subsidiary;

+ Approval of the demand guarantee to be granted to the lenders in connection with this loan;
+ Capital increase and underwriting agreement;
+ Approval of a first-demand guarantee to be granted by the Company in favor of Athyrium;
+ Approval of other security interests to be granted by the Company to Athyrium;
+ Approval for arranging inter-company loans between the Company and its Swedish subsidiaries;
+ Approval for the arrangement by the Company of an intercreditor agreement;
+ Appointment of a second non-voting Observer (*Censeur*) to the Supervisory Board; confirmation of the appointment of the first non-voting observer;
+ Management Board performance appraisal and bonus for 2014;
+ Management Board goals and objectives for 2015;
+ Management Board remuneration;
+ Statutory financial statements for 2014;
+ Consolidated financial statements and management report for 2014;
+ “Vigilance points” under the MiddleNext governance code;
+ Approval of a comfort letter for the benefit of ERP Fonds and Austria Wirstschaftsservice Gesellschaft mbH in connection with a *Pseudomonas*-related loan;
+ Authorization to grant stock options;
+ Authorization to grant equity warrants (*BSA*s);
+ Supervisory Board report to shareholders;
+ Special management reports;
+ Supervisory Board Chairman’s report on Supervisory Board functioning and the Company’s internal control procedures;
+ Draft resolutions to be submitted to shareholders;
+ Related party transactions;
+ Company policy on gender equality;
+ Organization chart and officer titles;
+ Approval of Voyager settlement agreement;
+ Authorization to terminate the Marketing and Distribution Agreement dated December 22, 2006 between Valneva Austria GmbH and Glaxo SmithKline Biologicals SA;
+ Committee meetings and composition;
+ Renewal of Management Board members’ appointment;
+ Authorization to enter into Management Agreements;
+ Authorization to grant payable preferred shares to members of the Management Board and the Executive Committee;
+ Authorization to implement a free preferred share program;
+ Changes in the loan transaction approved by the Supervisory Board on December 13, 2013; approval of amended terms; approval of guarantee extension
+ OePR (*AFREP*) review;
+ Supervisory Board renewal;
+ Authorization to guarantee Valneva Canada’s obligations under a car lease agreement and a related services agreement;
+ Corporate development strategy and strategic projects;
+ Quarterly reports from the Management Board;
+ Discharge of Valneva Austria GmbH’s Managing Directors;

+ Recapitalization of Valneva Austria GmbH;
+ Review of consolidated half-year financial statements and management report;
+ Risk management;
+ Research strategy;
+ Investor relations strategy;
+ Expiration of equity warrants (*BSAs*);
+ Revisions to Management Board internal rules;
+ Authorization to execute an executive search agreement for new Board members;
+ Supervisory Board self-evaluation;
+ 2016 budget.

2.1.5 Internal Rules of the Supervisory Board

In compliance with Recommendation No. 6 of the MiddleNext Code, the Valneva Supervisory Board has Internal Rules, which can be found on the Valneva website: www.valneva.com. A hardcopy can also be requested at the following address: VALNEVA, 6, rue Alain Bombard, 44800 SAINT-HERBLAIN, FRANCE, or at the following e-mail address: investors@valneva.com.

This charter sets forth the missions and objectives of the Supervisory Board and its Committees, as well as its operating procedures.

2.1.6 Evaluation of the work of the Supervisory Board

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

2.2 Committees

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

2.2.1 Nomination and Compensation Committee

Composition

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

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

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

The Committee meets as often as required to serve the Company’s interests, and at least twice per year.

Duties

The Committee issues proposals to the Board on all aspects of top managers' appointment and remuneration.

It draws up succession plans for corporate officers and Members of the Supervisory Board so as to be able to propose replacements to the Supervisory Board when a seat falls vacant.

As part of its duties, the Committee has the following specific responsibilities:

(a) With respect to appointments, the Committee shall:

+ issue recommendations on the appropriateness of appointments, revocation, dismissal and renewal of appointment of the Members and Chairman of the Supervisory Board, of members and Chairman of the Committees and of members and Chairman of the Management Board, and to issue recommendations on the candidates considered, in terms of expertise, availability, appropriateness and complementarity with other Members and Management Board members;
+ be in a position at any time to formulate proposals on potential successors to the Chairman of the Management Board or to the Chairman of the Supervisory Board; and
+ issue recommendations, upon Management Board request, on the acceptance of and resignation by the Company from any office as member of the Board of Directors or any equivalent body of another company and on the appointment and dismissal of permanent representatives of the Company on such board of directors or equivalent bodies;

(b) In the area of remuneration, the Committee shall:

+ examine and make proposals with respect to the various components of corporate officers' (including Management Board members) remuneration, the allocation of incentive bonuses and all the provisions relating to retirement benefits and any other kind of benefit;
+ ensure the consistency of these rules with the annual assessment of the corporate officer's performance and with the Company's strategy, and verify that these rules are applied properly;
+ make recommendations to the Supervisory Board relating to the overall amount of Members' attendance fees to be proposed to the General Meeting of shareholders and on the allocation of these attendance fees between Members of the Supervisory Board;
+ examine the Management Board's policy and projects with respect to rights issues reserved to employees; and
+ assist the Board in the drafting of sections of the annual report that fall within its scope.

2.2.2 Audit and Governance Committee

Composition

The Audit and Governance Committee is composed of 3 members, as follows:

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

The Committee meets as often as required to serve the Company's interests, at least twice per year.

Duties

The Committee shall deal with questions of accounting and audit and prepare the adoption of the financial statements and monitor the implementation of proper risk management processes. In addition, the Committee shall monitor the independence of the Statutory Auditors, especially with respect to the additional services provided to the Company (audit-related and non-audit-related services).The Committee shall review the reports issued by the Statutory Auditors, the Management Board and the Supervisory Board.

The Committee shall also provide advice on and monitor the implementation of the corporate governance and corporate compliance policies of the Company.

As part of its duties, the Committee has the following specific responsibilities:

- review, audit and monitor the implementation of and issue recommendations on the following items:
  - scope of consolidation , accounting methods and audit procedures;
  - quarterly, half-yearly and annual financial statements, and in particular provisions, material risks and off-balance sheet commitments;
  - accounting positions relating to material transactions;
  - proposed adoptions of material changes to accounting methods;
  - Company's financial position;
  - review by the Statutory Auditors of the half year and annual statutory accounts and consolidated financial statements; and
  - procedures for preparing information provided to shareholders and to the market and Company press releases relating to accounting and financial information;
- oversight of the Statutory Auditors and monitoring of the independence of the Statutory Auditors:
  - steering of the selection procedure applicable to the Statutory Auditors;
  - submission of recommendations to the Board on the Management Board 's proposals to the General Meeting of shareholders with respect to appointing, replacing and reappointing the Statutory Auditors;
  - assessment of the amount of fees paid to the Statutory Auditors and recommendation thereon to the Management Board; and
  - monitoring that the Statutory Auditors comply with the rules governing their independence;
- oversight of internal audit procedures and monitoring the efficiency of internal and risk management procedures:
  - submission of recommendations on the mission and organization of the Company's internal audit department and its action plan;
  - review of the main conclusions made by the internal audit department within its work, followed by a report to the Board; and
  - review of the contribution of the internal audit department within the evaluation of the risk management process and of the internal control.

The Committee meets prior to any Supervisory Board meeting called to deliberate on the review or approval of the financial statements, the financial management report, presentation of budgets for the coming year, or the review of risks and internal control procedures.

The Committee's review of the financial statements shall be accompanied by a presentation by the Statutory Auditors highlighting the key points not only of the results but also of the accounting choices made, and a presentation by the finance department of the Company's risk exposure and significant off-balance sheet commitments.

2.2.3 Strategy Committee

A strategy Committee has been provided for under the Internal Rules of the Supervisory Board. However, this Committee is not yet effective.

The main provisions relating to this Committee in the Internal Rules of the Supervisory Board are hereinafter set out:

Composition and operation

The strategy Committee shall be composed of at least three members or their permanent representatives appointed by the Supervisory Board.

The Committee shall meet as often as required to serve the Company’s interest, and at least twice per year.

Duties

The Committee shall:

+ review and issue recommendations to the Supervisory Board on projects for the strategic plans and annual budgets of the Company drawn up by the Management Board. In this respect, the Committee may interview the Management Board members on the assumptions applied in drawing up the said plans;
+ review and issue recommendations to the Supervisory Board on the creation of any business division or subsidiary, on investments in any business division or on the acquisition of any equity interest in a country in which the Company does not operate;
+ review and issue recommendations to the Supervisory Board on all proposed mergers, spin-offs or asset transfers in connection with the Company; and
+ review and issue recommendations to the Supervisory Board on any transaction entailing a significant alteration in the scope of the business activities of the Company and its subsidiaries.

3. SPECIAL PROCEDURES FOR THE PARTICIPATION OF SHAREHOLDERS IN GENERAL MEETINGS

Procedures concerning the participation of shareholders in General Meetings are described in article 27 of the Articles of Association of the Company that can be consulted (in French) at Valneva' website: www.valneva.com. A hardcopy can also be requested at the following address: VALNEVA, 6, rue Alain Bombard, 44800 SAINT-HERBLAIN, FRANCE, or at the following e-mail address: investors@valneva.com.

4. INTERNAL CONTROL PROCEDURES RELATING TO OPERATING AND FUNCTIONAL PROCESSES

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

4.1 Purpose of internal control procedures and inherent limitations

The purpose of internal control is to ensure:

+ compliance with laws and regulations;
+ the application of instructions and priorities set by the Management Board;
+ the effective functioning of internal control procedures of the Company; notably contributing to safeguarding its assets;
+ the reliability of financial information.

The objective of the internal control system is to prevent and manage risks inherent in the company's operations and the risks of errors or fraud, particularly in the accounting and finance areas. As in all systems of control, it cannot provide an absolute guarantee of eliminating these risks.

4.2 General organization and implementation of internal control procedures

4.2.1 Participants in internal control processes

Given the size of the Company, Valneva does not currently have a dedicated internal control department. In contrast, a number of parties are responsible for and intervene in the area of internal control, including first and foremost, the Management Board, the Supervisory Board and its two Committees. In addition, the Executive Committee, the Finance department, the Legal department, and the Quality Assurance team also play a major role.

The Management Board

The Management Board defines the objectives of the Company as well as the resources to be deployed to attain these objectives. To this purpose, the Management Board ensures compliance with these objectives.

The Management Board must ensure that acts of management or the conduct of operations as well as the behavior of personnel adhere to the framework defined by the priorities set for the Company's activities by the corporate bodies, the laws and applicable regulations and by the values, standards and internal rules of the Company.

The Supervisory Board

The role of the Supervisory Board in the area of internal control is presented in the first part of this report. This board is assisted in this mission by two Committees.

The Executive Committee

The Executive Committee currently includes eleven members:

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

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

The Executive Committee meets once a month to review the performance of the company, notably from a commercial and management perspective. The Executive Committee confirms whether the objectives set by the Management Board and approved by the Supervisory Board are met. It also considers all operating and organizational issues put on the agenda by each of its members.

At the end of each meeting, a report is drafted and given to all participants with a list of action points.

The Finance department

The Chief Finance Officer ensures conformity with accounting and financial regulations. He also provides the Management Board with cost accounting and financial information serving as tools for Company budget management.

The Legal department

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

Quality Assurance

Valneva manufactures marketed vaccines pre-clinical and clinical batches of vaccines and proteins. Valneva also manufactures master cell or virus banks. For this purpose, Valneva must comply with regulations developed by several governmental authorities and is subject to inspection by regulatory authorities.

To ensure compliance with the regulatory requirements, Valneva has a quality assurance department and quality assurance systems. In compliance with Good Manufacturing Practice ("**GMP**"), internal and external audits are conducted to ensure compliance with GMP and implementation of the relevant procedures.

4.2.2 Internal control procedures

Analysis of risks

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

Internal control procedures implemented other than those relating to the production of accounting and financial information

Procedures are established to ensure that the main risks are managed internally in accordance with the objectives defined by the Company's Management Board.

In respect of business-related risks, telephone or video conference meetings of each department head and the Risk Manager are organized.

With respect to scientific matters, the Company also retains the services of consultants on certain specific topics to validate its choices.

Concerning intellectual property risks, the Company has an intellectual property Manager that ensures permanent oversight, notably by conducting reviews of the status of intellectual property with the assistance of a specialized firm. For every new activity launched, studies are conducted. Studies are also conducted regularly for the older technologies. The Company can in this way determine if there is a need to acquire a new license.

As an additional measure, the Company has taken out insurance policies covering the main insurable risks for amounts that it deems to be compatible with the nature of its business. For example, risks related to product liability are covered up to twenty million euros.

The Company thus safeguards its property and intangible assets. The Company has in addition established systems for the double storage of data and its cells at different sites.

For market and financial risks, the Company monitors its cash position on a monthly basis.

In the light of current volatility in financial markets, the Company applies a conservative and prudent strategy of financial management. The Company's assets are allocated among several French, UK, Austrian and Swedish banking institutions with several different vehicles in each (open-end investment funds, mutual funds, fixed-term accounts, etc.).

With respect to UCITS funds, the Company favors use of money market funds. Valneva excludes use of SICAV open-ended investment funds and mutual funds that seek to boost their performance by investing in risk assets.

For risks related to accounting and financial information, details on procedures adopted are presented in the following section.

4.2.3 Internal control procedures relating to the preparation of accounting and financial information

Internal control objectives relating to accounting and financial information

Internal control procedures relating to the processing of accounting and financial information are destined to ensure:

+ reliability of the Company's financial statements established in accordance with French GAAP;
+ reliability of the Company's consolidated financial statements established in accordance with IFRS;
+ effective management of risks of errors, fraud, inaccuracies or omissions of material information in the financial statements concerning the financial position and the assets and liabilities of the Company.

Participants

These include the Management Board, the Finance department, under the oversight of the Supervisory Board and the Audit Committee.

The accounting and financial organization is based on the principle of the separation of functions and the knowledge of the responsibilities of each function.

The separation of functions is effective as the Finance department is split into accounting and controlling function, whereas the "Purchasing" department is a separate department.

Concerning the knowledge of the responsibilities of each, an organization chart exists with a description of each function. In addition, a number of procedures exist, particularly in the area of purchasing.

Forward-looking management tools

The medium-term business plan is an internal document drafted by the Management Board. Its purpose is to define the objectives of the Company over a period of a few years with a breakdown of specific objectives for each activity. It is updated on a regular basis in the light of decisions concerning strategic priorities and market developments.

The budget is established according to IFRS after the Management Board has defined the strategic priorities. Every year, the controlling function meets with all sales managers, department managers and project heads. The controlling function then gives the different options to the Management Board.

The Management Board, according to the priorities developed in the business plan, makes choices concerning operating expenses, capital expenditure and human resources. This budget is presented to the Executive Committee. The budget is then submitted to the Supervisory Board for approval.

Each quarter, or more often if significant impacts are foreseen, the controlling department drives a forecast process based on the last actual quarterly results and makes a forecast for the remaining months of the then current fiscal year, with the same granularity as in the initial budget process. The related profit and loss and cash position forecasts are presented to the Executive Committee and then submitted to the Supervisory Board for information.

The Supervisory Board is informed of the Company's profit and loss statement and cash position monthly, and is given a detailed presentation of the profit and loss statement and cash position in comparison to the budget in quarterly meetings.

All these documents are for internal use only and are not available to the public.

Intermediate balances

Every month, the Finance department produces an IFRS statement of intermediate balances in accordance with IAS 34 and applies the general principles for periodic closings. These intermediate balances are also restated in a cost accounting format by project to serve as a tool for monitoring business performances.

A schedule for producing monthly balances is drafted by Valneva's Finance department and the accounting departments of the subsidiaries including a breakdown of tasks, the party responsible for each task and deadlines for completion. The deadlines for the remittance of documents according to this schedule are validated by all parties.

Intermediate balances are established by combining information from financial and cost accounting data. For cost accounting data, the controlling department has different software applications to record the amount of time worked by each employee, and a software application for the allocation of costs to projects.

Intermediate monthly financial reports are provided to each manager and department head for his or her area of responsibility and to the Executive Committee, the Management Board and the Supervisory Board, thus providing a tool to monitor actual results in relation to budget.

All these documents are for internal use only and are not available to the public.

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

Preparation of financial statements

Participants

The annual statutory financial statements are prepared by the Head of Accounting in France, while the annual consolidated financial statements and the interim consolidated financial statements are prepared under IFRS rules by Valneva's Head of Corporate Accounting and Tax and the accounting departments of the Valneva entities.

For tax matters, the team also uses tax lawyers that primarily provide advice in the following areas:

+ tax matters, tax techniques or the interpretation of regulations;
+ assessment of year-end tax statements prepared by the accounting department (statement 2065 and related schedules).

Information collection and processing

Information is collected in the same way as for intermediate balances.

For the annual consolidated and unconsolidated financial statements, a work program for tasks is drafted by the Valneva's Finance department providing a detailed breakdown of tasks, the party responsible for each task and deadlines for completion. The deadlines for the remittance of documents according to this schedule are validated by all parties.

The Finance department also drafts a document listing all points that need to be verified to identify risks and avoid any risk of fraud or errors.

Furthermore, accounting topics of the current year (for example the treatment of development expenditure and the amortization of capitalized development expenditure, the interpretation of complex material contracts as well as price-related aspects of acquisitions) are discussed in meetings organized prior to the closing of annual and interim financial statements. This is also the case for changes in accounting principles that would have a material impact on the presentation of financial statements. Participants include the Chief Financial Officer, the Deputy CEO, the Chief Executive Officer of Valneva, Valneva's Head of Corporate Accounting and Tax.

A meeting is subsequently organized for the purpose of taking into account the observations of the joint auditors. This meeting is attended by the Chief Financial Officer, the Deputy CEO, the Chief Executive Officer of Valneva Management Board, Valneva's Head of Corporate Accounting and Tax, Group accountant and the Head of Accounting of Valneva SE. The joint auditors are also present at the meeting.

Additional meetings may be organized as needed to ensure that accounting and financial information contained in the different statutory documents (Management Board reports, Management Board meeting minutes, Supervisory Board reports, Supervisory Board meeting minutes, agendas and draft resolutions of shareholders' meetings) remain coherent with the accounting.

The consolidated financial statements of Valneva Group and the separate financial statements are audited by the Joint Auditors, Deloitte et Associés, represented by Mr. Gros and PwC, represented by Mr. Charron.

The half year interim financial statements are subject to a limited review by the Joint Auditors, whereas the quarterly interim financial statements are not reviewed by the Joint Auditors.

Accounting and financial information systems

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

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

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

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

At year-end, AX accounting data for the Valneva SE entity is then transferred to the « Etats Comptables et Fiscaux » software application of SAGE in order to:

+ establish separate annual financial statements under French GAAP on the basis of the official format;
+ establish the 2065 tax declaration and the related schedules;
+ electronically transmit the tax statement.

Regularly, computer data is backed up and stored on magnetic tapes that are themselves stored for safekeeping in a safe.

As for source data (contracts, minutes, etc.), an original and a copy exist for each document. A copy of each of these documents is maintained at one of the Valneva sites (generally, at the site concerned by such document), while copies are shared through the internal network of the Company (with restricted access).

Identification and analysis of risk affecting accounting and financial information

When the financial statements are prepared, the Finance department follows a document listing all tasks, operations and controls that need to be verified to identify risks and avoid any risk of fraud or errors.

In addition, Valneva has documented the key processes by identifying the key controls.

Oversight

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

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

Other accounting and financial information destined for shareholders

In connection with special corporate actions (the issue of stock option, the exercise of the corresponding rights, capital increases, etc.), it may be necessary to provide shareholders with accounting and financial information. This information is, according to its nature and the specific obligations that apply to the operation in question, prepared in coordination with Valneva's Management and the General Counsel to be incorporated in statutory documents.

These operations are frequently subject to a report of the Joint Auditors and/or and Equity Auditor.

Financial and accounting communication

The Finance and Legal departments have established a schedule for the publication of mandatory disclosures.

The Registration Document is drafted jointly by the Corporate Communications, Finance and Legal departments and reviewed by the Company's Statutory Auditors.

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

Obligations to disclose limitations imposed by the Board on the powers of the Managing Director only concern French public limited companies (*Sociétés Anonymes*) governed by a Board of Directors. Valneva is a *Société Européenne* with a dual system of governance composed of a Management Board and a Supervisory Board, and therefore, is not concerned.

6. PRINCIPLES AND RULES TO DETERMINE REMUNERATION

The Company implements Recommendation No. 2 of the MiddleNext Code on the determination and transparency of the compensation of its directors and officers. The Company presents the principles governing its compensation policy below.

6.1 Combination of employment contracts with a position of corporate officer

MiddleNext Code Recommendation No. 1 provides that the suitability of holding an employment contract while serving as a corporate officer shall be determined by the Board and in light of regulations.

For companies with a Management Board and a Supervisory Board, this recommendation applies to the Chairman of the Management Board.

The Chairman of the Company's Management Board does not have any employment contract with Valneva SE; however, he has such a contract ("Management Agreement") with Valneva SE's subsidiary "Valneva Austria GmbH" in which he is also a Managing Director. This contract complies with Austrian law, which allows the combination of an employment relationship and a management position in the same entity. The contract in force at the date of this report was authorized by the Company's Supervisory Board on June 25, 2015.

6.2 Fixed remuneration

Management Board members receive fixed remuneration as well as fringe benefits.

For information, the fixed remuneration is based on an assessment of the market, the individual performance of the officer and his or her responsibilities (Middlenext Code, Recommendation No. 2).

Concerning fringe benefits, one member of the Management Board has unemployment insurance paid by the Company. The Company also provides and pays for a revocable (combined) death and endowment insurance. Two members of the Management Board currently benefit from this death and endowment insurance.

Further information on the fixed remuneration and fringe benefits of Management Board members for the fiscal year 2015 is provided in Section 20.1 of the Company's Annual Management Report for 2015.

6.3 Variable remuneration

Board members receive variable remuneration, with the variable part representing a percentage of the fixed remuneration.

The variable portion is paid after the Supervisory Board has determined that the relevant goals and objectives have been met. Goals and objectives are set by the Board based on recommendations by the Nomination and Compensation Committee.

The goals and objectives are set for each officer according to the goals and objectives of the Company. A percentage is associated with each objective.

Generally, a review of the progress or achievement of goals and objectives is made in the middle of each year by the Nomination and Compensation Committee.

Further information on the variable remuneration of Management Board members for the fiscal year 2015 is provided in Section 20.1 of the Company's Annual Management Report for 2015.

6.4 Stock option and/or free share plans

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

The granting of free shares or options to corporate officers was linked to the achievement of major goals of the Company in the past. However, certain stock option or free shares may be granted to corporate officers without reference to performance criteria. In this respect, the Company does not apply MiddleNext Code Recommendation No. 5 on the exercise and vesting conditions for free shares and stock option. In contrast, the Company links the vesting of shares or the exercise of stock option to criteria of attendance (except in case of divestitures), because the primary objective of the Company is to provide incentives for the retention of its officers and key managers. The Company in this way ensures that it provides an attractive level of compensation in line with that generally used in the pharmaceutical industry. Because the Company cannot provide the same level of salary as that commonly given in the pharmaceutical industry, the grant of stock option and/or free shares provides a means for offsetting this difference.

A percentage of free shares or shares resulting from the exercise of stock option (usually 20%) must be kept by the corporate officers until the officers no longer perform their duties.

Most stock option plans do not include a discount on the exercise price. However, the 2013 stock option plan provided for a 10% discount on the average Euronext Paris closing share price over the twenty trading days immediately preceding the date the options were granted.

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

Further information on stock option and free shares granted to company officers is available in the special reports of the Management Board made in accordance with articles L. 225-177 to L. 225-186 and articles L. 225-197-1 to L. 225-197-3 of the French commercial code, as well as in Section 20 of the Company's Annual Management Report for 2015.

6.5 Severance benefits

MiddleNext Code Recommendation No. 3 provides guidelines with regard to "golden handshakes" for corporate officers.

The Company has set terms and conditions for the severance package of its corporate officers.

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

Please refer to Section 20.1.5 of the Company's Annual Management Report for 2015 for further information on the severance package of Management Board members.

Some pieces of the corporate officers' severance package do not comply with MiddleNext Code Recommendation No. 3.

6.6 Supplementary retirement schemes

The Company has no supplementary retirement scheme. In accordance with common practice in Austria, two Management Board members, in their capacity as Managing Directors of the Company's Austrian subsidiary "Valneva Austria GmbH" are named insured under a long-term life and endowment insurance policy paid for by Valneva Austria GmbH. Please refer to Section 20.1.5 of the Company's Annual Management Report for 2015 for further information on this insurance.

6.7 Attendance fees

On June 26, 2014, the shareholders voted and granted the Supervisory Board €250,000 as attendance fees for the period from June 1, 2014 until May 31, 2015 and all subsequent 12-month periods unless otherwise decided. In contrast to MiddleNext Code Recommendation No. 14, payment of these fees is not contingent upon meeting attendance. In practice, the Company has not experienced any difficulty in respect of attendance (see Section 2.1.2 of this Report), and its members generally are present and remain available to fulfil their duties.

7. INFORMATION ON THE SHAREHOLDING STRUCTURE AND ITEMS WITH A POTENTIAL IMPACT ON PUBLIC OFFERINGS

In compliance with article L. 225-100-3 of the French commercial code, information on the shareholding structure and items with a potential impact on public offerings is provided in Section 15 of the Company's Annual Management Report for 2015.

March 17, 2016

Frédéric Grimaud

Chairman of the Supervisory Board

PricewaterhouseCoopers Audit

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Deloitte & Associés

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VALNEVA

Société Européenne

Gerland PlazaTechSud

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69007 LYON

Statutory auditors' report on the consolidated financial statements

Year ended December 31, 2015

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and it is provided solely for the convenience of English speaking users.

The Statutory Auditors' report on the consolidated financial statements includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the Group's management report.

This report on the consolidated financial statements should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In accordance with our appointment as Statutory Auditors at your Annual General Meeting, we hereby report to you for the year ended December 31, 2015 on:

+ the audit of the accompanying consolidated financial statements of VALNEVA,
+ the justification of our assessments;
+ the specific verification required by law.

The consolidated financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements, based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2015 and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the European Union.

Without qualifying our opinion, we draw your attention to Notes 5.2 "Summary of significant accounting policies" and 5.31 « Business combination » to the consolidated financial statements regarding the acquisition of Crucell Sweden AB completed on February 9, 2015 and the impact on the consolidated financial statements, which implies that fiscal years 2014 and 2015 cannot be relevantly compared.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with Article L. 823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters.

Intangible assets, the net amounts of which total €98.6 million as of December 31, 2015, have been subject to impairment tests in accordance with the methods set forth in the Notes 5.2.8 "Intangible assets" and 5.2.10 "Impairment of non-financial assets" to the consolidated financial statements. We have examined the methods used to perform these tests based on value in use and reviewed the consistency of the assumptions used with forecasts taken from the strategic plans prepared for each of the activities or divisions under the Group's control. We have also verified that the Note 5.13 "Intangible assets and Goodwill" to the consolidated financial statements provides appropriate disclosure.

These assessments were performed as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of our opinion in the first part of this report.

III. SPECIFIC VERIFICATION

In accordance with professional standards applicable in France, we have also verified, pursuant to the law, the information relating to the Group given in the management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Marseille, March 18, 2016

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Thierry CHARRON	Vincent GROS

PricewaterhouseCoopers Audit

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Deloitte & Associés

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VALNEVA

Société Européenne

Gerland PlazaTechSud

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69007 LYON

Statutory auditors' report on the statutory financial statements

Year ended December 31, 2015

This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2015 on:

+ the audit of the accompanying financial statements of VALNEVA;
+ the justification of our assessments;
+ the specific verifications and information required by law.

These financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

I - OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sample techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2015 and of the results of its operations for the year then ended in accordance with French accounting principles.

II - JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

Investments in subsidiaries, the net amounts of which total € 154,929 thousand as of December 31, 2015, have been subject to impairment tests in accordance with the methods set forth in the Note

4.2.10 “Financial assets” to the financial statements. We have examined the methods used to perform these tests based on value in use and reviewed the consistency of the assumptions used with forecasts taken from the strategic plans prepared for each of the activities or divisions under the Group's control. We have also verified that the Notes 4.2.10, 4.3.3 « long-term investments » and 4.4.9 « Depreciation, amortization & impairment of fixed assets » to the financial statements mentioned above provides appropriate disclosure.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Management Board, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L.225-102-1 of the French Commercial Code (Code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have ensured that the required information concerning the purchase of investments and controlling interests and the names of the principal shareholders and holders of the voting rights have been properly disclosed in the management report.

Neuilly-sur-Seine and Marseille, March 18, 2016

The Statutory Auditors

PricewaterhouseCoopers Audit

Thierry CHARRON

Deloitte & Associés

Vincent GROS

PricewaterhouseCoopers Audit

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Deloitte & Associés

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VALNEVA

Société Européenne

Gerland PlazaTechSud

70, rue Saint-Jean-de-Dieu

69007 LYON

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

Year ended December 31, 2015

PricewaterhouseCoopers Audit

63, rue de Villiers
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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, 2015

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

As Statutory Auditors of Valneva and in accordance with Article L. 225-235 of the French Commercial Code (Code de commerce), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-68 of the French Commercial Code for the year ended December 31, 2015.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by Article L. 225-68 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

+ to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information; and
+ to attest that the Chairman's report sets out the other information required by Article L. 225-68 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

Professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted in:

+ obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and the existing documentation;
+ obtaining an understanding of the work performed to support the information given in the report and the existing documentation;
+ determining whether any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the report of the Chairman of the Supervisory Board, prepared in accordance with Article L. 225-68 of the French Commercial Code.

Other information

We attest that the report of the Chairman of the Supervisory Board sets out the other information required by Article L. 225-68 of the French Commercial Code.

Neuilly-sur-Seine and Marseille, March 18, 2016

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Thierry CHARRON	Vincent GROS

ENGLISH TRANSLATION OF THE ANNUAL FINANCIAL REPORT ATTESTATION

For information only

DECLARATION BY THE PERSONS RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

“We hereby declare that, to the best of our knowledge, the information contained in this Annual Financial Report is in accordance with the facts and contains no omission likely to affect its import. We further hereby declare that, to the best of our knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and present a fair view of the assets, liabilities, financial position and results of the Company and all the other companies included in the scope of consolidation, and that the Annual Management Report gives a fair description of the business developments, results and financial position of the Company and all the other companies included in the scope of consolidation, as well as a description of the main risks and contingencies which the Company may face.”

Thomas Lingelbach
Chairman of the Management Board

Franck Grimaud
Deputy CEO