



D. FINANCIAL STATEMENTS 2017

D.1. Consolidated financial statements as of December 31, 2017

VALNEVA

A European Company (*Societas Europaea*) with a Management and a Supervisory Board
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Lyon Companies Register (RCS) No. 422 497 560

Consolidated financial statements at December 31, 2017

Translation disclaimer: This document is a free translation of the French language version of the IFRS annual financial statements of Valneva SE for the twelve-month period ended December 31, 2017 produced for the convenience of English speaking readers. In the event of any ambiguity or conflict between statements or other items contained herein and the original French version, the relevant statement or item of the French version shall prevail. While all possible care has been taken to ensure that this translation is an accurate representation of the original French document, this English version has not been audited by the Company's Statutory Auditors and in all matters of interpretation of information, views or opinions expressed therein, only the original language version of the document in French is legally binding. As such, this translation may not be relied upon to sustain any legal claim, nor be used as the basis of any legal opinion and Valneva SE expressly disclaims all liability for any inaccuracy herein.

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1. CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Consolidated income statement

€in thousand (except per share amounts)	Note	Year ended December 31,	
		2017	2016
Product sales	5.4	92,619	80,428
Revenues from collaborations, licensing and services	5.4	12,672	13,634
Revenues		105,291	94,062
Grant income		4,463	3,830
Revenues and grants		109,754	97,892
Cost of goods and services	5.5/5.6	(45,979)	(43,076)
Research & Development expenses	5.5/5.6	(23,356)	(24,589)
Marketing and distribution expenses	5.5/5.6	(17,875)	(16,639)
General and administrative expenses	5.5/5.6	(15,545)	(14,412)
Other income and expenses, net	5.7	(222)	(498)
Amortization and impairment of fixed assets/intangibles	5.12/ 5.13	(10,731)	(41,246)
OPERATING LOSS		(3,954)	(42,568)
Finance income	5.8	72	290
Finance expenses	5.8	(8,678)	(6,550)
Result from investments in associates	5.14	-	-
LOSS BEFORE INCOME TAX		(12,560)	(48,828)
Income tax	5.9	1,078	(356)
LOSS FOR THE YEAR		(11,482)	(49,184)
Losses per share			
for loss for the year attributable to the equity holders of the Company, expressed in € per share (basic and diluted)	5.10	(0.15)	(0.66)

Consolidated statement of comprehensive income

€in thousand	Note	Year ended December 31,	
		2017	2016
Loss for the year		(11,482)	(49,184)
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Currency translation differences	5.21	3,337	(3,880)
Items that will not be reclassified to profit or loss			
Defined benefit plan actuarial losses	5.26.2	35	(55)
Other comprehensive income/(loss) for the year, net of tax		3,372	(3,935)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		(8,109)	(53,119)



2. CONSOLIDATED BALANCE SHEET

€ in thousand	Note	At December 31,	
		2017	2016
ASSETS			
Non-current assets		105,895	115,686
Intangible assets	5.12	48,468	58,959
Property, plant and equipment	5.13	38,374	39,039
Other non-current assets	5.18	17,368	17,688
Deferred tax assets	5.9.2	1,686	-
Current assets		83,448	91,197
Inventories	5.16	19,931	22,701
Trade receivables	5.17	17,622	16,912
Other current assets	5.18	7,840	9,404
Cash and cash equivalents	5.19	38,055	42,180
TOTAL ASSETS		189,343	206,883
EQUITY			
Capital and reserves attributable to the Company's equity holders		92,669	100,051
Share capital	5.20	11,638	11,638
Share premium and other regulated reserves	5.20	252,934	252,937
Retained earnings and other reserves	5.20	(160,421)	(115,339)
Net result for the period		(11,482)	(49,184)
LIABILITIES			
Non-current liabilities		59,000	67,941
Borrowings	5.23	54,097	61,544
Deferred tax liability	5.9.2	65	65
Other non-current liabilities and provisions	5.26	4,838	6,333
Current liabilities		37,674	38,891
Borrowings	5.23	17,399	20,959
Trade payables and accruals	5.24	9,527	7,808
Current tax liability		322	561
Tax and employee-related liabilities	5.25	7,531	7,123
Other current liabilities and provisions	5.26	2,896	2,439
TOTAL LIABILITIES		96,674	106,832
TOTAL EQUITY AND LIABILITIES		189,343	206,883



3. CONSOLIDATED CASH FLOW STATEMENT

€in thousand	Note	Year ended December 31,	
		2017	2016
Cash flows from operating activities			
Loss for the year		(11,482)	(49,184)
Depreciation and amortization	5.12/5.13	11,141	11,269
Impairment	5.12/ 5.13	3,568	34,109
Share-based payments	5.22	811	1,428
Income tax	5.9	(1,078)	357
Other adjustments for reconciliation to cash used in operations	5.27	6,330	6,026
Changes in working capital	5.27	4,199	3,032
Cash generated from operations	5.27	13,489	7,037
Income tax paid	5.9	(660)	(532)
Net cash generated from operating activities		12,829	6,505
Cash flows from investing activities			
Acquisition of other businesses, net of cash acquired	5.29	-	15,279
Purchases of property, plant and equipment	5.13	(2,890)	(1,758)
Purchases of intangible assets	5.12	(1,148)	(1,924)
Purchases of financial instruments		(94)	-
Interest received		72	3,290
Net cash generated from/(used in) investing activities		(4,060)	14,888
Cash flows from financing activities			
Proceeds from issuance of common stock, net of costs of equity transactions	5.20	(43)	7,471
Disposal/(Purchase) of treasury shares		(104)	2
Proceeds from borrowings, net of transaction costs	5.23	11,104	1,481
Repayment of borrowings	5.23	(16,415)	(24,813)
Interest paid	5.8	(4,980)	(10,932)
Net cash used in financing activities		(10,438)	(26,792)
Net change in cash and cash equivalents		(1,670)	(5,399)
Cash at beginning of the year		35,267	41,907
Exchange gains/(losses) on cash		(53)	(1,241)
Cash at end of the year	5.19	33,545	35,267
Cash and cash equivalents at end of the year		38,055	42,180



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, 2016		11,205	245,965	(92,219)	(20,617)	144,335
Total comprehensive loss		-	-	(3,935)	(49,184)	(53,119)
Income appropriation		-	-	(20,617)	20,617	-
Employee stock option plans:						
value of employee services	5.21	-	-	1,429	-	1,429
Treasury shares	5.21	-	-	2	-	2
Issuance of ordinary shares, December 2016	5.20	433	7,067	-	-	7,500
Cost of equity transactions, net of tax	5.20	-	(96)	-	-	(96)
		433	6,971	(23,120)	(28,567)	(44,284)
Balance as of December 31, 2016		11,638	252,937	(115,339)	(49,184)	100,051
Balance as of January 1, 2017		11,638	252,937	(115,339)	(49,184)	100,051
Total comprehensive loss		-	-	3,372	(11,482)	(8,109)
Income appropriation		-	-	(49,184)	49,184	-
Employee stock options plans:						
+ value of employee services	5.21	-	-	833	-	833
Treasury shares	5.21	-	-	(104)	-	(104)
Cost of equity transactions, net of tax	5.20	-	(3)	-	-	(3)
		-	(3)	(45,082)	37,702	(7,382)
Balance as of December 31, 2017		11,638	252,934	(160,421)	(11,482)	92,669



5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 General information

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

Valneva's portfolio includes two commercial vaccines for travelers:

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

The Company has proprietary vaccines in development including a unique vaccine candidate against Lyme disease.

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 shares are tradable on Euronext-Paris, the Vienna stock exchange and Deutsche Börse's electronic platform Xetra[®]. The Company has operations in France, Austria, Great Britain, Sweden, Canada and the US, with over 400 employees.

List of direct or indirect interests:

No changes to the Group structure were made during the year.

Name	Country of incorporation	Consolidation method	Interest held at December 31,	
			2017	2016
BliNK Biomedical SAS	FR	Equity method	41.77%	43.29%
Vaccines Holdings Sweden AB	SE	Full	100%	100%
Valneva Austria GmbH	AT	Full	100%	100%
Valneva Canada Inc.	CA	Full	100%	100%
Valneva Scotland Ltd.	UK	Full	100%	100%
Valneva Sweden AB	SE	Full	100%	100%
Valneva Toyama Japan K.K.	JP	Full	100%	100%
Valneva UK Ltd.	UK	Full	100%	100%
Valneva USA, Inc. (formerly Intercell USA, Inc.)	US	Full	100%	100%

The closing date for the consolidated financial statements is December 31 of each year.

The Company is registered at 10-12 boulevard Marius Vivier Merle, 69003 Lyon - France, where it also operates commercial activities.

The Valneva SE site in Nantes (France) includes both general and administrative functions and R&D facilities which are used for the development of the EB66[®] cell line and research and preclinical development of vaccine programs.

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.

Valneva Austria GmbH (Vienna, Austria) focuses on vaccines and pre-clinical and clinical development activities. The facilities accommodate departments for vaccine research,



(technical/clinical) product development, quality and regulatory affairs, as well as general and administrative functions.

Valneva Canada Inc. (Montreal, Quebec) was created in January 2015 following the acquisition of the DUKORAL[®] vaccine. Valneva Canada, Inc. performs marketing and sales activities in Canada in relation to the VIVOTIF[®], IXIARO[®] and DUKORAL[®] vaccines.

Valneva Scotland Ltd. (Livingston, United Kingdom) is primarily involved in the production of Valneva's Japanese encephalitis vaccine, IXIARO[®]/JESPECT[®].

Valneva Sweden AB (Solna, Sweden) manufactures the DUKORAL[®] vaccine and distributes this vaccine, as well as third-party vaccines, in the Nordic countries. In addition, Valneva Sweden AB provides R&D services to Crucell Holland BV (a Johnson & Johnson company), in relation to a vaccine against poliomyelitis.

Valneva Toyama Japan K.K. (Toyama, Japan) was established on April 18, 2011 as part of the asset acquisition from the Japanese company SC World. This subsidiary, whose R&D activities have been stopped at the end of December 2013, worked closely with Valneva SE's Lyon site to develop the VIVA|Screen[®] technology platform for the discovery of new antibodies (spun off into BliNK Biomedical SAS as of January 2015). Today, few business development activities remain in the Japanese site.

Valneva UK Ltd. (based nearby London, United Kingdom) was created in October 2015 following the Company's decision to take direct control over the marketing and distribution of the IXIARO[®] vaccine, and to terminate the marketing and distribution agreement with GSK. Valneva UK Ltd. sells DUKORAL[®] and IXIARO[®] in the United Kingdom, as well as MOSKITO GUARD[®] products.

Valneva USA, Inc. (formerly Intercell USA, Inc.; based in Gaithersburg, United States) is focusing on marketing and sales of Valneva's Japanese encephalitis vaccine to the US military and the US private market.

To date, the "Brexit" vote has had no significant impact on the Group's financial statements, except as regards foreign exchange rate fluctuations. The Company is of the opinion that the Brexit may adversely affect some of the main risks to which the Company is exposed, e.g. by increasing risks related to currency exchange fluctuations, manufacturing & supply, and tax. Future performance of the business may also be impacted, as the manufacturing of bulk material for the IXIARO[®] product is conducted in the UK. Further, Valneva uses a distribution site located in the UK to sell its products and some third party products there. The possible occurrence of future events following the vote and their potential consequences on the Group's business is being monitored by Valneva's management.

These consolidated financial statements have been approved and authorized for issue by the Management Board on March 20, 2018.

5.2 Summary of significant accounting policies

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 2017 Consolidated Financial Statements have been prepared in accordance with the International financial reporting standards, which comprise IFRS (International Financial Reporting Standards), IAS (International Accounting Standard) and their interpretations, SIC (Standards Interpretations Committee) and IFRIC (International financial Reporting Interpretations Committee) as adopted by the European Union.

The preparation of financial statements in conformity with IFRS as adopted by the European Union requires the use of certain critical accounting estimates. It also requires the Group's management to



exercise its judgment in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.3.

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 12 Amendment	Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017	No material impact.
IAS 7 Amendment	Disclosure Initiative	January 1, 2017	Information on changes in liabilities arising from finance activities included; see 5.27.2
IFRS 12 Amendment	Clarification of the scope of the standard	January 1, 2017	None

There are no other IFRSs or IFRIC interpretations effective for the first time for the financial year beginning on or after January 1, 2017 that have a material impact on the Group.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2017, and not early adopted.

Standard - Interpretation - Amendment		Effective Date	Expected Effects
IFRS 9	Financial instruments: Classification and Measurement	January 1, 2018	In case the Group intends to hedge, hedge accounting under IFRS 9 will be applied. The expected credit losses approach will be recognized on all trade receivables. The application of IFRS 9 is not expected to lead to any major changes.
IFRS 15 - IFRS 15 Clarification	Revenue from Contracts with Customers	January 1, 2018	As of January 1, 2018, no effect from the transition to IFRS 15 is expected for both the product sales and the revenue from licensing and services revenue stream. There will only be immaterial changes due to the future application of IFRS 15 within the product sales revenue stream. The Group intends to use the modified retrospective method of transition to IFRS 15.
IFRS 16	Leases	January 1, 2019	A preliminary impact analysis showed that if Valneva SE had applied IFRS 16 as of 1 January 2018, total assets would increase by €15m-25m. The major part of this preliminary impact is coming from the lease agreements for buildings in Sweden and France. Valneva will apply the modified retrospective transition approach (as if IFRS 16 had always been applied) as at January 1, 2019.
IFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions	January 1, 2018	None.



Standard - Interpretation - Amendment		Effective Date	Expected Effects
IFRS 4 Amendment	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts	January 1, 2018	None.
IFRS 1 Amendment	Deletion of short-term exemptions for first-time adopters	January 1, 2018	None.
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018	No material impact.
IAS 40 Amendment	Transfers of Investment Property	January 1, 2018	None.
	Annual improvements to IFRSs 2015-2017 Cycle	January 1, 2019	Impact to be assessed.
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019	Impact to be assessed.
IAS 28 Amendment	Long-term interests in Associates and Joint Ventures	January 1, 2019	None.
IFRS 17	Insurance Contracts	January 1, 2021	None.
IFRS 10 - IAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely	None.

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

5.2.3. Consolidation

Subsidiaries

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

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

Associates

Associates are entities over which the Company has significant influence.

5.2.4. Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Subsidiaries

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

- + assets and liabilities presented for each balance sheet are converted according to the exchange rate valid on the balance sheet date;
- + income and expenses for each income statement are converted using exchange rates applicable on the dates of the transactions, while for the year 2016 the monthly average exchange rates have been used; and
- + all resulting exchange differences are recognized as other comprehensive income and are shown as other reserves.

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

5.2.5. Revenue recognition

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

(a) Product sales

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have transferred to the buyer, usually upon delivery of the goods. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred and the Group has objective evidence that all criteria for acceptance have been satisfied. In cases where the goods are sold via a distributor and where the consideration consists of a fixed part and a variable part that is only payable upon the distributor's sale of the product to the ultimate



purchaser, the fixed consideration is recognized when the Group has delivered products to the distributor, the distributor has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the distributor's acceptance of the products. The variable part of such consideration is recognized as soon as the distributor has sold the product to the market and all conditions for the Group to receive the variable consideration have been met. The Group does not operate any material loyalty 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. Payments to customers are a reduction of the transaction price, and therefore revenue, unless the payment is in exchange for a distinct good or service and the payment does not exceed fair value of that good or service. Accumulated experience is used to estimate and provide for the discounts and returns.

(b) Revenues from collaborations, licensing and services

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

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

The Group recognizes initial fees for the granting of licenses under non-cancelable contracts, which permit the licensee to freely exploit the licensed intellectual property rights when such rights are assigned and associated know-how is delivered. Additional non-refundable license fees to be paid upon the achievement of certain milestones are recognized as revenue when such a milestone has been achieved. In the case where anniversary payments are agreed, these revenues are recognized as soon as the outcome can be estimated reliably. This is the case as soon as the contract was not terminated before the anniversary.

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 credits 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.

5.2.6. Financial risks management

(a) Financial risks factors

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

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

(b) Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risks arising from various currencies, primarily with respect to the British Pound (GBP), the Canadian Dollar (CAD), the Swedish Krona (SEK) and the US Dollar (\$). The foreign exchange risks from the exposure to other currencies, including the Danish Krone, the Swiss Franc, the Norwegian Krone and the Japanese Yen, are relatively limited. Foreign exchange risks arise from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.

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

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

At December 31, 2017, 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 €307 thousand higher (2016: €475 thousand). Income was less sensitive to fluctuations in the €/GBP exchange rate at the balance sheet date in 2017 than it was in 2016 mainly because of the decreased amount of GBP-denominated cash equivalents.

At December 31, 2017, 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 €395 thousand higher (2016: €613 thousand). Income was less sensitive to fluctuations in €/CAD exchange rate at the

balance sheet date in 2017 than it was in 2016 mainly because of the decreased amount of CAD-denominated cash equivalents.

At December 31, 2017, 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 €348 thousand higher (2016: €767 thousand). Income was less sensitive to fluctuations in €/SEK exchange rate at the balance sheet date in 2017 than it was in 2016 mainly because of the decreased amount of SEK-denominated cash equivalents and the increased amount of SEK-denominated trade payables.

At December 31, 2017, if the \$ had weakened by 10% against the €, with all other variables held constant, pre-tax comprehensive loss for the year would have been lower by €1.5 million (2016: €2.0 million), mainly as a result of foreign exchange gains on the translation of \$-denominated borrowings and trade payables, partly offset by a negative effect from cash equivalents and trade receivables. Income was less sensitive to fluctuations in the €/€ exchange rate at the balance sheet date in 2017 than it was in 2016 mainly because of the decreased \$-denominated trade payables and borrowings and increased \$-denominated trade receivables, partly offset by the decreased \$-denominated cash equivalents.

Interest rate risks

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

Borrowings issued at variable rate expose the Group to cash flow interest rate risks, which is offset by cash and financial assets held at variable rate. During 2016 and 2017, the Group's investments at variable rate, as well as the borrowings at variable rate, were denominated in €, SEK, \$, CAD and in GBP.

The Group analyzes its interest rate exposure on a dynamic basis. Based on this analysis, the Group calculated the impact on profit and loss of a defined interest rate change. The same interest rate change was used for all currencies. The calculation only includes investments in financial instruments and cash in banks that represent major interest-bearing positions. As of the balance sheet date, the calculated impact on income before tax of a 0.25% shift would be an increase or decrease of €27 thousand (2016: €1 thousand).

(c) Credit risks

The Group is exposed to credit risk. Valneva holds bank accounts, cash balances, and securities at sound financial institutions with high credit ratings. To monitor the credit quality of its counterparts, the Group relies on credit ratings as published by specialized rating agencies such as Standard & Poor's, Moody's, and Fitch. The Group has policies that limit the amount of credit exposure to any single financial institution. The Group is also exposed to credit risks from its trade debtors, as its collaborations, licensing and services income arises from a small number of transactions. The Group has policies in place to enter into such transactions only with highly reputable, financially sound counterparts. If customers are independently rated, these ratings are used. Otherwise, when there is no independent rating, a risk assessment of the credit quality of the customer is performed, taking into account its financial position, past payment experience and other relevant factors. Individual credit limits are set based on internal or external ratings in accordance with signature authority limits as set by the Management Board. The credit quality of financial assets is described in Note 5.15.3.

(d) Liquidity risks

The Group is exposed to liquidity risk due to the maturity of its financial liabilities and the fluctuations of its operating cash-flow, and the potential implementation of early repayment clauses in loan or grant agreements. Furthermore, fluctuations in the Group's operating cash flow during accounting periods also generate liquidity risks. Prudent liquidity risk management therefore implies maintaining sufficient

cash resources, cash equivalents and short-term deposits in order to satisfy ongoing operating requirements and the ability to close out market positions. Extraordinary conditions on the financial markets may, however, temporarily restrict the possibility to liquidate certain financial assets.

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

At December 31, 2016 € in thousand	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
Borrowings (excluding finance lease liabilities) ¹⁸⁵	22,505	38,163	1,204	-	61,872
Finance lease liabilities	978	1,955	1,955	24,208	29,096
Trade payables and accruals	7,808	-	-	-	7,808
Tax and employee-related liabilities ¹⁸⁶	5,229	-	-	-	5,229
Other liabilities and provisions ¹⁸⁷	17	-	178	69	264
	36,537	40,118	3,338	24,276	104,270
At December 31, 2017 € in thousand	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
Borrowings (excluding finance lease liabilities) ¹	18,643	19,819	12,147	-	50,609
Finance lease liabilities	978	1,955	1,955	23,230	28,119
Trade payables and accruals	9,527	-	-	-	9,527
Tax and employee-related liabilities ²	4,586	-	-	-	4,586
Other liabilities and provisions ³	258	178	-	22	458
	33,992	21,953	14,102	23,252	93,298

The fair values as well as the book values of the Group's borrowings are disclosed in Note 5.23. To manage liquidity risk, the Group holds sufficient cash, cash equivalents and short-term deposit balances.

5.2.7. Capital risk management

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

In order to pursue its business strategy to grow into a major, self-sustainable vaccine company through organic growth and opportunistic mergers & acquisitions, the Group may rely on additional equity and debt financing. Capital consists of "Equity" as shown in the consolidated balance sheet.

¹⁸⁵ 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.

¹⁸⁶ 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.

¹⁸⁷ Deferred income and provisions are excluded from the other liabilities and provisions balance, as this analysis is required only for financial instruments.



5.2.8. 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.

5.3. Critical accounting estimates and judgments

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

5.3.1. Critical accounting estimates and assumptions

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

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

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

The main significant estimates made by the Group's management relate primarily to the valuation of intangible assets (impairment testing, 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), valuation of share based payments, recognition of deferred tax assets as well as the variable component of a loan from a fund managed by Pharmakon Advisors, which is accounted for based on budgeted future sales figures. In addition, significant estimates and assumptions made by the Group relate to the Purchase Price Accounting for property, plant and equipment, inventory, and other liabilities (for more details see 5.29).

5.3.2. Critical judgments in applying the entity's accounting policies

Revenue recognition

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

5.4. Segment information

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 operating profit/(loss) to assess the performance of the operating segments. However, the Management Board also receives information about the segments’ revenue on a monthly basis.

The individual segments consist of following:

- + “Commercialized vaccines” (marketed vaccines, currently the Group’s vaccines IXIARO[®]/JESPECT[®], DUKORAL[®], as well as third-party products)
- + “Vaccine candidates” (proprietary Research & Development programs aiming to generate new approvable products in order to generate future cash flows from product sales or from commercialization through partnering with pharmaceutical companies)
- + “Technologies and services” (services and inventions at a commercialization stage, i.e. revenue generating through collaborations, service and licensing agreements, including EB66[®] and IC31[®])

As of January 1, 2017 the Group changed its internal reporting process and amended the various allocations rules for Research & Development expenses, Distribution and marketing expenses as well as General and administrative expenses.

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

5.4.1. Income statement aggregated by segment

Income statement aggregated by segment for the year ended December 31, 2016

€ in thousand	Commercialized vaccines	Vaccine candidates	Technologies and services	Corporate overhead	Total
Revenues and grants	80,815	6,991	10,086	-	97,892
Cost of goods and services	(36,906)	-	(6,169)	-	(43,076)
Research & Development expenses	(4,675)	(18,815)	(1,100)	-	(24,589)
Marketing and distribution expenses	(15,866)	(48)	(725)	-	(16,639)
General and administrative expenses	(3,933)	(1,400)	(919)	(8,160)	(14,412)
Other income and expenses, net	-	-	-	(498)	(498)
Amortization and impairment of fixed assets/intangibles	(6,674)	(34,133)	(439)	-	(41,246)
Operating profit/(loss)	12,761	(47,405)	734	(8,658)	(42,568)
Finance income/expenses, result from investments in associates and income tax	-	-	-	(6,616)	(6,616)
Profit/(loss) for the year	12,761	(47,405)	734	(15,274)	(49,184)

Income statement aggregated by segment for the year ended December 31, 2017

€ in thousand	Commercialized vaccines	Vaccine candidates	Technologies and services	Corporate overhead	Total
Revenues and grants	92,909	7,496	9,349	-	109,754
Cost of goods and services	(39,658)	(2)	(6,319)	-	(45,979)
Research & Development expenses	(4,060)	(18,832)	(464)	-	(23,356)
Marketing and distribution expenses	(17,169)	(94)	(612)	-	(17,875)
General and administrative expenses	(4,393)	(1,505)	(780)	(8,867)	(15,545)
Other income and expenses, net	-	-	-	(222)	(222)
Amortization and impairment of fixed assets/intangibles	(6,645)	(3,573)	(512)	-	(10,731)
Operating profit/(loss)	20,984	(16,509)	662	(9,091)	(3,954)
Finance income/expenses, result from investments in associates and income tax	-	-	-	(7,528)	(7,528)
Profit/(loss) for the year	20,984	(16,509)	662	(16,619)	(11,482)

5.4.2. Geographical segments

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

Revenues and grants per geographical segment

€ in thousand	Year ended at December 31,	
	2017	2016
France	3,942	3,722
Europe - Without France	43,070	40,908
North America	56,304	48,608
Other	6,438	4,654
Revenues and grants	109,754	97,892

Non-current assets per geographical segment

€ in thousand	At December 31,	
	2017	2016
France	5,400	6,249
Europe - Without France	81,399	90,946
North America	42	803
Non-current assets	86,841	97,998

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

5.4.3. Information about major customers

Product sales to the largest customer amounted to €27.7 million (2016: €22.2 million). Collaboration and licensing revenue from the two largest customers amounted to €4.7 million (2016: €5.5 million) and €1.8 million (2016: €3.1 million), respectively. There are no further customers with a contribution exceeding 10% of the annual revenue.

5.5. Expenses by nature

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

€ in thousand	Year ended December 31,	
	2017	2016
Employee benefit expense (Note 5.6)	37,578	37,311
Consulting and other purchased services	19,635	20,065
Depreciation and amortization	11,141	11,269
Cost of sales from inventory produced in prior year	8,340	11,758
Raw materials and consumables used	7,871	3,973
Building and energy costs	7,801	7,401
License fees and royalties	5,222	5,478
Advertising costs	5,027	3,081
Impairment (Note 5.12.2)	3,568	34,109
Supply, office and IT-costs	2,726	2,463
Warehousing and distribution costs	2,676	1,506
Travel and transportation costs	1,358	1,166
Other expenses	541	383
Cost of goods and services, Research & Development expenses, marketing and distribution expenses, general and administrative expenses and amortization and impairment of fixed assets/intangibles	113,486	139,962

Fees charged to the Group by the Statutory Auditors and members of their network:

€ in thousand excl. VAT	Year ended December 31,			
	2017		2016	
	PwC Audit	Deloitte & Associés	PwC Audit	Deloitte & Associés
Certification of accounts	207	181	253	165
Services other than certification of accounts	14	8	14	11
TOTAL	221	189	267	176

5.6. Employee benefit expense

Employee benefit expenses include the following:

€ in thousand	Year ended December 31,	
	2017	2016
Salaries	26,850	25,853
Social security contributions	8,541	8,602
Training and education	611	474
Stock options granted to management and employees	811	1,428
Other employee benefits	766	953
Employee benefit expense	37,578	37,311

During the year 2017, the Group had an average of 433 employees (2016: 417 employees).

5.7. Other income/(expenses), net

€ in thousand	Year ended December 31,	
	2017	2016
Taxes, duties, fees, charges, other than income tax	(213)	(145)
Profit/(loss) on disposal of fixed assets, net	-	(124)
Miscellaneous income/(expenses), net	(9)	(229)
Other income/(expenses), net	(222)	(498)

5.8. Finance income/(expenses), net

€ in thousand	Year ended December 31,	
	2017	2016
Finance income		
Interest income from bank deposits	-	31
Interest income from other parties	72	259
	72	290
Finance expense		
Interest expense to banks and government agencies	(198)	(144)
Interest expense on other loans	(4,862)	(5,943)
Fair value losses on derivative financial instruments	(93)	-
Foreign exchange losses, net	(3,526)	(463)
	(8,678)	(6,550)
Finance income/(expenses), net	(8,606)	(6,260)

The net finance result amounted to minus €8.6 million for the year 2017 compared to minus €6.3 million in the year 2016. This increase in net finance expenses was mainly due to higher negative exchange rate effects in 2017 as in the previous year and reduced interest expense due to the decrease in borrowings.

The Group benefits from government assistance through arranging borrowing facilities that would have otherwise not been available to the Group. This assistance includes guarantees for the amount of €7.9 million (2016: €7.0 million).

5.9. 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.

5.9.1. Income tax

Income tax is comprised of current and deferred tax.

€ in thousand	Year ended December 31,	
	2017	2016
Current tax	(605)	(387)
Deferred tax	1,684	32
Income tax	1,078	(356)

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,	
	2017	2016
Loss before tax	(12,560)	(48,828)
Tax calculated at domestic tax rates applicable to profits in the respective countries	4,452	13,367
Income not subject to tax	1,217	1,216
Expenses not deductible for tax purposes	(369)	(644)
Deferred tax asset not recognized	(6,143)	(14,429)
Utilization of previously unrecognized tax losses	1,739	69
Deemed income	-	(119)
Adjustments in respect of prior years	5	224
Effect of change in applicable tax rate	(22)	10
Exchange differences	72	(17)
Income tax of prior years	135	-
Minimum income tax	(7)	(26)
Withholding tax	-	(7)
Income tax	1,078	(356)

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

5.9.2. Deferred tax

As of December 31, 2017 the deferred tax assets of €101.9 million (2016: €113.4 million) are not recognized as there was not sufficient evidence that adequate taxable profit will be available against which the unused tax losses can be utilized in the foreseeable future.

As of December 31, 2017 the Group has tax losses carried forward of €445.2 million (2016: €434.3 million), of which €122.7 million are related to Valneva SE (2016: €105.5 million),



€318.0 million are related to Valneva Austria GmbH (2016: €324.7 million), €2.4 million are related to Intercell USA, Inc. (2016: €3.6 million) and €2.1 million are related to Valneva Sweden AB (2016: €481 thousand).

Tax losses carried forward in France, Austria and Sweden have no expiry date, whereas the tax loss from US entities will begin to expire in the year 2033 if unused.

The offset amounts are as follows:

€in thousand	At December 31,	
	2017	2016
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	11,908	7,674
Deferred tax asset to be recovered within 12 months	245	1,618
Total deferred tax assets	12,153	9,292
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(10,347)	(9,107)
Deferred tax liability to be recovered within 12 months	(185)	(250)
Total deferred tax liability	(10,532)	(9,357)
Deferred tax, net	1,620	(65)

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

€in thousand	2017	2016
Beginning of year	(65)	(112)
Exchange differences	3	14
Income statement charge	1,682	33
End of year	1,620	(65)

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

€in thousand	At December 31,	
	2017	2016
Deferred tax asset from		
Tax losses carried forward	111,244	117,902
Fixed assets	1,011	1,431
Borrowings	842	1,629
Other items	923	1,776
Non-recognition of deferred tax assets	(101,867)	(113,444)
Total deferred tax assets	12,153	9,292
Deferred tax liability from		
Fixed assets	(185)	(286)
Intangible assets	(10,199)	(8,870)
Other items	(148)	(201)
Total deferred tax liability	(10,532)	(9,357)
Deferred tax, net	1,620	(65)

The corporate income tax rate in the United Kingdom will be 17% starting from April 1, 2020 (substantively enacted). The deferred tax assets and liabilities presented above as at December 31, 2017 have been adjusted for this change in tax rates.



The corporate income tax rate in France will be gradually reduced over the next 5 years to 25%. A 28% rate will apply for the first €500 thousand of profit in 2018 and 2019 (with the remaining profits subject to the 33.33% standard rate in 2018 and 31% in 2019). The standard rate will be reduced to 28% in 2020 on the full amount of taxable profits, 26.5% in 2021 and 25% from 2022 onward. The deferred tax assets and liabilities presented above as at December 31, 2017 have been adjusted for this change in tax rates.

The corporate income tax rate (federal and state tax together) in US will be 25.14% in future years. The deferred tax assets and liabilities presented above as at December 31, 2017 are already presented with 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. This was the case for the US entity and therefore a deferred tax asset amounting to € 1.7 million was recognized by Dec 31, 2017.

5.10. 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 5.21).

	Year ended December 31,	
	2017	2016
Net loss from continuing operations attributable to equity holders of the Company (€ in thousand)	(11,482)	(49,184)
Weighted average number of outstanding shares	77,449,219	74,658,929
Basic earnings/(losses) from continuing operations per share (€ per share)	(0.15)	(0.66)

Diluted losses per share equal basic losses per share, because the conversion of all potentially dilutive shares (outstanding preferred shares, stock options, free shares, and equity warrants) (see Notes 5.20 and 5.22) would result in a decrease in the loss per share and is therefore not to be treated as dilutive.

5.11. EBITDA

The Management Board primarily uses EBITDA (Earnings before interest, taxes, depreciation and amortization) to assess the performance of the Company. EBITDA was calculated by excluding depreciation, amortization and impairment of tangible and intangible assets from the operating loss.

€ in thousand	Year ended December 31,	
	2017	2016
Operating loss	(3,954)	(42,568)
Depreciation	3,367	4,389
Amortization	7,774	6,880
Impairment on intangibles and fixed assets	3,568	34,109
EBITDA	10,756	2,810



5.12. Intangible assets and goodwill

(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 six years.

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

(b) Acquired R&D technology and projects

Acquired R&D technology projects are capitalized. Amortization of the intangible asset over its useful life starts when the product has been fully developed and is ready for use. These costs are amortized on a straight-line basis over their useful lives. This useful life is determined on a case-by-case basis according to the nature and characteristics of the items included under this heading. As long as the useful life is indefinite, in-process Research & Development projects are tested annually for impairment and carried at cost less accumulated impairment losses. Furthermore, assets with an indefinite useful life and assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The current acquired R&D technology and projects are amortized over periods of between 5 and 18 years.

(c) Development costs

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

- + it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- + management intends to complete the intangible asset and to utilize or sell it;
- + there is an ability to utilize or sell the intangible asset;
- + it can be demonstrated how the intangible asset will generate probable future economic benefits;
- + adequate technical, financial, and/or other resources to complete the development and to utilize or sell the intangible asset are available; and
- + the expenditure attributable to the intangible asset during its development can be reliably measured.

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

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.

€ in thousand	Software	Acquired R&D technology and projects	Development costs	Intangible assets in the course of construction	Total
January 1, 2016					
Cost	2,591	117,811	10,511	65	130,979
Accumulated amortization and impairment	(2,277)	(23,791)	(6,344)	-	(32,412)
Net book value	315	94,021	4,167	65	98,567
December 31, 2016					
Opening net book value	315	94,021	4,167	65	98,567
Exchange rate differences	(2)	(443)	(82)	-	(528)
Additions	1,000	-	27	1,433	2,460
Disposals	-	-	(59)	-	(59)
Amortization charge	(229)	(6,370)	(751)	-	(7,350)
Impairment charge	-	(34,132)	-	-	(34,132)
Closing net book value	1,083	53,076	3,302	1,498	58,959
December 31, 2016					
Cost	3,571	117,058	10,060	1,498	132,186
Accumulated amortization and impairment	(2,488)	(63,982)	(6,758)	-	(73,228)
Net book value	1,083	53,076	3,302	1,498	58,959
December 31, 2017					
Opening net book value	1,083	53,076	3,302	1,498	58,959
Exchange rate differences	(18)	(195)	(17)	(40)	(271)
Additions	593	448	39	27	1,106
Reclassification	1,439	-	-	(1,439)	-
Disposals	-	-	-	-	-
Amortization charge	(608)	(6,356)	(803)	-	(7,767)
Impairment charge	-	(3,560)	-	-	(3,560)
Closing net book value	2,489	43,412	2,520	46	48,468
December 31, 2017					
Cost	5,514	83,087	10,075	46	98,722
Accumulated amortization and impairment	(3,025)	(39,675)	(7,555)	-	(50,254)
Net book value	2,489	43,412	2,520	46	48,468

5.12.1. Significant intangible assets

Significant intangible assets with an indefinite useful life comprise primarily the Borrelia vaccine candidate (VLA15) amounting to €3.3 million (2016: €3.3 million), the Zika vaccine candidate (VLA1601) amounting to €75 thousand (2016: €0) and the Clostridium Difficile vaccine candidate (VLA84) amounting to €0 (2016: €3.3 million) which was impaired in 2017. Significant intangible assets with definite useful life comprise primarily the EB66[®] platform and the already commercialized vaccine against Japanese encephalitis (IXIARO / JESPECT).

Potential partners are hesitant about the level of investment required to fund a Phase III Clostridium difficile clinical trial. Noting this feedback, Valneva reviewed its development and partnering approach. This review triggered a revision in Q3 2017 of the existing business model resulting in a reduction of future cash flows and therefore, an impairment of €3.6 million.

5.12.2. Impairment testing

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



projects. The recoverable amounts of these projects have been determined based on value-in-use calculations.

The calculations use post tax risk-adjusted cash flow projections based on the Group's long-range business model including the Management's best estimate on probability of success of the respective projects (risk-adjustment) and a discount rate of 11.91% to 12.03% (2016: 11.53% to 11.73% per annum).

The discount rate of 11.91% to 12.03% (2016: 11.53% to 11.73% per annum) is based on 1.34% risk-free rate (2016: 1.04%), 7.00% market risk premium (2016: 7.00%), 0.62% country risk premium (2016: 0.99% to 1.35%), 0.43% currency risk (2016: 0.71% to 0.84%), a beta of 1.38 (2016: 1.44), and a peer group related equity-capital ratio.

The long range business model covers a period of 18 years as well as an estimate on the perpetual annual growth rate beyond this horizon 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. These business models are updated on a regular basis and relevant changes in estimations done. During 2017 the most significant change in estimation was the FDA Fast Track designation granted for the Lyme vaccine program in July 2017.

In 2017, the Clostridium Difficile intangible asset amounting to €3.6 million has been fully impaired as a result of the opt-out by GSK as well as the unsuccessful attempts to find alternative co-development partners. In 2016, an impairment loss of €34.1 million was recognized following negative Phase II/III study results for the Pseudomonas vaccine candidate and discontinuation of the program.

5.12.3. 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 11.91% to 12.03% (2016: 11.53% to 11.73%). An increase in the discount rate of 1,163 basis points would trigger an impairment loss (2016: 61 basis points). Furthermore, an increase in the discount rate of one percentage point would result in no impairment loss (2016: €2.2 million).

The result of the acquired Research & Development projects (see 5.12.1) 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 the acquired Research & Development project 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 weighted risk is only applied on expected revenues while expected cost to develop the program to licensure has been fully included (100%).

The net present value calculations are based upon assumptions regarding market size, expected sales volumes resulting in sales value expectations, expected royalty income or expected milestone payments. A reduction in revenues of 10% would result in no additional impairment loss (2016: €2.9 million).

5.13. 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".

€ in thousand	Land, buildings and leasehold improvements	Manufacturing and laboratory equipment	Computer hardware	Furniture, fittings and other	Assets in the course of construction	Total
January 1, 2016						
Cost	52,821	20,069	1,523	1,461	1,009	76,883
Accumulated depreciation and impairment	(16,492)	(15,618)	(1,341)	(992)	-	(34,443)
Net book value	36,329	4,452	182	469	1,009	42,439
December 31, 2016						
Opening net book value	36,329	4,452	182	469	1,009	42,439
Exchange rate differences	(369)	(206)	(5)	(18)	(59)	(657)
Additions	155	1,235	148	103	166	1,806
Reclassification	260	(94)	5	132	(303)	-
Disposals	-	(39)	-	(1)	(667)	(708)
Depreciation charge	(2,212)	(1,380)	(100)	(149)	-	(3,841)
Closing net book value	34,162	3,967	229	536	146	39,039
December 31, 2016						
Cost	51,746	19,697	1,536	1,657	146	74,781
Accumulated depreciation and impairment	(17,583)	(15,730)	(1,307)	(1,122)	-	(35,742)

€ in thousand	Land, buildings and leasehold improvements	Manufacturing and laboratory equipment	Computer hardware	Furniture, fittings and other	Assets in the course of construction	Total
Net book value	34,162	3,967	229	536	146	39,039
December 31, 2017						
Opening net book value	34,162	3,967	229	536	146	39,039
Exchange rate differences	(67)	(72)	(4)	(12)	(2)	(157)
Additions	1,114	1,226	284	48	146	2,819
Reclassification	24	73	1	-	(98)	-
Disposals	-	-	-	-	-	-
Depreciation charge	(1,788)	(1,244)	(154)	(142)	-	(3,327)
Closing net book value	33,445	3,951	356	430	192	38,374
December 31, 2016						
Cost	52,469	16,581	1,723	1,681	192	72,647
Accumulated depreciation and impairment	(19,024)	(12,631)	(1,367)	(1,251)	-	(34,273)
Net book value	33,445	3,951	356	430	192	38,374

Depreciation and amortization expenses of €335 thousand (2016: €0 thousand) were charged to cost of goods and services, €1.2 million (2016: €1.4 million) were charged to Research & Development expenses, €79 thousand (2016: €47 thousand) were charged to marketing and distribution expenses and €132 thousand (2016: €117 thousand) were charged to general and administrative expenses.

Operating property leases amounting to €2.5 million (2016: €2.5 million) are included in the income statement.

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

€ in thousand	Buildings and leasehold improvements	Total
December 31, 2016		
Cost	34,795	34,795
Accumulated depreciation	(6,739)	(6,739)
Net book value	28,056	28,056

€ in thousand	Buildings and leasehold improvements	Total
December 31, 2017		
Cost	34,795	34,795
Accumulated depreciation	(7,560)	(7,560)
Net book value	27,235	27,235

5.14. Equity-accounted investees

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss

and other comprehensive income of the associate. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

Name of associate	Place of business	Measurement method	% of ownership interest at December 31,	
			2017	2016
BliNK Biomedical SAS	FR	Equity method	41.77%	43.29%

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

While Valneva intends to retain a substantial ownership interest in the new entity, BliNK Biomedical SAS is run as an independent business by its own management team. Valneva does not have control over the company in the regards of IFRS 10, but rather holds a significant influence in BliNK Biomedical SAS in accordance with IAS 28.3, and therefore the investment is consolidated at equity according to IAS 28.16.

BliNK Biomedical SAS is a loss-making development stage company and Valneva has fully impaired the book value of its shares in 2015. As a result, no share in losses has been recorded in 2016 and 2017.

5.14.1. 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,	
	2017	2016
BliNK Biomedical SAS		
Non-current assets	379	6,478
Current assets	3,137	3,761
Non-current liabilities	1,999	1,999
Current liabilities	1,120	1,934
Revenue	3,079	1,482
Profit/(loss) from continuing operations	(8,989)	(9,232)
Total comprehensive income	(5,909)	(7,750)

5.14.2. Reconciliation to the carrying amount

€in thousand	At December 31,	
	2017	2016
Net assets of associate	397	6,306
Proportion of the Company's ownership interest in BliNK Biomedical SAS	41.77%	43.29%
Company's share in net assets	166	2,730
Additional investment - Convertible bonds	-	-
	166	2,730
Impairment	(166)	(2,730)
Balance as of December 31	-	-

The book values of equity-accounted investees have been assessed annually for impairment testing purposes using the risk-adjusted discounted cash flow method (value in use approach). The resulting net present value of cash flows using this valuation methodology did not show a positive value. BliNK Biomedical SAS's business strategy is to use its technologies to develop its own products, as opposed to Valneva's previous strategy of generating early revenues from services, upfront license fees and milestone revenues from out-licensing. The long-term nature and development risks inherent to own product development, together with the significant cost of capital of an early stage company explain the valuation result based on BliNK Biomedical SAS's business plan. The investment has therefore been impaired at the end of 2015 and remains at zero in 2016 and 2017. BliNK Biomedical SAS is private company and its shares are not listed on a stock exchange.

5.15. Financial instruments

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

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

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

5.15.1. Financial instruments by category

December 31, 2016		
€in thousand	Loans and receivables	Total
Assets as per balance sheet		
Trade receivables	16,912	16,912
Other assets ¹⁸⁸	12,223	12,223
Cash and cash equivalents	42,180	42,180
Assets	71,315	71,315

¹⁸⁸ Prepayments and tax receivables are excluded from the other assets balance, as this analysis is required only for financial instruments.



	Liabilities at fair value through profit and loss	Other financial liabilities	Total
Liabilities as per balance sheet			
Borrowings (excluding finance lease liabilities) ¹⁸⁹	-	54,131	54,131
Finance lease liabilities	-	28,372	28,372
Trade payables and accruals	-	7,808	7,808
Tax and employee-related liabilities ¹⁹⁰	-	5,229	5,229
Other liabilities and provisions ¹⁹¹	2	262	264
Liabilities	2	95,802	95,804
December 31, 2017			
€ in thousand			
Assets as per balance sheet			
Trade receivables		17,622	17,622
Other assets ¹⁹²		11,693	11,693
Current financial assets		-	-
Cash and cash equivalents		38,055	38,055
Assets		67,370	67,370

	Liabilities at fair value through profit and loss	Other financial liabilities	Total
Liabilities as per balance sheet			
Borrowings (excluding finance lease liabilities) ¹⁹³	-	43,975	43,975
Finance lease liabilities	-	27,520	27,520
Trade payables and accruals	-	9,527	9,527
Tax and employee-related liabilities ¹⁹⁴	-	4,586	4,586
Other liabilities and provisions ¹⁹⁵	1	457	458
Liabilities	1	86,065	86,066

5.15.2. 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.

¹⁸⁹ 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.

¹⁹⁰ 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.

¹⁹¹ Deferred income and provisions are excluded from the other liabilities and provisions balance, as this analysis is required only for financial instruments.

¹⁹² Prepayments and tax receivables are excluded from the other assets balance, as this analysis is required only for financial instruments.

¹⁹³ 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.

¹⁹⁴ 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.

¹⁹⁵ Deferred income and provisions are excluded from the other liabilities and provisions balance, as this analysis is required only for financial instruments.



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

December 31, 2016		
€ in thousand	Level 2	Total
Other liabilities and provisions		
Derivative financial instruments	2	2
Other liabilities and provisions	2	2

December 31, 2017		
€ in thousand	Level 2	Total
Current financial assets		
Derivative financial instruments	-	-
Current financial assets	-	-
Other liabilities and provisions		
Derivative financial instruments	1	1
Other liabilities and provisions	1	1

Since 2010, the Company has been covered by interest rate hedging contracts through Groupe Grimaud which are included in other liabilities and provisions.

In 2017, the Group entered into various foreign currency option contracts to limit the risk of foreign currency losses on expected future cash flows. The underlying currency amount and the duration of the options depend on the amount and timing of the expected future cash flows. At December 31, 2017, the fair value of the open foreign currency option with an underlying currency amount of \$3 million and a duration of 61 days was €0 thousand.

5.15.3. 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,	
	2017	2016
Trade receivables		
Receivables from governmental institutions	7,663	5,214
A	122	1,799
Counterparties without external credit rating	9,836	9,899
Trade receivables	17,622	16,912
Other assets		
AAA	-	474
A	136	240
Counterparties without external credit rating or rating below A	11,557	11,509
Other assets	11,693	12,223



Cash and cash equivalents		
AA	2,587	1,921
A	22,940	24,722
Counterparties without external credit rating or rating below A	12,528	15,538
Cash and cash equivalents	38,055	42,180

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

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

5.16. 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) at standard costs. The variances between the actual costs and the standard costs are calculated monthly and allocated to the inventory, so there is no difference between actual and standard costs. It excludes borrowing costs. Provisions for faulty products are included in the value of inventories.

€ in thousand	At December 31,	
	2017	2016
Raw materials	2,310	1,853
Work in progress	9,862	13,302
Finished goods	7,760	7,546
Inventory	19,931	22,701

The cost of inventories recognized as an expense and included in the position "Cost of goods and services" amounted to €33.0 million (2016: €32.8 million), of which €6.0 million (2016: €6.6 million) related to faulty products, which were written off.

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

5.17. Trade receivables

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

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

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.

Trade receivables include the following:

€ in thousand	At December 31,	
	2017	2016
Trade receivables	17,622	16,912
Less: provision for impairment of receivables	-	-
Trade receivables, net	17,622	16,912



During the years 2017 and 2016, no material impairment losses have been recognized. The amount of trade receivables past due in 2017 amounted to €2.5 million (2016: €1.1 million).

The fair values of trade receivables equal their book values.

5.18. Other assets

Other assets include the following:

€ in thousand	At December 31,	
	2017	2016
Prepaid expenses	1,309	1,652
Non-current financial assets	335	426
Other receivables	23,564	25,013
	25,207	27,092
Less non-current portion	(17,368)	(17,688)
Current portion	7,840	9,404

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.

5.19. Cash and cash equivalents

Cash includes cash-at-bank, cash in hand, and deposits held at call with banks. Cash equivalents include short-term bank 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 with a maximum maturity of less than 3 months.

As of December 31, 2017, cash and cash equivalents include €4.5 million (December 31, 2016: €6.9 million) for which there are restrictions on remittances.

€ in thousand	At December 31,	
	2017	2016
Cash in hand	5	4
Cash at bank	32,536	34,262
Short-term bank deposits (maturity less than 3 months)	1,004	1,002
Restricted cash	4,510	6,913
Cash and cash equivalents	38,055	42,180

5.20. Share capital, share premium and other regulated reserves

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.



€ in thousand (except numbers of shares)	Number of shares	Share capital	Share premium	Other regulated reserves ¹⁹⁶	Total share capital, share premium and other regulated reserves
Balance at January 1, 2016	74,699,173	11,205	193,145	52,820	257,170
Employee stock option plan:					
+ issuance of ordinary shares, December 2016	2,884,615	433	7,067	-	7,500
+ cost of equity transactions, net of tax	-	-	(96)	-	(96)
Balance at December 31, 2016	77,583,788	11,638	200,117	52,820	264,574
Balance at January 1, 2017	77,583,788	11,638	200,117	52,820	264,574
Employee stock option plan:					
+ issuance of ordinary shares, December 2017	-	-	-	-	-
+ cost of equity transactions, net of tax	-	-	(3)	-	(3)
+ value of employee services	715	-	-	-	-
Balance at December 31, 2017	77,584,503	11,638	200,114	52,820	264,572

Conditional and authorized capital

On December 31, 2017, the Company had 22,290,506 shares of conditional capital in connection with (see Note 5.22):

- + the possible exercise of existing stock options;
- + the possible exercise of existing equity warrants;
- + the possible conversion of existing preferred shares;
- + the possible conversion or final grant of existing convertible preferred shares;
- + the possible draw of equity warrants (BEA);

Pursuant to resolution No. 25 of the General Meeting held on June 29, 2017, 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 of €4.5 million or the equivalent value in a foreign currency, to which amount will be added, if applicable, the supplementary amount of shares or securities to be issued for the purposes of any adjustments to be made in accordance with applicable legislative or regulatory provisions and, if applicable, with contractual stipulations providing for other forms of adjustment, in order to preserve the rights of the holders of securities giving access, immediately or in the future, to the share capital of the Company.

Besides, in accordance with the authorization given by Valneva's shareholders at the Combined the General Meeting of June 30, 2016 and in order to maintain the Company's financial flexibility, Valneva SE renewed its Equity Line with Crédit Agricole CIB. The new Equity Line, which replaces a previous instrument expired in May 2016, will enable Valneva to issue up to 5,474,633 new ordinary shares.

¹⁹⁶ Regulated non-distributable reserve relating to the merger with Intercell AG

**5.21. Retained earnings and other reserves**

€ in thousand	Other comprehensive income	Treasury shares	Retained earnings	Total
Balance at January 1, 2016	(3,544)	(1,009)	(87,667)	(92,219)
Currency translation differences	(3,880)	-	-	(3,880)
Defined benefit plan actuarial losses	(55)	-	-	(55)
Income appropriation	-	-	(20,617)	(20,617)
Employee stock option plan:				
+ value of employee services	-	-	1,429	1,429
Purchase/sale of treasury shares	-	2	-	2
Balance at December 31, 2016	(7,479)	(1,006)	(106,854)	(115,339)
Balance at January 1, 2017	(7,479)	(1,006)	(106,854)	(115,339)
Currency translation differences	3,337	-	-	3,337
Defined benefit plan actuarial losses	35	-	-	35
Income appropriation	-	-	(49,184)	(49,184)
Employee stock option plan:				
+ value of employee services	-	-	833	833
Purchase/sale of treasury shares	-	(104)	-	(104)
Balance at December 31, 2017	(4,107)	(1,110)	(155,205)	(160,421)

The Company has not received or paid a dividend to its shareholders in the years ended December 31, 2017 and 2016.

5.22. Share-based payments

The Company operates various share-based compensation plans, both equity-settled and cash-settled plans. The profit and loss statement includes the following expenses arising from share-based payments:

€ in thousand	Year ended December 31,	
	2017	2016
Stock option plans	404	385
Free ordinary shares	-	-
Equity warrants	16	-
Free convertible preferred share plans	388	1044
Phantom shares	3	-
Total expenses arising from share-based payments	810	1,428

5.22.1. Stock option 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.

Stock options are granted to members of the Management Board and to employees.

Part of the stock options granted in the year 2010 can be exercised as long as certain objectives conditioned to entity stock market performances have been achieved.

Stock options granted from 2013 onwards are exercisable for the first time in two equal portions after being held for two and for four years (the vesting periods). All options expire no later than ten years after being granted. Stock options are not transferable or negotiable and unvested options lapse without compensation upon termination of employment with the Group (cancellation). Stock options granted from 2013 onwards become exercisable with the effectiveness of the takeover of more than 50% of the outstanding voting rights of the Group.

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

	2017			2016		
	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	2,040,150	2,123,421	3.31	1,587,700	1,707,554	3.48
Granted	1,269,500	1,269,500	2.85	584,250	584,250	2.71
Adjusted	-	-	-	-	-	-
Forfeited	(289,250)	(304,029)	3.20	(131,800)	(168,383)	3.02
Exercised	-	-	-	-	-	-
Outstanding at year end	3,020,400	3,088,892	3.13	2,040,150	2,123,421	3.31
Exercisable at year end	988,755	1,057,267		420,950	462,935	

No stock options have been exercised in 2017 and in 2016.

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

Expiry date	Exercise price in € per share	Number of options at December 31,	
		2017	2016
2020	4.72 ⁽¹⁾	7,000	7,000
2023	2.919 ⁽¹⁾	679,650	827,900
2025	3.92	604,250	655,750
2026	2.71	493,750	549,500
2027	2.85	1,235,750	-
		3,020,400	2,040,150

(1) Adjusted in accordance with French law requirements.

In 2017, 1,269,500 stock options were granted (2016: 584,250). The weighted average grant date fair value of options granted during the year 2017 was €0.44 (2016: €0.80). The fair value of the granted options was determined using the Black Scholes valuation model. The significant inputs into the models were:

	2017	2016
Expected volatility (%)	24.32	49.18
Expected vesting period (term in years)	2.00 – 4.00	2.00 – 4.00
Risk-free interest rate (%)	(0.78) – (0.52)	(0.67) – (0.61)

5.22.2. Free ordinary shares

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

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

Changes in the free ordinary shares outstanding are as follows:

	Number of free shares	
	2017	2016
Outstanding at January 1	1,000	1,000
Granted	-	-
Forfeited	-	-
Definitively granted	(1,000)	-
Outstanding at year end	-	1,000

5.22.3. Equity warrants

In 2015, and 2017 the Company granted equity warrants to members of the Supervisory Board. The warrants granted in 2015 (BSA 25) are exercisable in four equal portions after 2, 17, 31 and 45 months. The warrants granted in 2017 (BSA 27) are exercisable in four equal portions after 12, 24, 36 and 48 months. The subscription price for one new ordinary share under the 2015 plan (BSA 25) amounts to €3.92 per share. The subscription price for one new ordinary share under the 2017 plan (BSA 27) amounts to €2.574.

Changes in the equity warrants outstanding are as follows:

	Number of equity warrants	
	2017	2016
Outstanding at January 1	114,750	153,000
Granted	87,500	-
Forfeited	-	(38,250)
Outstanding at year end	202,250	114,750

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

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

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

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



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

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

On June 29, 2017, the General Meeting of Valneva SE's shareholders had decided to grant the Company's Management Board all powers necessary to decide the granting and issuance of new free convertible preferred shares for the benefit of corporate officers or employees of the Company or its subsidiaries.

On November 30, 2017, the Supervisory Board also authorized the Management Board to grant free convertible preferred shares to members of the Company's Management Board and Executive Committee, as well as to Manufacturing site Heads (collectively with the Management Board members, the "**Executive Managers**"), on condition that the Executive Managers make a prior personal investment in the Company by purchasing Valneva SE ordinary shares.

Consequently, on December 7, 2017, the Management Board implemented the Free Convertible Preferred Share Program 2017-2021, a long-term incentive plan for the Group's Executive Managers. As a prerequisite to the possibility of participating in the program, each potential beneficiary was required to make a cash investment in the Company, by purchasing Valneva SE ordinary shares.

The free convertible preferred shares will be convertible into Valneva SE ordinary shares 4 years after their initial granting, if the conversion conditions set out below are met.

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

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

No conversion will occur if the Final Share Price is lower than €4.50. If the Final Share Price is higher than €8, the conversion ratio will be such that the beneficiaries' gross gain will not exceed the gross gain they would have realized if the Final Share Price was €8.

The free convertible preferred shares cannot give rights to more than 2,363,000 ordinary shares of the Company.

Following the full payment of the amount of personal investment required, the Management Board conditionally granted the Program beneficiaries a number of free convertible preferred shares:

	Number of FCPS 2017 granted to the beneficiaries
Management Board	24,200
Other Executive Managers	9,817
	34,017

Changes in the FCPS are as follows (including FCPS 2015 and FCPS 2017):

	Number of FCPS	
	2017	2016
Outstanding at January 1	26,850	26,850
Granted	34,017	-
Forfeited	(7,125)	-
Outstanding at year end	53,742	26,850

The fair value of FCPS 2015 was determined using the Black Scholes model, whereas the fair value of FCPS 2017 was determined using the Monte Carlo valuation model.

5.22.5. Phantom shares

In 2017, a phantom share plan was issued for employees who are US citizens, with the same conditions as the stock options program (see 5.22.1) but which will not be settled in equity, but in cash. Therefore it is considered as a cash settled plan. The liability for the phantom shares is measured, initially and at the end of each reporting period until settled, at the fair value of the share options rights, by applying an option pricing model, taking into account the terms and conditions on which the phantom rights were granted, and the extent to which the employees have rendered services to date.

The carrying amount of the liability relating to the phantom shares at December 31, 2017 was €3 thousand. No phantom share had vested or forfeited at December 31, 2017.

Phantom shares outstanding at the end of the period have the following expiry dates and exercise prices:

Expiry date	Exercise price in € per share	Number of options at December 31,	
		2017	2016
2023	2.919 ⁽¹⁾	6,000	-
2025	3.92	10,000	-
2026	2.71	7,000	-
2027	2.85	138,000	-
		161,000	-

(1) Adjusted in accordance with French law requirements.

In 2017, 161,000 phantom shares were granted (2016: nil). The fair value of the granted options was determined using the Black Scholes valuation model. The significant inputs into the models were:

	2017	2016
Expected volatility (%)	21.81	-
Expected vesting period (term in years)	0.25 – 3.93	-
Risk-free interest rate (%)	(0.89) – (0.35)	-

5.23. 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.



Borrowings of the Group at yearend include the following:

€ in thousand	At December 31,	
	2017	2016
Non-current		
Bank borrowings	9,868	1,586
Other loans	17,566	32,438
Finance lease liabilities	26,662	27,520
	54,097	61,544
Current		
Bank borrowings	1,336	1,274
Other loans	15,205	18,833
Finance lease liabilities	858	851
	17,399	20,959
Total borrowings	71,496	82,503

The maturity of non-current borrowings is as follows:

€ in thousand	At December 31,	
	2017	2016
Between 1 and 2 years	15,751	31,524
Between 2 and 3 years	2,866	3,018
Between 3 and 4 years	1,508	1,345
Between 4 and 5 years	10,808	1,608
Over 5 years	23,164	24,049
Non-current borrowings	54,097	61,544

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

€ in thousand	At December 31,	
	2017	2016
EUR	45,589	38,609
USD	25,906	43,894
Total borrowings	71,496	82,503

5.23.1. Finance lease liabilities

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

5.23.2. Bank borrowings and other loans secured

As at December 31, 2017, €44.0 million of the outstanding bank borrowings and other loans are guaranteed, secured or pledged. These bank borrowings and other loans are related to financing of Research & Development expenses, fixed assets and CIR (R&D tax credit in France) and have various conditions (interest rates) and terms (maturities).

The following table presents the fair value of guaranteed bank borrowings and other loans without taking the interest subsidy into consideration, based on an estimated arms' length interest rate of 7.10% at year-end 2017:



€in thousand	At December 31, 2017	
	Carrying amounts	Fair values
Bank borrowings (excluding bank borrowings described below)	1,586	1,531
Other loans (excluding the other loans described in Note 5.23.3)	6,865	6,039
Guaranteed, secured, or pledged borrowings	8,451	7,571

In July 2016, Valneva SE entered into a loan agreement with the European Investment Bank by which the Company was granted a €25 million term loan facility as part of the European Horizon 2020 initiative. Subject to fulfillment of certain conditions precedent, the loan may be drawn in one or several tranches within a 24-month period from signing. Each tranche is repayable at the end of a five-year period starting from the drawing date. The loan is secured by collateral over the Company's material subsidiaries, mainly ranking behind securities linked to Valneva's existing indebtedness. Furthermore, the loan agreement contains covenants, including a positive Group EBITDA and a minimum cash balance of €3 million at all times. The Group does not expect these limitations to impact its ability to meet its cash obligations. In the year ended December 31, 2017, two €5 million tranches respectively were drawn under the loan facility that was granted with no commitment fee and subject to variable interest on amounts drawn.

At December 31, 2017 the loan is included in the balance sheet item "Borrowings" as follows:

€in thousand	2017	2016
Balance at January 1	-	-
Proceeds of issue	10,000	-
Transaction costs	(417)	-
Accrued interests	368	-
Payment of interest and loan	(332)	-
Balance at December 31	9,618	-
Less: non-current portion	9,618	-
Current portion	-	-

5.23.3. Other loans

On December 20, 2013, the Group received a \$30 million financing from an investment fund managed by Pharmakon Advisors for Valneva Austria GmbH. The loan extends over a five year period and carries an interest rate ranging from 9.5% to 10.5%. On November 18, 2015 the loan was increased by an additional financing of \$11 million. From 2016 onwards, the Company is paying a royalty to Pharmakon Advisors ranging from 2.5% to 3.1% on its IXIARO[®]/JESPECT[®] sales during the term of the loan. The interest rate and the royalty payable in connection with the loan are both recognized as finance expenses. The finance expenses are calculated using the effective interest method and are therefore recognized pro rata to the outstanding principal in each accounting period until the loan is fully amortized. The foreign currency valuation is done at each balance sheet date and resulting exchange gains or losses are shown as finance income/expenses. The asset-based loan is guaranteed by Valneva SE and secured by a security interest on the incoming funds from Valneva's sales of IXIARO[®]/JESPECT[®] and on the shares of the Group's Austrian and Scottish subsidiaries, which hold the key IXIARO[®]/JESPECT[®] assets. The loan agreement includes customary covenants for the Group's Austrian subsidiary, including limitations on indebtedness and new business activities as well as limitations for payments of dividends and other disbursements to its parent company Valneva SE. The Company does not expect these limitations to impact its ability to meet its cash obligation. At December 31, 2017, the book values of the assets pledged amounted to €232.5 million (2016: €231.3 million).

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



€in thousand	2017	2016
Balance at January 1	43,894	40,546
Proceeds of issue	-	-
Transaction costs	-	-
Accrued interest and royalty expense	4,218	5,351
Payment of interest, royalties and loan	(18,056)	(3,736)
Foreign exchange valuation	(4,150)	1,734
Balance at December 31	25,906	43,894
Less: non-current portion	(12,733)	(27,304)
Current portion	13,173	16,591

5.24. Trade payables and accruals

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.

Trade payables and accruals include the following:

€in thousand	At December 31,	
	2017	2016
Trade payables	5,258	2,554
Accrued expenses	4,268	5,255
	9,527	7,808
Less non-current portion	-	-
Current portion	9,527	7,808

5.25. Tax and employee-related liabilities

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.

€in thousand	At December 31,	
	2017	2016
Employee-related liabilities	4,586	5,229
Social security and other taxes	2,945	1,894
	7,531	7,123
Less non-current portion	-	-
Current portion	7,531	7,123

5.26. Other liabilities and 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.

€ in thousand	At December 31,	
	2017	2016
Deferred income	6,677	7,382
Other financial liabilities	458	264
Provisions for employee commitments	294	278
Other liabilities	5	38
Other provisions	300	810
	7,734	8,772
Less non-current portion	(4,838)	(6,333)
Current portion	2,896	2,439

5.26.1. Deferred Income

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.

€ in thousand	At December 31,	
	2017	2016
Arising from collaboration and licensing agreements	6,502	6,879
Arising from government grants	175	502
	6,677	7,382
Less non-current portion	(4,343)	(5,805)
Current portion	2,334	1,577

5.26.2. Provisions for 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.

Assumptions used

	At December 31,	
	2017	2016
Discount rate	1.50%	1.40%
Salary increase rate	2.00%	2.00%
Turnover rate	0%-33.24%	0%-33.24%
Social security rate	47.00%-48.00%	47.00%-48.00%
Average remaining lifespan of employees (in years)	22	23

**Changes in defined benefit obligation**

Present value of obligation development:

€ in thousand	2017	2016
Balance at January 1	278	189
Current service cost	51	35
Actuarial losses/(gains)	(35)	55
Balance at December 31	294	278

5.26.3. Other provisions

€ in thousand	At December 31,	
	2017	2016
Non-current	1	-
Current	299	810
Provisions	300	810
	2017	2016
Balance at January 1	810	514
Charged to the income statement:		
+ Additional provision	185	608
+ Reversed provision	(19)	-
Used provisions	(670)	(312)
Exchange differences	(7)	-
Balance at December 31	300	810

The position comprises in 2017 a remaining amount of €96 thousand from a provision for expected legal and settlement costs under a court proceeding relating to the Intercell AG/Vivalis SA merger. Furthermore, a provision for restructuring costs of €181 thousand in 2017 for the site in Solna, Sweden, in connection with an effort to reduce the marketing and distribution and general and administrative expenses of the Company is included.

**5.27. Cash-flow information****5.27.1. Cash generated from operations**

The following table shows the adjustments to reconcile net loss to net cash generated from operations:

€ in thousand	Note	Year ended at December 31,	
		2017	2016
Loss for the year		(11,482)	(49,184)
Adjustments for			
+ Depreciation and amortization	5.12/ 5.13	11,141	11,269
+ Impairment fixed assets/intangibles	5.12/ 5.13	3,568	34,109
+ Share-based payments	5.22	811	1,428
+ Income tax	5.9	(1,078)	357
+ Profit/(loss) from disposal of fixed assets	5.7	-	124
+ Share of (profit)/loss from associates	5.14	-	-
+ Fair value (gains)/losses on derivative financial instruments		93	-
+ Other non-cash income/expense		2,390	1,466
+ Interest income	5.8	(72)	(290)
+ Interest expense	5.8	5,060	6,087
+ Changes in other long-term assets and liabilities		(1,141)	(1,361)
Changes in working capital (excluding the effects of acquisition and exchange rate differences on consolidation):			
+ Inventory		1,065	2,950
+ Trade and other receivables		597	2,361
+ Trade and other payables and provisions		2,537	(2,280)
Cash generated from operations		13,489	7,037

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

€ in thousand	At December 31,	
	2017	2016
Net book value	-	126
Profit/(loss) on disposal of fixed assets	-	(124)
Proceeds from disposal of fixed assets	-	1

5.27.2. Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

€ in thousand	Bank borrowings	Other loans	Finance lease liabilities	Total
Balance at January 1, 2017	2,860	51,271	28,372	82,503
Financing cash flows ¹⁹⁷	8,312	(12,772)	(851)	(5,311)

¹⁹⁷ The financing cashflows make up the net amount of proceeds from borrowings and repayments of borrowings in the consolidated cash flow statement.



€ in thousand	Bank borrowings	Other loans	Finance lease liabilities	Total
Foreign exchange movements	-	(4,150)	-	(4,150)
Other changes ¹⁹⁸	32	(1,578)	-	(1,547)
Balance at December 31, 2017	11,204	32,771	27,520	71,496

5.28. Commitments and contingencies

5.28.1. Capital commitments

There were no capital expenditure contracted for at December 31, 2017, and December 31, 2016.

5.28.2. Operating lease commitments

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

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

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

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

€ in thousand	At December 31,	
	2017	2016
Not later than 1 year	2,190	2,226
Later than 1 year and not later than 5 years	8,599	7,012
Later than 5 years	2,289	539
Operating lease commitments	13,079	9,778

The Group leases office space, cars and equipment.

5.28.3. Other commitments and guarantees

The other commitments consisted of:

€ in thousand	At December 31,	
	2017	2016
Loans and grants	1,743	1,984
Royalties	12,893	15,643
Other	12	21
Other commitments	14,648	17,648

¹⁹⁸ Other changes include interest accruals and payments.



The guarantees and pledges consisted of:

€ in thousand	At December 31,	
	2017	2016
Equipment pledge	86	257
Pledges on consolidated investments	232,528	231,315
Guarantees for non-consolidated investments	-	300
Guarantees and pledges	232,614	231,872

5.28.4. Contingencies

Following the merger between the companies Vivalis SA and Intercell AG in 2013, certain former Intercell shareholders initiated legal proceedings before the Commercial Court of Vienna to request a revision of the exchange ratio between Intercell and Valneva shares used in the merger. Valneva has filed an extensive statement in response to the petitions in which it describes the basis for the original exchange ratio, including the use of independent third parties. If the court decides to revise the exchange ratio, there is legal uncertainty as to whether the court could extend this revision to all former Intercell shareholders who exchanged their shares, even if they were not a party to the dispute (erga omnes effect). If the court so decides and this is confirmed after exhaustion of appeals, Valneva may be forced to compensate all former shareholders following the reevaluation of the exchange ratio. The outcome of the proceedings to review the exchange ratio cannot be predicted with certainty at the present time. It is, therefore, currently not possible to estimate whether a specific shareholder group will be granted additional payments or what the amount of these payments might be. However, Valneva, after consultation with its external advisors, believes that these legal proceedings are unsubstantiated and are not likely to succeed in court. Detailed information on the potential specific financial consequences which might result from a successful claim could adversely affect Valneva's ability to defend its interests in this case, and therefore is not provided, in accordance with IAS 37.92.

In July 2016, a claim for additional payment was raised, and litigation was filed in December 2016, in connection with the 2009 acquisition of Humalys SAS, by which Vivalis (now Valneva) had acquired a technology which was later combined with other antibody discovery technologies and spun off to Blink Biomedical in early 2015. Former shareholders of Humalys claimed additional consideration as a result of the spin-off transaction. Valneva, after consultation with its external advisors, believes that this claim is unsubstantiated and the filed litigation is not likely to succeed in court. Detailed information on the potential specific financial consequences which might result from a successful claim could adversely affect Valneva's ability to defend its interests in this case, and therefore is not provided, in accordance with IAS 37.92.

5.29. Business combination

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

The acquisition was financed through a combination of debt and equity. The latter was raised through a public rights issue with final gross proceeds of €45.0 million. The debt part of the acquisition financing was raised through a loan facility put in place with Athyrium in an amount of €15.0 million, which was repaid in January 2016.

In December 2015 changes to the Canadian DUKORAL[®] product monograph that Health Canada had requested became effective. The updated product monograph and subsequent labeling may negatively impact DUKORAL[®] sales in Canada going forward. In order to reflect these business changes Valneva and the seller agreed on amendments to the purchase agreement which led to a



€25 million reduction of the purchase consideration, bringing it from originally €45 million down to €20 million.

Therefore, the Company adjusted the preliminary purchase price accounting retrospectively in December 2015 in accordance with IFRS 3.45. The purchase price, intangible assets, fixed assets, inventories and deferred taxes were adjusted accordingly. The resulting €13.2 million bargain purchase gain related to the acquisition was retrospectively included in the income statement of Q1 2015. Adjustments to asset values also led to changes in the income statements of the subsequent quarters, in particular affecting costs of goods sold through changes in depreciation and amortization relating to the revalued assets.

The final allocation of the purchase price was presented in the consolidated annual financial statements for the year ended December 31, 2015.

The cash consideration paid, net of cash acquired through the acquisition includes the final payment from Johnson & Johnson of €15 million in January 2016 due to the label-change in Canada and is as follows:

€in thousand	
Cash consideration paid	35,000
Cash and cash equivalents in acquired business	(2,795)
Payments received from Johnson & Johnson (WC adjustment, label-change Canada, other liabilities)	(25,303)
Cash outflow through acquisition	6,902

5.30. Related-party transactions

5.30.1. Purchases of services

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

€in thousand	Year ended December 31,	
	2017	2016
Purchases of services:		
+ Operating activities	2	5
Purchases of services	2	5

5.30.2. Key management compensation

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

€in thousand	Year ended December 31,	
	2017	2016
Salaries and other short-term employee benefits	1,677	1,530
Other long-term benefits	34	24
Share-based payments (expense of the year)	277 ¹⁹⁹	795
Key management compensation	1,988	2,349

¹⁹⁹ This amount is deducted by EUR 318k due to the reversal of the IFRS expense from prior years for a share based program which lapsed due to termination of the agreement from one Management Board member.

**5.30.3. Supervisory Board compensation**

The aggregate compensation of the members of the Company's Supervisory Board amounted to €268 thousand (2016: €251 thousand). In the years 2015, and 2017, the Company granted equity warrants to members of the Supervisory Board. For more information, see Note 5.22.3.

5.31. Events after the reporting period

No events that are expected to have a material effect on the financial statements occurred after the reporting period until March 20, 2018.



D.2. Statutory Auditors' report on the consolidated financial statements

PricewaterhouseCoopers Audit

63, rue de Villiers
92208 Neuilly-sur-Seine

Deloitte & Associés
Les Docks – Atrium 10.4
10, place de la Joliette
13002 Marseille

VALNEVA

Société Européenne

World Trade Center Lyon, Tour Oxygène
10-12, boulevard Marius Vivier Merle
69003 Lyon

Statutory auditors' report on the consolidated financial statements

For the year ended December 31, 2017

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.



PricewaterhouseCoopers Audit

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69003 Lyon

Statutory auditors' report on the consolidated financial statements

For the year ended December 31, 2017

To the Annual General Meeting of Valneva SE

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Valneva SE for the year ended December 31, 2017.

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 at December 31, 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.



Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (*Code de Déontologie*) for statutory auditors.

Furthermore, the non-audit services that we provided to your Company and its controlled undertakings during the financial year that are not disclosed in the management report or in the notes to the financial statements are as follows:

PricewaterhouseCoopers Audit

Country	Nature of non-audit services provided	Amount (€)
France	Non-audit services required by law (reports on share capital transactions)	€2,211€
Austria	Other non-audit services (attestation on the research and development tax credit)	€11,471

Deloitte & Associés

Country	Nature of non-audit services provided	Amount (€)
France	Non-audit services required by law (reports on share capital transactions)	€6,492
Scotland	Other non-audit services (data conversion to iXBRL format for filing tax returns purposes)	€1,482

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.



Key Audit Matters	How our audit addressed the key audit matters
<p>Valuation of acquired R&D technologies and projects, and development costs <i>(Note 5.12 "Intangible assets and goodwill" to the consolidated financial statements)</i></p> <p>As a result of its activities dedicated to the development of innovative vaccines, the Group has recognized significant intangible assets related to acquired R&D technologies and projects and development costs (€45.9 million as of December 31, 2017).</p> <p>An impairment is recognized when the recoverable amount of these assets (corresponding to their value in use determined using the risk-adjusted discounted cash flow method, determined as part of the mandatory annual impairment test or as part of the ad hoc test in the event of an indication of impairment), is lower than their net carrying amount. These impairment tests require the Company to make assumptions and judgments at the clinical, technical and commercial levels (viability of new products).</p> <p>Given the inherent uncertainties related to the research and development processes, and in particular, Valneva's ability to achieve the expected results or to obtain clinical approvals or approvals from other regulatory bodies in a highly competitive therapeutic environment, we considered the valuation of acquired R&D technologies and projects, and development costs to be a key audit matter.</p>	<p>We gained an understanding of the procedures implemented by the Group regarding the valuation of these intangible assets.</p> <p>We involved our valuation specialists to assist us in analyzing the assumptions and methods used by the Management, particularly those related to actuarial data (for example, the discount rate).</p> <p>We assessed the reasonableness of the main assumptions used in the determination of the cash flow projections: periods used in the business plans, expected dates for the launch of the products on the market, development costs, royalties derived from the utilization of these assets, market data, projected market shares, selling prices and associated margins, specific market risk premiums where applicable, and probability to obtain regulatory approvals.</p> <p>These assessments were based on our understanding of the expected business projections for each different products, inquiries with researchers in charge of major research and development projects, to corroborate the information collected throughout our audit and to assess the consistency of the assumptions made by the Management, and the verification of the consistency of the assumptions used with the forecasts derived from the strategic plans presented to the Supervisory Board.</p> <p>We also made our own assessments based on key assumptions such as prices and projected volumes, market shares and other growth assumptions based on industry market data obtained independently, and by comparing prior year's projections from the Company's business plans with the actual results for the past year-ended.</p> <p>We also verified that the Note 5.12 "Intangible assets and Goodwill" to the consolidated financial statements provided appropriate disclosure.</p>

Revenues from collaborations, licensing and services

(Notes 5.2.5 b "Revenues from collaborations, licensing and services", 5.3.2 "Critical judgments in applying the entity's accounting policies" to the consolidated financial statements)

The Group generates significant revenues through collaboration and licensing agreements (research, development, production and marketing) with biopharmaceutical and pharmaceutical companies and academic institutions for its vaccine candidates and its own technologies. These revenues represent a total of €9,349 thousand as of December 31, 2017 ("technologies and services" segment).

Terms of the agreements include different types of payments: upfront payments, annual payments, milestone payments, payments for license options and for the performance of research services, royalties for which the amounts are determined based on the product sales, according to the license agreements.

The revenue recognition method depends in particular on the nature of the rights granted and types of payments.

A misinterpretation of the contracts could lead to an inadequate method of recognition of the corresponding revenues.

The recognition of these revenues is a key point of the audit due to the variety of contractual clauses and estimates that are necessary to determine the achievement of certain objectives or conditions (example: license revenues may be recognized over the project development period).

We performed procedures to assess the design and verify the operating effectiveness of the internal controls related to the recognition of revenues from collaborations, licensing and services.

We obtained Management's calculations for revenues from collaboration and license agreements and validated the assumptions used by reference to internal and external sources (including the terms of the applicable contracts and supporting documentation for milestone achievements).

We also verified that Notes 5.2.5 b) "Revenue Recognition", 5.3.2 "Critical judgments in applying the entity's accounting policies", and "5.4.1 Income Statement aggregated by segment" to the consolidated financial statements provided appropriate disclosure.

**Contingencies**

(Note 5.28.4 "Contingencies" to the consolidated financial statements)

Valneva is involved in two disputes. Firstly, the former shareholders of Humalys, a subsidiary acquired in the past by Valneva subsequently spun off to Blink Biomedical, have initiated legal proceedings questioning the amount of the earn-out payment. Secondly, the former shareholders of Intercell, entity merged with Valneva SE, have initiated legal proceedings with regards to the exchange ratio in order to obtain financial compensation following the merger.

Management considered these disputes as contingent liabilities and therefore did not recognize any provision in the financial statements.

Given the uncertainties surrounding the outcomes of these litigations, we have considered the accounting treatment, the absence of provision, and disclosures to the financial statements to be a key audit matter.

To assess that it is unlikely that Valneva will be liable in these disputes and thus justifying the absence of any provision recorded in the financial statement for these two litigations:

- We discussed the status of these two disputes with the Company's Management and in-house legal counsel. We obtained and analyzed the notes and responses from lawyers to our external confirmation requests.

In addition, we verified that Note 5.28.4 "Contingencies" to the financial statements provided appropriate disclosure.

Verification of the Information Pertaining to the Group Presented in the Management Report

As required by law we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the Management Board.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.



Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Valneva SE by the annual general meeting held on June 29, 2012 for PricewaterhouseCoopers Audit and on February 22, 2007 for Deloitte & Associés.

As at December 31, 2017, PricewaterhouseCoopers Audit and Deloitte & Associés were in the 6th year and 11th year of total uninterrupted engagement.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Management Board.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.



As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters. We describe these matters in this audit report.



We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Marseille, March 21, 2018

The Statutory Auditors

PricewaterhouseCoopers Audit

Deloitte & Associés

French original signed by
Thierry CHARRON

French original signed by
Vincent GROS



D.3. Separate financial statements as of December 31, 2017

VALNEVA

A European company (*Societas Europaea* or SE) with a management and a supervisory board
Registered office: World Trade Center Lyon - Tour Oxygène
10-12 boulevard Marius Vivier Merle, 69003 Lyon - France
Lyon Companies Register (RCS) No. 422 497 560

Separate financial statements at December 31, 2017

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, 2017 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

(€thousands)	Note No.	Gross Value	Amortization, depreciation and provisions	December 31, 2017	December 31, 2016
INTANGIBLE FIXED ASSETS	4.3.1				
Research and development expenditures		7,923	7,251	672	1,191
Concessions, patents and similar rights		290	179	111	101
Goodwill		0	0	0	0
Other intangible assets in process		46	0	46	76
PROPERTY, PLANT AND EQUIPMENT	4.3.2				
Land		679	206	473	501
Constructions		6,293	3,024	3,269	3,581
Plant, machinery and equipment		3,848	2,928	920	904
Other PPE		557	437	120	119
Tangible fixed assets under construction			0	0	71
Prepayments					
LONG-TERM INVESTMENTS	4.3.3				
Non-consolidated investments		169,526	9,045	160,481	160,528
Receivables on non-consolidated investments		0	0	0	0
Loans		170	0	170	155
Other financial assets		1,287	582	705	694
TOTAL NON-CURRENT ASSETS		190,621	23,653	166,968	167,921
INVENTORIES AND WORK IN PROGRESS	4.3.4				
Raw materials and supplies		183	0	183	181
Work-in-progress		0	0	0	0
RECEIVABLES					
Trade receivables and related accounts	4.3.5	287	0	287	728
Other receivables	4.3.6	31,786	142	31,644	31,731
Called up capital		0	0	0	0
OTHER CURRENT ASSETS					
Marketable securities		0	0	0	0
Cash at bank and in hand	4.3.7	7,481	0	7,481	10,050
ACCRUAL ACCOUNTS					
Prepaid expenses	4.3.8	494	0	494	734
TOTAL CURRENT ASSETS		40,232	143	40,090	43,424
Unrealized losses on foreign exchange		197	0	197	135
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		231,050	23,796	207,255	211,480



1.2. Liabilities and equity

(€thousands)	Note No.	December 31, 2017	December 31, 2016
Share capital or individual share		11,816	11,816
Additional paid-in capital		221,293	221,272
Regulated reserves		52,832	52,832
Retained earnings/(accumulated deficit)		(88,923)	(76,335)
NET INCOME/(LOSS) FOR THE YEAR		(15,277)	(12,588)
Investment grants	4.3.11	97	135
Tax-driven provisions		156	311
SHAREHOLDERS' EQUITY	4.3.10	181,995	197,443
Subordinated grants	4.3.12	2,089	2,286
OTHER EQUITY		2,089	2,286
Provisions for contingencies		305	397
Provisions for losses		302	598
PROVISIONS FOR CONTINGENCIES AND LOSSES	4.3.13	607	995
BORROWINGS			
Bank borrowings	4.3.14	15,364	6,452
OPERATING PAYABLES			
Trade payables and related accounts	4.3.15	1,367	823
Tax and employee-related liabilities	4.3.16	1,401	1,372
OTHER PAYABLES			
Payables on fixed assets and equivalent	4.3.17	28	63
Other financial liabilities	4.3.17	4,360	1,876
ACCRUAL ACCOUNTS			
Deferred income	4.3.18	32	32
TOTAL LIABILITIES		22,553	10,618
Unrealized losses on foreign exchange		10	138
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		207,255	211,480



2. INCOME STATEMENT

Headings (in € thousands)	France	Export	Note No.	As at December 31,	
				2017	2016
Sales of services	262	2,517		2,779	2,640
NET SALES	262	2,517	4.4.1	2,779	2,640
Change in inventory of own production of goods and services					
Own production of goods and services capitalized			4.4.2	78	61
Grants			4.4.3	0	(28)
Reversals of depreciation, amortization and provisions, expense reclassifications			4.4.5	375	69
Other income			4.4.4	966	1,972
OPERATING INCOME				4,199	4,715
Purchase of trade goods					
Purchases of raw materials & other supplies (including customs duties)				472	532
Change in inventory (raw materials and supplies)				(2)	29
Other purchases and external expenses			4.4.6	13,548	11,464
Taxes other than on income and related payments			4.4.7	205	181
Wages and salaries			4.4.8	3,616	3,095
Employee benefit expense			4.4.8	1,496	1,356
ALLOWANCES FOR DEPRECIATION AND AMORTIZATION, PROVISIONS					
For fixed assets			4.4.9	1,341	1,380
For current assets			4.4.9	0	0
For contingencies and losses			4.4.9	16	659
Other expenses				458	438
OPERATING EXPENSES				21,150	19,134
INCOME (LOSS) FROM ORDINARY ACTIVITIES				(16,951)	(14,419)
JOINT VENTURE OPERATIONS					
FINANCIAL INCOME					
Financial income from non-consolidated investments				388	516
Income from other marketable securities and receivables capitalized					
Other interests and similar income				2	19
Reversals of provisions and expense reclassifications			4.4.9	24	8
Foreign exchange gains				29	13
Net proceeds from the disposal of marketable securities					0
FINANCIAL INCOME				443	556
Amortization and charges to provisions for financial items			4.4.9	109	226
Interest and similar expenses				610	303
Foreign exchange losses				12	181
Net charges on disposals of marketable securities					



Headings (in € thousands)	France	Export	Note No.	As at December 31,	
				2017	2016
FINANCIAL EXPENSES				731	710
NET FINANCIAL INCOME (EXPENSE)			4.4.10	(287)	(153)
INCOME (LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX AND EXCEPTIONAL ITEMS				(17,238)	(14,572)
Exceptional income from non-capital transactions					
Exceptional income from capital transactions				48	39
Reversals of provisions and expense reclassifications				266	179
EXCEPTIONAL INCOME				314	218
Exceptional expenses on non-capital transactions				15	
Exceptional expenses on capital transactions				117	131
Exceptional depreciation, amortization and provisions				2	
EXCEPTIONAL EXPENSES				134	131
NET EXCEPTIONAL ITEMS			4.4.11	180	87
Corporate income tax			4.4.12	(1,782)	(1,897)
TOTAL INCOME				4,956	5,489
TOTAL EXPENSES				20,233	18,078
PROFIT OR LOSS				(15,277)	(12,588)
Basic net earnings per share (in euros)			4.4.13	(0.19)	(0.16)
Diluted net earnings per share (in euros)				(0.19)	(0.16)



3. CASH FLOW STATEMENT

Cash flow statement			
(In € thousand)	Note No.	2017	2016
Cash flow from operating activities			
Net profit/(loss)	2	(15,277)	(12,588)
Income and expenses with no impact on cash or unrelated to operating activities			
Operating depreciation and amortization expenses	4.4.9	1,357	2,039
Reversals of operating depreciation and amortization expenses	4.4.9	(361)	(51)
Financial depreciation and amortization expenses	4.4.9	85	218
Exceptional depreciation and amortization		2	
Reversals of exceptional provisions	4.4.9	(265)	(179)
Expense reclassifications on capitalized assets	4.4.2	(78)	(61)
Amount of grants recognized under income	4.4.11	(38)	(38)
(Gains)/losses on disposal of assets	4.4.11	1	106
Cancellation of operating/exceptional receivables			
Operating cash flows	4.3.7	(14,575)	(10,554)
Change in other current assets and liabilities			
Inventories	4.3.4	(2)	29
Trade receivables and related accounts	4.3.5	441	(565)
Trade payables and related accounts	4.3.15	544	(249)
Other receivables	4.3.6	101	13,843
Prepayments and accrued income		178	(392)
Tax and employee-related liabilities	4.3.16	30	351
Other accruals and deferred income	4.3.17	2,484	(3,857)
Accruals and deferred income		(127)	123
Net cash from (used in) operating activities		(10,927)	(1,271)
Cash flow from investing activities			
Purchase of intangible fixed assets:	4.3.1	(30)	(78)
Purchase of property, plant and equipment	4.3.2	(308)	(358)
Purchase of long-term investments	4.3.3	(15)	(5,606)
Net capital expenditure		11	0
Change in working capital requirements with regard to assets	4.3.17	(35)	(52)
Net cash used in investing activities		(377)	(6,094)
Net cash generated from financing activities			
Proceeds from borrowings	4.3.14	11,521	1,481
Repayment of borrowings	4.3.14	(2,609)	(3,424)
Subordinated grants received/repaid	4.3.12	(198)	(230)
Investment grants received	4.3.11	0	0
Capital increase	4.3.10	25	7,501
Transaction costs charged to merger premium	4.3.10	(4)	(96)
Net cash from financing activities		8,735	5,231
Net change in cash and cash equivalents		(2,569)	(2,134)
Opening cash, cash equivalents and marketable securities	4.3.7	10,050	12,184
Closing cash, cash equivalents and marketable securities	4.3.7	7,481	10,050
Net change in cash and cash equivalents		(2,569)	2,134

4. NOTES TO THE FINANCIAL STATEMENTS

4.1. Key events of the year

In July 2016, Valneva SE search secured an agreement for €25 million in financing from the European Central Bank. Two tranches of €5 million were drawn in April and December 2017 respectively, bringing the amount borrowed at December 31, 2017 to €10 million.

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 2016-07 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 20, 2018.

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, financial assets and provisions for contingencies and losses.

4.2.3. Unrealized foreign exchange gains and losses

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

4.2.4. Intangible fixed assets

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

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

When the useful life of intangible assets is indefinite, they are not amortized but instead subject to systematic impairment tests.



4.2.5. Research and development expenditures

Research expenditure is expensed as and when incurred.

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

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

When 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. Concessions, patents and similar rights

Computer software is recognized at cost and amortized over two or six years according to the straight-line method.

4.2.7. Property, plant and equipment

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

The estimated useful lives are as follows:

- + Constructions
 - › Buildings
 - i) Structure 25 years
 - ii) Roofing 25 years
 - iii) Weatherboarding 25 years
 - iv) Exterior woodwork 20 years
 - v) Interior partitions 20 years
 - › General installations
 - i) Fluid and energy systems 10 to 15 years



ii) Air treatment	10 years
iii) Ventilation and air conditioning	10 years
› Buildings on land owned by third parties	8 to 10 years
+ Land	
› Land improvements	10 years
› Plantations	10 years
+ Plant, machinery and equipment	4 to 10 years
+ Vehicles	4 years
+ Office and computer equipment	3 to 10 years
+ Furniture	4 to 10 years

4.2.8. Impairment of assets

Intangible and tangible fixed assets are subject to impairment tests once there is an indication of loss in value. To assess whether there is an 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 Company operates or in the market to which an asset is dedicated;
- + Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to decrease the asset's recoverable amount and/or value in use materially.

Internal indicators:

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

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

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

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

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

4.2.9. Borrowing costs

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

4.2.10. Financial assets

Equity investments include costs for the acquisition of different subsidiaries of the Company.

The fair value of each investment is appreciated according to the net equity contribution and the subsidiaries' outlook. When this value is lower than the reported value, a depreciation is recorded for the difference.

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

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

4.2.11. Inventories

Inventories are stated at cost for the real cost price. Amounts for impairment are recognized on the basis of the net realizable value.

4.2.12. Receivables and related accounts

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

4.2.13. Cash at bank and in hand

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

4.2.14. Employee commitments

The Company's employees may receive 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". Should failure to complete work be reported, the debt waiver is recognized in "Other exceptional income". Grants used to finance research and 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 on 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;

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 commercial license agreements are signed;
- + when services are re-invoiced to the subsidiary Valneva Austria GmbH and other companies.

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

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

4.2.20. Operating grants

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

4.2.21. Other income

Other income includes mainly:

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



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

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

4.2.22. Staff costs

CICE wage tax credit

The "CICE" (*Crédit d'Impôt pour la Compétitivité et l'Emploi*) represents 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 2014, 2015, 2016 and 2017 will be paid back in 2018, 2019, 2020 and 2021 and for that reason have not yet been allocated to expenses.

The CICE wage tax credit receivable for 2013 was allocated to training expenses R&D equipment and other investments.

4.2.23. Net exceptional items

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

4.2.24. Corporate income tax

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

(a) Current tax

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

(b) Research tax credit

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

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

In accordance with article 41 of the Finance Act 2010-1657 of 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, 2017 to December 31, 2017

(in € thousands)	January 1, 2017	Changes in the period			December 31, 2017
		Increase	Decrease	Other Changes in the period	
Preliminary expenses	0	0	0	0	0
Development expenditure	7,856	78	(11)	0	7,923
Goodwill	0	0	0	0	0
Concessions, patents and rights	0	0	0	0	0
Software	231	3	0	57	291
Intangible assets under development	76	27	0	(57)	46
Other	0	0	0	0	0
Gross intangible fixed assets	8,163	108	(11)	0	8,260
Preliminary expenses	0	0	0	0	0
Development expenditure (1)	6,666	588	(3)	0	7,251
Goodwill (2)	0	0	0	0	0
Concessions, patents and rights (3)	0	0	0	0	0
Software	129	50	0	0	179
Total amortization	6,795	638	(3)	0	7,430
Net intangible fixed assets	1,368	(500)	(38)	0	830
Development expenditure	311	0	(155)	0	156
Concessions, patents and rights	0	0	0	0	0
Software	0	0	0	0	0
Total accelerated tax depreciation or amortization	311	0	(155)	0	156
Net tax value of intangible fixed assets	1,057	(500)	117	0	674
(1) Of which exceptional depreciation	1,168	0	0	0	1,168
(2) Of which exceptional depreciation		0	0	0	0
(3) Of which exceptional depreciation	0	0	0	0	0

Development expenditure: New development expenditures of €78 thousand were capitalized in 2017 in accordance with the accounting policy described in Note 4.2.5.

Software: Deployment of a new ERP for €57 thousand.


(b) Change from January 1, 2016 to December 31, 2016

(in € thousands)	January 1, 2016	Changes in the period			December 31, 2016
		Increase	Decrease	Other Changes in the period	
Preliminary expenses	0	0	0	0	0
Development expenditure	8,343	61	(548)	0	7,856
Goodwill	0	0	0	0	0
Concessions, patents and rights	168	0	(168)	0	0
Software	225	6	0	0	231
Intangible assets under development	4	72	0	0	76
Other	0	0	0	0	0
Gross intangible fixed assets	8,740	139	(716)	0	8,163
Preliminary expenses	0	0	0	0	0
Development expenditure (1)	6,558	595	(487)	0	6,666
Goodwill (2)	0	0	0	0	0
Concessions, patents and rights (3)	146	0	(146)	0	0
Software	83	46	0	0	129
Total amortization	6,786	641	(633)	0	6,795
Net intangible fixed assets	1,954	(502)	(83)	0	1,368
Development expenditure	467	0	(156)	0	311
Concessions, patents and rights	0	0	0	0	0
Software	0	0	0	0	0
Total accelerated tax depreciation or amortization	467	0	(156)	0	311
Net tax value of intangible fixed assets	1,487	(502)	73	0	1,057
(1) Of which exceptional depreciation	1,191	0	(23)	0	1,168
(2) Of which exceptional depreciation	0	0	0	0	0
(3) Of which exceptional depreciation	0	0	0	0	0

Development expenditure

In 2016, €61 thousand in new development expenditures were capitalized in accordance with the accounting policy described in Note 4.2.5.



4.3.2. Net fixed assets

(a) Change from January 1, 2017 to December 31, 2017

(in € thousands)	January 1, 2017	Changes in the period			December 31, 2017
		Increase	Decrease	Other Changes in the period	
Land	679	0	0	0	679
Buildings on own land	3,026	0	0	0	3,026
Buildings on land of third parties	557	0	0	0	557
Building installations and improvements	2,647	49	0	14	2,710
Plant, machinery and equipment	3,594	222	(24)	56	3,848
General installations, miscellaneous improvements	9	0	0	0	9
Vehicles	5	0	0	0	5
Office, IT equipment, furniture	504	37	(1)	1	541
Recoverable packaging	2	0	0	0	2
Tangible fixed assets under construction	71	0	0	(71)	0
Prepayments	0	0	0	0	0
Gross fixed assets	11,094	308	(25)	0	11,377
Land	178	28	0	0	206
Buildings on own land	871	133	0	0	1004
Buildings on land of third parties	317	63	0	0	380
Building installations and improvements	1,461	178	0	0	1,639
Plant, machinery and equipment	2,678	263	(20)	0	2,921
General installations, miscellaneous improvements	3	1	0	0	4
Vehicles	5	0	0	0	5
Office, IT equipment, furniture	391	37	(1)	0	427
Recoverable packaging	2	0	0	0	2
Total depreciation	5,907	703	(21)	0	6,588
Impairment	0	0	0	0	0
Plant, machinery and equipment	11	0	(4)	0	7
Net fixed assets	5,176	(395)	0	0	4,782

€308 thousand in capital expenditures were incurred for fixtures and laboratory equipment for the Saint-Herblain site.


(b) Change from January 1, 2016 to December 31, 2016

(in € thousands)	January 1, 2016	Changes in the period			December 31, 2016
		Increase	Decrease	Other Changes in the period	
Land	677	2	0	0	679
Buildings on own land	3,026	0	0	0	3,026
Buildings on land of third parties	557	0	0	0	557
Building installations and improvements	2,624	23	0	0	2,647
Plant, machinery and equipment	3,449	227	(97)	15	3,594
General installations, miscellaneous improvements	9	0	0	0	9
Vehicles	5	0	0	0	5
Office, IT equipment, furniture	473	35	(3)	0	504
Recoverable packaging	2	0	0	0	2
Tangible fixed assets under construction	15	71	0	(15)	71
Prepayments	0	0	0	0	0
Gross fixed assets	10,837	358	(101)	0	11,094
Land	150	28	0	0	178
Buildings on own land	738	133	0	0	871
Buildings on land of third parties	254	63	0	0	317
Building installations and improvements	1,290	171	0	0	1,461
Plant, machinery and equipment	2,470	306	(97)	0	2,678
General installations, miscellaneous improvements	3	1	0	0	3
Vehicles	5	0	0	0	5
Office, IT equipment, furniture	357	37	(3)	0	391
Recoverable packaging	2	0	0	0	2
Total depreciation	5,270	738	(101)	0	5,907
Impairment	0	0	0	0	0
Plant, machinery and equipment	11	0	0	0	11
Net fixed assets	5,556	(380)	0	0	5,176

€358 thousand in capital expenditures were incurred for fixtures and laboratory equipment for the Saint-Herblain site.

**4.3.3. Financial assets****(a) Change from January 1, 2017 to December 31, 2017**

(in € thousands)	January 1, 2017	Acquisitions/ Contributions/ Transformations /Mergers	Disposals	December 31, 2017
Non-consolidated investments	169,526	0	0	169,526
Receivables on non-consolidated investments	0	0	0	0
Loans (1)	155	15	0	170
Deposits and bonds	41	0	0	41
Treasury shares	646	0	0	646
Liquidity agreement	600	0	0	600
Gross value	170,968	15	0	170,983
Non-consolidated investments	8,999	46	0	9,045
Depreciation of deposits and bonds	0		0	0
Treasury shares impairment	293	5	0	298
Liquidity agreement impairment	298	(14)	0	284
Total depreciation	9,591	37	0	9,627
Total net long-term investments	161,378	(22)	0	161,356

(1) Long-term loans in connection with social housing levies €170 thousand

Treasury shares

124,322 ordinary shares and 124,322 preferred shares held in treasury representing €646,350 and corresponding to financial consideration 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, 2017. Assets held under this liquidity agreement included both cash and shares (64,200 shares at December 31, 2017). The portion in shares has been valued on the basis of the average trading price for December 2017, resulting in the reversal of an allowance for impairment for €14 thousand. On that basis, the impairment at December 31, 2017 was €284 thousand.

An impairment charge of €5 thousand for treasury shares was recorded according to this same principle of valuation at December 31, 2017. At December 31, 2017, the remaining amount of this provision amounted to €298 thousand.

Non-consolidated investments

The securities Valneva Toyama Japan K.K. were fully written down in the amount of €46 thousand.

Portfolio of shares held in treasury

(in € thousands)	Number of shares at December 31, 2017	Gross	Provision	Net
Liquidity agreement	64,200	464	284	180
Financial compensation:		646	298	348
+ Ordinary shares with a value of €0.15	124,322			
+ Preferred shares with a value of €0.01	124,322			

**(b) Change from January 1, 2016 to December 31, 2016**

(in € thousands)	January 1, 2016	Acquisitions/ Contributions/ Mergers	Disposals	December 31, 2016
Non-consolidated investments	163,927	10,000	(4,401)	169,526
Receivables on non-consolidated investments	0	0	0	0
Loans (1)	142	13	0	155
Deposits and bonds	47	8	(14)	41
Treasury shares	646	0	0	646
Liquidity agreement	600	0	0	600
Gross value	165,362	10,021	(4,415)	170,968
Non-consolidated investments	8,999	0	0	8,999
Depreciation of deposits and bonds	8		(8)	0
Treasury shares impairment	176	117	0	293
Liquidity agreement impairment	286	12	0	298
Total depreciation	9,469	130	(8)	9,591
Total net long-term investments	155,893	9,892	(4,407)	161,378

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

- + The increase in non-consolidated investments reflects the payment of €10 million in January 2016 to Valneva Austria GMBH for the purpose of recapitalizing the subsidiary's equity capital.
- + The decrease of non-consolidated investments reflects the €4.4 million payment in October 2016 by Vaccines Holdings Sweden AB following a decision of the Board of Directors on September 16, 2016. This payment reduces the initial capital contribution of €17 million made to this subsidiary in 2015.

124,322 ordinary shares and 124,322 preferred shares held in treasury representing €646,350 and corresponding to financial consideration the Company paid to former Intercell shareholders having exercised their exit right.

The liquidity agreement concluded in July 2007 amounted to €600 thousand at December 31, 2016. Assets held under this liquidity agreement included both cash and shares (21,571 shares at December 31, 2016). The portion in shares has been valued on the basis of the average trading price for December 2016 resulting in an allowance for impairment for €12 thousand. On that basis, the impairment at December 31, 2016 was €298 thousand.

An impairment charge of €117 thousand for treasury shares was recorded according to this same principle of valuation at December 31, 2016. At December 31, 2016, the remaining amount of this provision amounted to €293 thousand.

Portfolio of shares held in treasury

(in € thousands)	Number of shares at December 31, 2016	Gross	provision	Net
Liquidity agreement	21,571	360	298	61
Financial compensation:		646	293	353
+ Ordinary shares with a value of €0.15	124,322			

**4.3.4. Inventories and work-in-progress****(a) Change from January 1, 2017 to December 31, 2017**

(in € thousands)	January 1, 2017	Increase	Decrease	December 31, 2017
Raw materials and supplies	181	2	0	183
Impairment	0	0	0	0
Total	181	2	0	183

(b) Change from January 1, 2016 to December 31, 2016

(in € thousands)	January 1, 2016	Increase	Decrease	December 31, 2016
Raw materials and supplies	210	0	(29)	181
Impairment	(51)	0	51	(0)
Total	159	0	22	181

The impairment charge of €51 thousand recorded on December 31, 2015 was reversed after the devalued assets were definitively written off.

4.3.5. Trade receivables and related accounts

(in € thousands)	December 31, 2017	December 31, 2016
Trade receivables	287	728
Doubtful trade receivables	0	0
Gross value	287	728
Impairment of trade receivables	0	0
Total trade receivables (net value)	287	728

(a) Trade receivables by maturity at December 31, 2017

(in € thousands)	Gross	Up to 1 year	More than 1 year
Trade receivables	287	287	0
Doubtful trade receivables	0	0	0
Trade receivables - Sales invoice accruals	0	0	0
Total	287	287	0

(b) Trade receivables by maturity at December 31, 2016

(in € thousands)	Gross	Up to 1 year	More than 1 year
Trade receivables	668	668	0
Doubtful trade receivables	0	0	0
Trade receivables – Sales invoice accruals	60	60	0
Total	728	728	0

4.3.6. Other receivables

(in € thousands)	December 31, 2017	December 31, 2016
Corporate income tax	7,717	7,994
VAT	189	147
Grant income	0	0
Current account advances/Valneva Toyama Japan K.K.	142	156
Current account impairment charges/Valneva Toyama Japan K.K.	(142)	(156)
Current account advances/subsidiaries	23,624	23,535
Other operating receivables	114	54
Amounts receivable on disposal of assets	0	0
Total other receivables (net value)	31,644	31,731



Corporate income tax receivables represent the Research Tax Credit (RTC) and the CICE (*Crédit d'Impôt Compétitivité Emploi*) wage tax credit.

(in € thousands)	December 31, 2017	December 31, 2016
2017 RTC	1,782	
2016 RTC	1,901	1,901
2015 RTC	1,851	1,851
2014 RTC	1,965	1,965
2013 RTC	0	2,039
2017 CICE wage tax credit	51	0
2016 CICE wage tax credit	45	45
2015 CICE wage tax credit	52	52
2014 CICE wage tax credit	70	70
2013 CICE wage tax credit	0	71
Total corporate income tax receivables (net value)	7,717	7,994

(a) Trade receivables by maturity at December 31, 2017

(in € thousands)	Gross	Up to 1 year	More than 1 year
Corporate income tax	7,717	2,035	5,682
VAT	189	189	0
Grant income	0	0	0
Current account advances/Valneva Toyama Japan K.K.	142	142	0
Current account impairment charges/Valneva Toyama Japan K.K.	(142)	(142)	0
Current account advances/subsidiaries	23,624	23,624	0
Other operating receivables	114	114	0
Amounts receivable on disposal of assets	0	0	0
Total	31,644	25,962	5,682

(b) Trade receivables by maturity at December 31, 2016

(in € thousands)	Gross	Up to 1 year	More than 1 year
Corporate income tax	7,994	2,110	5,884
VAT	147	147	0
Grant income	0	0	0
Current account advances/Valneva Toyama Japan K.K.	156	156	0
Current account impairment charges/Valneva Toyama Japan K.K.	(156)	(156)	0
Current account advances/subsidiaries	23,535	23,535	0
Other operating receivables	54	54	0
Amounts receivable on disposal of assets	0	0	0
Total	31,731	25,847	5,884

4.3.7. Net cash

Net cash flow items

(in € thousands)	December 31, 2017	December 31, 2016
Cash at bank and in hand (1)	6,477	9,049
Fixed term deposits	1004	1001
Marketable securities (2)	0	0
Cash assets	7,481	10,050
Bank facilities	0	0
Cash liabilities	0	0
Net cash flow	7,481	10,050
(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 € thousands)	December 31, 2017	December 31, 2016
Office supplies	5	4
Maintenance and repairs	30	31
Leasing expenses	2	0
Rent and service charges	41	41
Insurance premiums	89	98
Documentation	13	11
Conventions	36	38
Travel expenses	25	
Fees	167	466
Advertising, contributions	4	14
Bank services	14	12
Site security services	3	2
Royalties, concessions, patents	65	18
Total	494	734

4.3.9. Accrued income

(in € thousands)	December 31, 2017	December 31, 2016
Trade receivables and related accounts (1)	0	60
Bank - Accrued interest on time deposits	0	0
Total accrued income (1)	0	60

(1) For 2016: amount up to one year: €60 thousand.

4.3.10. Shareholders' equity**(a) Change from January 1, 2017 to December 31, 2017**

(in € thousands)	January 1, 2017	Changes in the period			December 31, 2017
		Increase	Decrease	Other changes	
Share capital	11,816	0	0	0	11,816
Additional paid-in capital	221,271	23	0	0	221,294
Regulated reserves	52,832	0	0	0	52,832
Retained earnings/(accumulated deficit)	(76,335)	0	0	(12,588)	(88,923)
Net income/(loss) for the year	(12,588)	0	(15,277)	12,588	(15,277)
Net investment grants	135	0	(38)	0	97
Tax-driven provisions	311	0	(155)	0	156
Total shareholders' equity	197,443	23	(15,470)	0	181,995

Share capital

At December 31, 2017, the share capital in the amount of €11,816 thousand was comprised of 78,773,618 shares of which (a) 77,583,714 ordinary shares with a par value of €0.15, (b) 17,836,719 preferred shares with a par value of €0.01, and (c) 789 convertible preferred shares with a par value of €0.15.



Corporate actions in 2017:

- + The purchase and subsequent cancellation of convertible preferred shares, in accordance with the provisions of article 13.4, (iv) of the Articles of Association, thus increasing the total number of said shares to 789 (compared to 1,074 before this corporate action)
- + Full vesting of 1,000 free shares

At December 31, 2017, the breakdown of the capital ownership structure was primarily as follows:

- + 15.37% by the Groupe Grimaud La Corbière SA;
- + 9.47 % by Bpifrance Participations SA; and
- + 7.68% by two funds managed by MVM Life Science Partners LLP (MVM IV LP & MVM GP (No.4) Scottish LP).

The remaining capital is held as follows:

- + 0.93% held by employees and management;
- + 1.45% by other private persons as shareholders to the Company's knowledge (including private persons of the Grimaud family - including Frédéric Grimaud, Chairman of the Supervisory Board and Financière Grand Champ SAS - in addition to independent members of the Supervisory Board, Alain Munoz, James Sulat and Alexander Von Gabain); and
- + the remaining 65.10% by the free float.

The rates are calculated in reference to a total share capital of 78,773,618 Valneva SE shares, divided into (a) 77,583,714 ordinary shares (ISIN FR0004056851) with a par value of €0.15 per share, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a par value of €0.01 per share, and increased to €0.15 per share and (c) 789 convertible preferred shares (ISIN XFCS00X0I9M1), with a par value of 0.15.

Other equity

No dividend was paid in 2017.

Equity warrants (*Bons d'émission d'actions* or "BEA")

No warrants were drawn relating to the Equity Line obtained in 2016 and expiring on June 30, 2018.

Equity warrants ("BSA")

During the fiscal year 2017, 87,500 BSA 27 has been subscribed by Supervisory Board members (Management Board decisions dated December 7 and December 15, 2015), for the total amount of €25 thousand.

(b) Change from January 1, 2016 to December 31, 2016

(in € thousands)	January 1, 2016	Changes in the period			December 31, 2016
		Increase	Decrease	Other changes	
Share capital	11,383	433	0	0	11,816
Additional paid-in capital	214,299	6,971	0	0	221,270
Regulated reserves	52,832	0	0	0	52,832
Retained earnings/(accumulated deficit)	(58,715)	0	0	(17,619)	(76,334)
Net income/(loss) for the year	(17,619)	0	(12,588)	17,619	(12,588)
Net investment grants	173	0	(38)	0	135
Tax-driven provisions	467	0	(156)	0	311
Total shareholders' equity	202,820	7,404	(12,781)	0	197,443



Share capital

At December 31, 2016, the share capital in the amount of €11,816 thousand was comprised of 78,772,903 shares, of which (a) 77,582,714 ordinary shares with a par value of €0.15, (b) 17,836,719 preferred shares with a par value of €0.01, and (c) 1,074 convertible preferred shares with a par value of €0.15.

On December 14, 2016, Valneva issued 2,884,615 new ordinary shares through a private placement with MVM Life Science Partners LLP (without preferential subscription rights) resulting in a 3.7% dilution in the Company's ordinary capital. This transaction generated €7.5 million in proceeds for Valneva.

This issue generated an increase in the share capital of €433 thousand and share premium of €7,067 thousand.

€96 thousand relating to the share issuance costs were charged against additional paid-in capital.

In 2016, there were no grants of free shares or preferred shares.

At December 31, 2016, the breakdown of the capital ownership structure was primarily as follows:

- + 15.37% by the Groupe Grimaud La Corbière SA;
- + 9.47 % by Bpifrance Participations SA; and
- + 7.68% by two funds managed by MVM Life Science Partners LLP (MVM IV LP & MVM GP (No.4) Scottish LP).

The remaining capital is held by:

- + 0.99% held by employees and management;
- + 1.61% by other private persons as shareholders to the Company's knowledge (including private persons of the Grimaud family - including Frédéric Grimaud, Chairman of the Supervisory Board and Financière Grand Champ SAS - in addition to independent members of the Supervisory Board, Alain Munoz, James Sulat and Alexander Von Gabain); and
- + the remaining 64.88% by the free float.

Rates are calculated in reference to total share capital of 78,772,903 Valneva SE shares, divided into (a) 77,582,714 ordinary shares (ISIN FR0004056851) with a par value of €0.15 per share, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a par value of €0.01 per share, and increased to €0.15 per share and (c) 1,074 convertible preferred shares (ISIN XFCS00X0I9M1), with a par value of 0.15.

Other equity

No dividend was paid in 2016.

Equity warrants (*Bons d'émission d'actions* or "BEA")

In accordance with the authorization given by Valneva's shareholders at the Combined General Meeting of June 30, 2016 and in order to maintain the Company's financial flexibility, Valneva SE renewed its equity line with Crédit Agricole CIB. The new equity line, which replaces a previous instrument expired in May 2016, will enable Valneva to issue up to 5,474,633 new ordinary shares.

This program, which expands the Group's existing financing capabilities, is an integral part of the financing tools available to the Company and will be used according to Valneva's needs.

The equity line was implemented by way of issuance of 5,474,633 equity warrants subscribed by Crédit Agricole CIB, which are exercisable, upon Valneva SE's request, in several tranches over the next 24 months (or until June 2018). Should the Company trigger the exercise of the warrants, the newly issued shares would be subsequently sold on the market by Crédit Agricole CIB.



For each tranche, the subscription price of the shares issued upon exercise of the equity warrants will represent a 5% discount to the volume weighted average price of the ordinary Valneva SE share for the three trading days preceding the pricing date.

4.3.11. Investment grants

(in € thousands)	MENRT 04G608	REGION EPF	REGION EPF
Amount granted	441	111	137
Grant date	January 05, 2005	October 12, 2006	October 12, 2006
Net amount at 01/01/2011	75	50	81
Grant for 2011	0	0	0
Amounts reclassified as operating grants	0	0	0
Grant transferred to 2011 net income	14	7	10
Net amount at 12/31/2011	61	43	71
Grant for 2012	0	0	0
Amounts reclassified as operating grants	0	0	0
Grant transferred to 2012 net income	15	6	10
Net amount at 12/31/2012	46	37	61
Grant transferred to 2013 net income	13	6	10
Net amount at 12/31/2013	33	31	51
Grant transferred to 2014 net income	7	6	10
Net amount at 12/31/2014	26	25	41
Grant transferred to 2015 net income	6	6	10
Decrease in the grant	0	0	0
Net amount at 12/31/2015	20	19	31
Grant transferred to 2016 net income	6	7	11
Decrease in the grant	0	0	0
Net amount at 12/31/2016	14	12	20
Grant transferred to 2017 net income	6	6	11
Decrease in the grant	0	0	0
Net amount at 12/31/2017	8	6	9

(in € thousands)	REGION EPF	REGION Energie	DEPT 44	TOTAL
Amount granted	115	15	87	
Grant date	October 12, 2006	December 15, 2008	October 13, 2009	
Net amount at 01/01/2011	83	13	85	994
Grant for 2011	0	0	0	0
Amounts reclassified as operating grants	0	0	0	(116)
Grant transferred to 2011 net income	10	3	3	146
Net amount at 12/31/2011	73	10	82	732
Grant for 2012	0	0	0	0
Amounts reclassified as operating grants	0	0	0	0
Grant transferred to 2012 net income	11	2	4	145
Net amount at 12/31/2012	62	8	78	587
Grant transferred to 2013 net income	11	2	3	129
Net amount at 12/31/2013	51	6	75	458
Grant transferred to 2014 net income	10	1	3	40
Net amount at 12/31/2014	41	5	71	418
Grant transferred to 2015 net income	10	1	3	36
Decrease in the grant	0	0	0	209
Net amount at 12/31/2015	31	4	68	173
Grant transferred to 2016 net income	10	1	3	38
Decrease in the grant	0	0	0	0
Net amount at 12/31/2016	21	3	65	135
Grant transferred to 2017 net income	10	1	4	38
Decrease in the grant	0	0	0	0
Net amount at 12/31/2017	11	2	61	97



4.3.12. Subordinated grants

(in € thousands)	REGION			TOTAL
	PDL	OSEO Vivabio	NANTES Métropole	
Amount granted	894	2,770	894	4,558
Grant date	May 22, 2009	June 26, 2009	November 16, 2009	
Net amount at 01/01/2011	894	2,770	894	4,558
Grant for 2011	0	0	0	0
Repayment during 2011	0	0	0	0
Net amount at 12/31/2011	894	2,770	894	4,558
Grant for 2012	0	0	0	0
Repayment during 2012	(178)	0	0	(178)
Net amount at 12/31/2012	716	2,770	894	4,380
Grant for 2013	0	0	0	0
Repayment during 2013	(179)	0	0	(179)
Net amount at 12/31/2013	537	2,770	894	4,201
Repayment during 2014	(179)	0	(72)	(250)
Net amount at 12/31/2014	358	2,770	822	3,951
Decrease in aid in line with actual expenses	0	(1,307)	0	(1,307)
Financial returns	0	194	0	194
Repayment during 2015	(179)	0	(143)	(322)
Net amount at 12/31/2015	179	1,658	679	2,516
Decrease in aid in line with actual expenses	0	0	0	0
Financial returns	0	198	0	198
Repayment during 2016	(179)	(70)	(179)	(428)
Net amount at 12/31/2016	0	1,786	500	2,286
Financial returns	0	204	0	198
Repayment during 2017	0	(223)	(179)	(428)
Net amount at 12/31/2017	0	1,767	321	2,088

4.3.13. Provisions for contingencies and losses

(a) Change from January 1, 2017 to December 31, 2017

(in €thousands)	January 1, 2017	Changes in the period			December 31, 2017
		Charge	Reversals		
			Used	Not used	
Disputes	12	0	0	0	12
Foreign exchange risk	135	62	0	0	197
Retirement severance benefits	278	16	0	0	294
Miscellaneous risks	250	2	(156)	0	96
Restructuring costs	320		(293)	(18)	9
Minimum annual CIT charge	0	0	0	0	0
Total provisions for contingencies and losses	995	80	(449)	(18)	608
+ of which operating	860	(184)	(343)	(18)	315
+ of which financial	135	62	0	0	197
+ of which exceptional	0	202	(106)	0	96

The provision for contingencies and losses in the amount of €250 thousand linked to a dispute with former Intercell employees has been fully reversed for the amounts that were actually paid to a portion of the shareholders in 2017.

A provision for restructuring costs recorded for €320 thousand relating to the R&D Department's reorganization was almost entirely reversed in 2017 following the completion of the restructuring plan. The remaining balance will be reversed in 2018.


(b) Change from January 1, 2016 to December 31, 2016

(in € thousands)	January 1, 2016	Changes in the period			December 31, 2016
		Charge	Reversals		
			Used	Not used	
Disputes	12	0	0	0	12
Foreign exchange risk	50	85	0	0	135
Retirement severance benefits	189	89	0	0	278
Miscellaneous risks	0	250	0	0	250
Restructuring costs	0	320	0	0	320
Minimum annual CIT charge	0	0	0	0	0
Total provisions for contingencies and losses	250	744	0	0	995
+ of which operating	201	659	0	0)	860
+ of which financial	49	85	0	0	135
+ of which exceptional	0	0	0	0	0

A provision for contingencies and expense was recorded for €250 thousand relating to a dispute with former Intercell employees.

A provision for restructuring costs was recorded for €320 thousand relating to the R&D department's reorganization.

4.3.14. Borrowings

(in € thousands)		As at December 31,	
		2017	2016
CA €800 thousand loan of 12/31/2009 ⁽¹⁾	3-month Euribor floating rate + 1.10%	160	240
CA €500 thousand loan of 07/16/12 ⁽¹⁾	3-month Euribor floating rate + 1.40%	0	75
CM €600 thousand loan of 12/23/09 ⁽¹⁾	3-month Euribor floating rate + 1.25%	120	180
CM €1,030 thousand loan of 06/18/10 ⁽¹⁾	2.70% fixed rate	0	74
CM €1,200 thousand loan of 05/05/2011 ⁽¹⁾	3-month Euribor floating rate + 0.70%	86	257
CM €500 thousand loan of 07/05/12 ⁽¹⁾	3-month Euribor floating rate + 1.40%	0	75
CE €600 thousand loan of 12/23/09 ⁽¹⁾	1-month Euribor floating rate + 1.20%	120	180
CE €500 thousand loan of 07/31/12 ⁽¹⁾	1-month Euribor floating rate + 1.30%	0	78
LCL €500 thousand loan of 12/23/09 ⁽¹⁾	1-month Euribor floating rate + 1.25%	100	150
LCL €470 thousand loan of 07/30/10 ⁽¹⁾	3-month Euribor floating rate + 0.80%	0	51
EIB €5,000 thousand loan of 04/12/2017 ⁽¹⁾	3-month Euribor floating rate + 8.50%	5000	0
EIB €5,000 thousand loan of 12/11/2017 ⁽¹⁾	3-month Euribor floating rate + 8.50%	5000	0
RTC credit collateralization	1-month Euribor floating rate + 1.70%	4776	5,090
Current bank facilities, bank credit balances		2	2
Total		15,364	6452

(1) of which accrued interest €6 thousand.

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



- + No covenants are associated with loans predating 2010 used to finance a portion of the work related to the construction of the laboratories of Valneva SE and their equipment.

The Company was covered by an interest rate hedging contract implemented by Groupe Grimaud La Corbière in 2012 for these loans (€110 thousand at December 31, 2017).

This 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 SA, each month, of 1-month Euribor plus a fixed-rate amount of 0.58 %.

The fair value of this last contract in progress represented a loss of €1 thousand at December 31, 2017.

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

Furthermore, the loan agreement contains covenants, including a positive Group EBITDA and a minimum cash balance of €3 million at all times.

Valneva received two payments in April and December 2017 of €5 million each. Drawings in excess of €15 million are subject to certain financial performance parameters which the Company fulfilled in 2017.

(a) As at December 31, 2017

(in € thousands)		Gross	Up to 1 year	More than 1 year	More than 5 years
Total financial debt		15,364	5,114	10250	0
+	of which loans secured during the year	14,770			
+	of which loans repaid during the year	2,609			

The loans obtained during the year represent:

- + the renewed collateralization of the 2014 and 2015 Research Tax Credits (RTC);
- + the collateralization of the 2016 RTC with BPI;
- + the new loan with the European Investment Bank.

Repayment of these loans include the collateralization of the 2013 RTC.

(b) As at December 31, 2016

(in € thousands)		Gross	Up to 1 year	More than 1 year	More than 5 years
Total financial debt		6,452	5,866	586	0
+	of which loans secured during the year	5,085			
+	of which loans repaid during the year	3,424			

Loans obtained during the period correspond on the one hand to the renewed collateralization of the 2013 and 2014 Research Tax Credits (RTC), and on the other hand, the collateralization of the 2015 RTC with BPI.

Repayment of these loans includes the collateralization of the 2012 RTC

**4.3.15. Trade payables and related accounts****(a) As at December 31, 2017**

(in € thousands)	Gross	Up to 1 year	More than 1 year	More than 5 years
Operating payables	718	643	75	0
Notes payable	0	0	0	0
Operating payables - purchase invoice accruals	649	649	0	0
Total	1,367	1,292	75	0

(b) As at December 31, 2016

(in € thousands)	Gross	Up to 1 year	More than 1 year	More than 5 years
Operating payables	314	314	0	0
Notes payable	0	0	0	0
Operating payables - purchase invoice accruals	509	509	0	0
Total	823	823	0	0

4.3.16. Tax and employee-related liabilities

(in € thousands)	December 31, 2017	December 31, 2016
VAT due	12	22
Other taxes	10	7
Wages and salaries	811	719
Employee benefit expense	454	420
Other payables, repayable grants*	115	205
Total tax and employee-related liabilities (1)	1,402	1,372
(1) up to 1 year	1,402	1,372
More than 1 and less than 5 years	0	0
more than 5 years	0	0

* Grants (Amounts in thousands of euros)	Allocated	Reversed	Paid	Balance
DIAC (2008)	550	420	130	0
OSEO (2009)	6,016	1,594	4,422	0
NANTES (2009)	894	0	894	0
ANR (2010)	541	76	465	0
FEDER	1,500	366	1,118	16
FUI RHONES ALPES	374	276	113	(15)
FUI PAYS DE LOIRE	628	430	314	(116)
Total grants and advances	10,503	3,162	7,456	(115)

4.3.17. Other financial liabilities

(in € thousands)	December 31, 2017	December 31, 2016
Payables on non-consolidated investments	0	0
Amounts due in respect of fixed asset purchases	28	63
Other operating payables	4,360	1,876
Total other liabilities	4,388	1,939

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

**(a) As at December 31, 2017**

(in € thousands)	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	28	28	0	0
Payables to fixed asset suppliers - purchase invoice accruals	0	0	0	0
Other financial liabilities	4,360	4,360	0	0
Total	4,388	4,388	0	0

(b) As at December 31, 2016

(in € thousands)	Gross	Up to 1 year	More than 1 year	More than 5 years
Payables on non-consolidated investments	0	0	0	0
Payables to fixed asset suppliers	63	63	0	0
Payables to fixed asset suppliers - purchase invoice accruals	0	0	0	0
Other financial liabilities	1,876	1,876	0	0
Total	1,939	1,939	0	0

4.3.18. Deferred income

(in € thousands)	December 31, 2017	December 31, 2016
Operating grants	0	0
Research services and royalties	32	32
Total deferred income	32	32

(a) As at December 31, 2017

(in € thousands)	Gross	Up to 1 year	More than 1 year	More than 5 years
Operating grants	0	0	0	0
Research services, misc. and royalties	32	0	0	0
Total	32	0	0	0

(b) As at December 31, 2016

(in € thousands)	Gross	Up to 1 year	More than 1 year	More than 5 years
Operating grants	0	0	0	0
Research services, misc. and royalties	32	0	0	0
Total	32	0	0	0

4.3.19. Accrued expenses

(in € thousands)	December 31, 2017	December 31, 2016
Trade payables and related accounts	649	509
Tax and employee-related liabilities	1,243	1,066
Payables on fixed assets and equivalent	0	0
Borrowings and financial liabilities	6	7
Other financial liabilities	16	15
Total accrued expenses (1)	1,914	1,596

(1) Payables up to 1 year.



4.4. Notes to the income statement

4.4.1. Revenues

(in € thousands)	December 31, 2017	December 31, 2016
Research services	399	369
Other services	2,380	2,271
Total	2,779	2,640

(in € thousands)	December 31, 2017	December 31, 2016
Sales in France	262	462
Export sales	2,517	2,178
Total	2,779	2,640

4.4.2. Own production of goods and services capitalized

(in € thousands)	December 31, 2017	December 31, 2016
Development expenditure	78	61
Total	78	61

4.4.3. Operating grants

(in € thousands)	December 31, 2017	December 31, 2016
FEDER	0	(68)
DIACT	0	40
OSEO	0	
Total	0	(28)

4.4.4. Other income

(in € thousands)	December 31, 2017	December 31, 2016
Upfront and milestones	966	1,967
Other	0	5
Total	966	1,972

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

(in € thousands)	December 31, 2017	December 31, 2016
Reversals of provisions for trade receivables	0	0
Reversals of inventory provisions	0	51
Reversals of provisions for contingencies and losses	361	0
Operating expense reclassifications	14	18
Total	375	69

4.4.6. Purchases and external expenses

Main expense items (€thousands)	December 31, 2017	December 31, 2016
Work by various third parties	5,846	5,136
Fees	3,827	2,496
Maintenance and repairs	270	266
Administrative services	1,953	2,034
Temporary personnel	0	26
Travel expenses	439	356
Symposiums, seminars, conferences	96	101
Post and telephone expenses	42	78
Entertainment expenses	121	83
Property leasing	180	169
Leasing expenses	48	54
Equipment leasing	23	16
Sundry transport expenses	65	53
Advertising, publications, public relations	131	90
Documentation	17	25
Insurance premiums	243	224
Waste management	30	30
Security services	9	7
Training fees	37	17
Bank services	41	56
Natural gas	19	22
Water	2	2
Electricity	86	94
Dues and related contributions	23	30
Total	13,548	11,465

4.4.7. Taxes, duties and related amounts

(in €thousands)	December 31, 2017	December 31, 2016
Taxes on remuneration	88	102
Training	50	67
Apprentices tax	22	20
Other taxes / remuneration (FNAL)	16	15
Other taxes	117	78
Local taxes	53	55
CFE - CVAE regional business tax	4	3
Company vehicle tax	0	0
Corporate Social Solidarity Contribution C3S tax	0	0
Employer contribution for handicapped workers	6	11
Withholding taxes	50	8
Stamp and registration duties	2	1
Other taxes	2	0
Total	205	180

4.4.8. Personnel

(a) Employees

Average number of employees	December 31, 2017	December 31, 2016
Executives and higher intellectual professions	40	42
Intermediate professions	3	4
Office employees/workers	4	3
Workers	0	0
Seconded personnel	0	0
Total	46	48

+ Employees present at December 31, 2017: 47 employees of which 45 on permanent contracts and on 2 on fixed term contract.

+ Employees present at December 31, 2016: 51 employees of which 50 on permanent contracts and on 1 on fixed term contract.

(b) Staff costs

(in € thousands)	December 31, 2017	December 31, 2016
Wages and salaries	3,616	3,095
Employee benefit expense	1,453	1,364
CICE wage tax credit	(51)	(46)
Other personnel expenses	94	38
Total	5,113	4,451

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

(in € thousands)	December 31, 2017	December 31, 2016
Fixed compensation	530	244
Variable compensation	166	131
Fringe benefits	9	8
All Management Board members	705	383
Attendance fees	268	251
All Supervisory Board members	268	251
Total	973	634

Restricted shares (bonus shares) (Restricted shares fully vested)	December 31, 2017	December 31, 2016
Management Board members	0	0
Supervisory Board members	0	0

Equity warrants (number of shares subscribed)	December 31, 2017	December 31, 2016
Management Board members	0	79,800
Supervisory Board members	0	0

Equity warrants (number of shares subscribed)	December 31, 2017	December 31, 2016
Management Board members	0	0
Supervisory Board members	0	0



(d) Employee benefits

Assumptions used for the valuation of pension benefits

	December 31, 2017	December 31, 2016
Discount rate	1.50%	1.40%
Salary increase rate	2%	2%
Social security charge rate	47.00%	47.00%
Employee turnover rate by age	Details below	Details below

2017 data	Supervisors	Managers	Office employees/workers
20-29 years	18.00%	33.24%	3.33%
30-29 years	9.00%	16.56%	1.68%
40-29 years	3.00%	5.52%	0.57%
50-29 years	0.00%	0.00%	0.00%
60 years and older	0.00%	0.00%	0.00%

Change in net commitments and reconciliation of the provision

(in € thousands)	December 31, 2017	December 31, 2016
Commitment at the beginning of period	278	189
Commitment at the end of period	293	278
Provision at the beginning of period	278	189
Charge for the period	15	89
Reversal of the period	0	0
Provision at the end of period	293	278

4.4.9. Depreciation, amortization & impairment of fixed assets

(in € thousands)	December 31, 2017	December 31, 2016
Intangible fixed assets	639	641
Property, plant and equipment	702	738
Total fixed assets (A)	1,341	1,379
Employee commitments	15	89
Provisions for operating contingencies and losses	(361)	570
Total provisions (B)	(346)	659
Total net charges excluding current assets (C=A+B)	995	2,038
Trade receivables and other current assets	0	(51)
Total assets (D)	0	(51)
Exceptional amortization (E=C+D)	995	1,987
Provisions for unrealized foreign exchange losses	62	85
Impairments of current account balances	(14)	12
Impairment of financial assets	36	121
Total financial assets (F)	84	218
Exceptional amortization of fixed assets (G)		
Impairment of fixed assets (H)	(4)	(23)
Accelerated tax depreciation or amortization of fixed assets (I)	(156)	(155)
Other provisions (J)	(104)	
Total exceptional items (K=G+H+I+J)	(264)	(178)

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

(in € thousands)	December 31, 2017	December 31, 2016
Revenue from marketable securities and deposits	2	19
Interest on borrowings	(405)	(89)
Interest on repayable loans	(204)	(197)
Interest on current accounts	388	516
Translation adjustments	17	(253)
Impairment of financial assets /reversals	(85)	(133)
Other	(1)	(16)
Net financial income/(expense)	(287)	(153)

4.4.11. Net exceptional items

(in € thousands)	December 31, 2017	December 31, 2016
Net income on disposals	0	(106)
Depreciation and provisions, net of reversals on tangible fixed assets	4	0
Amortization and provisions, net of reversals on intangible fixed assets		23
Provisions for contingencies and losses net reversals	103	
Accelerated tax depreciation and amortization charges and reversals	156	156
Share of grant transferred to income	38	38
Other	-121	(24)
Net exceptional items	180	87

4.4.12. Income tax**(a) Income tax charges****Effective tax rate**

(in € thousands)	December 31, 2017	December 31, 2016
Net profit/(loss)	(15,277)	(12,588)
Income tax	(1,782)	(1,897)
Net loss before tax	(17,059)	(14,485)
Effective tax rate	0	0

(b) Tax losses carried forward

	December 31, 2017	December 31, 2016
Losses carried forward at the beginning of the period	105,522	91,469
Losses generated during period	17,170	14,053
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	122,692	105,522

**(c) Deferred tax assets and deferred tax liabilities**

(in € thousands)	December 31, 2017	December 31, 2016
Deferred tax assets (investment grants and accelerated tax depreciation or amortization)	71	149
Deferred tax liabilities		
Corporate Social Solidarity Contribution (C3S)	0	0
Operating grants taxable at time of allotment	0	0
Unrealized gains from UCITS	0	0
Employee profit-sharing	0	0
Total deferred tax assets/deferred tax liabilities)	71	149

4.4.13. Earnings per share

		December 31, 2017	December 31, 2016
Basic net loss (in euros)	(a)	(15,276,741)	(12,587,988)
Average number of shares outstanding:	(b)	78,773,324	78,689,549
Total number of potential shares	(c)	99,874,220	97,453,195
Basic net earnings per share (in euros)	(a) / (b)	(0.19)	(0.16)

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

5. OTHER INFORMATION**5.1. Commitments and contingent liabilities****5.1.1. Debt guarantee by collateral**

(in € thousands)	December 31, 2017	December 31, 2016
Equipment pledge	86	257
Pledges on non-consolidated investments (1)	147,876	147,876

(1) A senior pledge of securities of Valneva Austria GmbH in connection with the financing arrangement with Pharmakon and the second lien security arrangement ("Second Ranking Share Pledge Agreement") in connection with loan granted by the European Investment Bank.

5.1.2. Off-balance-sheet commitments

(in € thousands)	As at December 31,	
	2017	2016
Commitments given		
+ Commitment on Pharmakon / Valneva Austria GMBH loan ¹	25,906	43,894
+ Financial returns on OSEO2 reimbursable loans ²	1,237	1,218
+ Property lease commitment	292	421
+ Equipment financing lease	12	21
+ Comfort letter in favor of Valneva GMBH ³	5,622	6,600
+ Comfort letter in favor of the ERP fund for a loan relating to the <i>Pseudomonas</i> project	1,000	1,500
+ Comfort letter in favor of SC World	0	300
+ Comfort letter and guarantee for the benefit of Valneva Canada Inc. for a contract for vehicles	44	70
+ Mortgage on loans	500	750
+ Interest payable on loans	6	16
Total commitments given	34,619	54,791



Commitments received		
› CM 7-year loan	0	73
› CEP 5-year loan	0	77
› LCL 7-year loan		50
Total commitments received	0	568

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

(2) 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 €1,767 thousand (see Note 4.3.12).

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

5.1.3. Contingent liabilities

The following litigations constitute contingent liabilities because the probability of an outflow of resources is remote.

In July 2016, a claim for additional payment was raised, and litigation was filed in December 2016, in connection with the 2009 acquisition of Humalys SAS, by which Vivalis SA (now Valneva SE) had acquired a technology which was later combined with other antibody discovery technologies and spun off to BliNK Biomedical SAS in early 2015. Former shareholders of Humalys claimed additional consideration as a result of the spin-off transaction. The Company, after consultation with its external advisors, believes that this claim is unsubstantiated and the filed litigation is not likely to succeed in court. Detailed information on the potential specific financial consequences which might result from a successful claim could adversely affect Valneva's ability to defend its interests in this case, and therefore is not provided.

Following the merger between the companies Vivalis SA and Intercell AG, some former Intercell shareholders initiated legal proceedings before the Commercial Court of Vienna to revise the amount of compensation offered to existing shareholders, or the exchange ratio between Intercell and Valneva shares. If the court decides to increase the financial compensation, every former Intercell shareholder who opted for financial compensation instead of exchange would be entitled to an increase, even if he or she was not a party to the dispute. If the court decides to revise the exchange ratio, there is legal uncertainty as to whether the court could extend this revision to all former Intercell shareholders who exchanged their shares, even if they were not party to the dispute. There is therefore a risk that Valneva will be forced to compensate all former shareholders following the reevaluation of the exchange ratio. The outcome of the proceedings to review the exchange ratio cannot be predicted with certainty at the present time. It is, therefore, currently not possible to estimate whether a specific shareholder group will be granted additional payments or what the amount of these payments might be. However, Valneva, after consultation with its external advisors, believes that these legal proceedings are unsubstantiated and are not likely to succeed in court. Detailed information on the potential specific financial consequences which might result from a successful claim could adversely affect Valneva's ability to defend its interests in this case, and therefore is not provided.

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

5.2. Information concerning related parties

Related parties concern relations with Groupe Grimaud La Corbière SA and companies of the Groupe Grimaud La Corbière (1), relations with the subsidiary Valneva Toyama Japan K.K. (2), the subsidiary Valneva Austria GmbH (3), the subsidiary Vaccines Holdings Sweden AB (4), the subsidiary Valneva Canada Inc. (5), the subsidiary Valneva UK Ltd. (6), the subsidiary Valneva USA Inc. (7) and the subsidiary's Valneva Sweden AB (8).



1. For the Groupe Grimaud La Corbière and Groupe Grimaud La Corbière companies, services rendered related to either normal operating activities (interest rate swap allocation agreement) or regulated activities (guarantees). For the fiscal year 2017, €2 thousand excluding tax were invoiced for these services and paid in full at December 31, 2017.
2. Valneva Toyama Japan K.K. invoiced Valneva €57 thousand for operating expenses recorded under trade payables (€95 thousand at December 31, 2017).
3. Valneva SE guaranteed a loan of US\$41 million from the investment fund managed by Pharmakon Advisors for the benefit of Valneva Austria GmbH (Initial amount of US\$30 million in December 2013, increased by US\$11 million in July 2015). The purpose of this loan is to support growth in sales of the Japanese encephalitis vaccine of Valneva IXIARO®/JESPECT® and to promote the Company's portfolio of vaccine candidates. In February 2014, an agreement was signed between the two parties (and revised in November 2015 after the amount borrowed was increased by US\$11 million) whereby Valneva SE charges interest to Valneva Austria of 0.77 % applied to the remaining loan amount outstanding. For 2017, interest thus invoiced amounted to €211 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 2017 Valneva SE re-invoiced €1,513 thousand and Valneva Austria GmbH re-invoiced €7,376 thousand in 2017.

These invoices were recognized in the current account which is settled by a payment at the beginning of each quarter (with a credit balance for the net of €2,545 thousand at December 31, 2017).

In October 2013, a loan agreement was executed between Valneva SE and Valneva Austria GmbH for an initial amount of €30 million subject to a rate of interest of 3-month EURIBOR plus 1 % (€121 thousand invoiced for the fiscal year 2017). At December 31, 2017, the amount of this loan was €18 million. €3 million are payable on December 31, 2018. €15 million will be repaid after Valneva Austria GmbH has repaid the Pharmakon debt (Biopharma).

4. An agreement between Valneva SE and Vaccines Holdings Sweden AB entering into effect starting in 2016 sets guidelines for re-invoicing services by Valneva SE. Under this agreement, €0.2 thousand were invoiced for the fiscal year 2017.
5. A loan agreement, entering into effect in March 2015, was signed between Valneva SE and its subsidiary Valneva Canada Inc. The amount of this loan, subject to interest at a rate of 3-month CDOR plus 1 % is limited to C\$10 million and must be paid back before January 31, 2020. The loan amount represents €1.9 million at December 31, 2017 and €45 thousand for interest was invoiced in 2017.

An agreement between Valneva SE and Valneva Canada Inc. entering into effect starting in 2015 sets guidelines for re-invoicing services by Valneva SE. The amount charged back under this agreement represented income of €26 thousand for 2017.

6. A loan agreement, entering into effect as from November 30, 2015 was signed between Valneva SE and its subsidiary Valneva UK Ltd. The amount of this loan, subject to interest at a rate of 3-month LIBOR plus 1 %, is limited to £4 million and must be paid back before January 31, 2020. The loan amount represented €1.5 million at December 31, 2017 and €10 thousand in interest was charged in 2017.



7. An agreement between Valneva SE and Intercell USA Inc. (now Valneva USA Inc.), entering into effect in 2015 sets guidelines for the re-invoicing of services between these two companies. The amount charged back under this agreement represented income of €9 thousand and an expense of €115 thousand for Valneva SE for 2017.
8. An agreement between Valneva SE and Valneva Sweden AB entering into effect in 2015 sets guidelines for re-invoicing services by Valneva SE. The amount charged back under this agreement represented income of €526 thousand for 2017. An amendment to this agreement entering into effect on January 1, 2017 sets guidelines for the re-invoicing of services between these two companies. The amount charged back under this agreement represented an expense of €6 thousand for Valneva SE for 2017.

(in € thousands)	December 31, 2017	December 31, 2016
Financial assets		
Equity investments (1)	169,526	169,526
Loans	0	0
Receivables		
Other receivables	23,624	23,535
Payables		
Trade payables and related accounts	95	79
Other financial liabilities	4,278	1,836
Revenues	2,081	1,955
Financial income	388	516
Operating expenses		
Other purchases and external expenses	7,554	6,839
Financial expense		
Interest and similar expenses	0	0

(1) Cf. Appendix 4.3.3.

5.3. Information on the fully-diluted Company's share capital at December 31, 2017

Valneva SE shareholding structure at December 31, 2017 (to the Company's knowledge)

Shareholders		Shares held (a)			%
		Ordinary shares	Preferred shares	Convertible preferred shares	
Groupe Grimaud La Corbière SA (b)		12,104,830	0	0	15.37
Bpifrance Participations SA		7,456,785	0	0	9.47
Fonds MVM (MVM IV LP & MVM GP (No.4) Scottish LP)		5,851,139	197,768	0	7.68
Management Board members	Total Management Board members	626,978	238	593	0.80
	Mr. Franck Grimaud	482,589	0	218	0.61
	Mr. Thomas Lingelbach	129,983	238	308	0.17
	Mr. Frédéric Jacotot	4,802	0	67	0.01
	Mr. David Lawrence	4,802	0	0	0.01
	Mr. Wolfgang Bender	4,802	0	0	0.01
Employees (non-corporate officers)		106,571	10	196	0.14
Other shareholders (private individuals)		1,237,040	1,469	0	1.57
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS (b)		744,899	0	0	0.95
Including independant members of the Supervisory Board	Mr. Alain Munoz	41,800	0	0	0.05
	Mr. James Sulat	17,867	0	0	0.02
	Mr. Alexander Von Gabain	38,218	1,469	0	0.05
	Ms. Anne-Marie Graffin	0	0	0	0.00
	Mr. Ralf Clemens	0	0	0	0.00
Other floating capital		50,200,371	989,630	0	64.97
SUBTOTAL BY CATEGORY		77,583,714	1,189,115	789	100
TOTAL			78,773,618		100

(a) Percentages in this table are calculated in reference to a share capital of 78,773,618 Valneva SE shares, divided into (a) 77,583,714 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 789 convertible preferred shares (ISIN XFC500X019M1), with a nominal value of €0.15 each.

(b) The "Groupe Familial Grimaud" is comprised of the company Groupe Grimaud La Corbière SA, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.



Number of ordinary shares to be issued after exercise or final grant of the dilutive instruments

Shareholders		Dilutive instruments - Number of ordinary shares to be issued (c)				
		Stock-options	Equity warrants (BSA)	Preferred shares	Convertible preferred shares	Equity warrants (BEA)
Groupe Grimaud La Corbière SA (b)		0	0	0	0	0
Bpifrance Participations SA		0	0	0	0	0
Fonds MVM (MVM IV LP & MVM GP (No.4) Scottish LP)		0	0	1,557,425	0	0
Management Board members	Total Management Board members	330,921	0	1,876	3,042,200	0
	Mr. Franck Grimaud	109,962	0	0	855,162	0
	Mr. Thomas Lingelbach	209,962	0	1,876	1,147,752	0
	Mr. Frédéric Jacotot	10,997	0	0	462,562	0
	Mr. David Lawrence	0	0	0	288,362	0
	Mr. Wolfgang Bender	0	0	0	288,362	0
Employees (non-corporate officers)		2,750,273	0	85	1,118,254	0
Other shareholders (private individuals)		7,698	202,250	11,580	0	0
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS (b)		0	52,000	0	0	0
Including independant members of the Supervisory Board	Mr. Alain Munoz	0	27,125	0	0	0
	Mr. James Sulat	0	27,125	0	0	0
	Mr. Alexander Von Gabain	0	27,125	11,575	0	0
	Ms. Anne-Marie Graffin	0	27,125	0	0	0
	Mr. Ralf Clemens	0	12,500	0	0	0
Other floating capital		0	0	7,793,311	0	5,474,633
SUBTOTAL BY CATEGORY		3,088,892	202,250	9,364,277	4,160,454	5,474,633
TOTAL				22,290,506		

(b) The "Groupe Familial Grimaud" is comprised of the company Groupe Grimaud La Corbière SA, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.

(c) Ratios of conversion with respect to the different dilutive instruments are set as follows:

- + Stock options: 1 stock option issued pursuant to plans 6 or 7 entitles to 1.099617653 Valneva SE ordinary share (then rounded up for each beneficiary), while 1 stock option issued pursuant to plans 8, 9 or 10 entitles to 1 ordinary share of the Company Valneva SE;
- + BSA 25 and BSA 27: 1 BSA entitles to 1 ordinary share of the Company Valneva SE;
- + Preferred shares (ISIN FR0011472943): the ratio of conversion applicable to the number of preferred shares is 0.5246 (rounded up to 0.5250 in accordance with the Articles of Association of the Company Valneva SE);
- + Convertible preferred shares (ISIN XFCS00X019M1):
 - Program 2015-2019
 - the conversion of convertible preferred shares (granted with or without consideration) into ordinary shares is set as follows: Number of convertible preferred shares*100 (maximum ratio of conversion in accordance with the plan);
 - regarding convertible preferred shares granted without consideration, 1 convertible preferred share granted with consideration confers a right to 25 convertible preferred shares granted without consideration;
 - Program 2017-2021
 - the conversion of convertible preferred shares into ordinary shares is set as follows: : Number of convertible preferred shares*62 (maximum ratio of conversion in accordance with the plan);
- + Equity warrants (BEA): 1 BEA entitles to 1 ordinary share of the Company Valneva SE.

Valneva SE shareholding structure after exercise or final grant of the dilutive instruments

Shareholders		Ordinary shares after exercise or final grant of all dilutive instruments	%
Groupe Grimaud La Corbière SA (b)		12,104,830	12.12
Bpifrance Participations SA		7,456,785	7.47
Fonds MVM (MVM IV LP & MVM GP (No.4) Scottish LP)		7,408,564	7.42
Management Board members	Total Management Board members	4,001,975	4.01
	Mr. Franck Grimaud	1,447,713	1.45
	Mr. Thomas Lingelbach	1,489,573	1.49
	Mr. Frédéric Jacotot	478,361	0.48
	Mr. David Lawrence	293,164	0.29
	Mr. Wolfgang Bender	293,164	0.29
Employees (non-corporate officers)		3,975,183	3.98
Other shareholders (private individuals)		1,458,568	1.46
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS (b)		796,899	0.80
Including independant members of the Supervisory Board	Mr. Alain Munoz	68,925	0.07
	Mr. James Sulat	44,992	0.05
	Mr. Alexander Von Gabain	76,918	0.08
	Ms. Anne-Marie Graffin	27,125	0.03
	Mr. Ralf Clemens	12,500	0.01
Other floating capital		63,468,315	63.54
TOTAL		99,874,220	100

(b) The "Groupe Familial Grimaud" is comprised of the company Groupe Grimaud La Corbière SA, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.

5.4. Subsidiaries and associates

SUBSIDIARIES (more than 50 %)					
Name	Share capital	Ownership interest ²	Gross value of securities	Loans, advances ⁴	Net sales ⁶
	Shareholders' equity ¹	Dividends ³	Net value of securities	Guarantees ⁵	Profit or loss ⁷
Valneva Toyama Japan K.K.	¥ 5,660,000	100.00%	€ 46,471	€ 142,196	¥ 8,599,492
	¥ 823,748	€ 0	€ 0	€ 0	¥ (10,345,814)
Valneva Austria GmbH ⁸	€ 10,070,000	100.00%	€ 147,876,224	€ 18,000,000	€ 61,686,555
	€ 210,578,089	€ 0	€ 147,876,224	€ 32,528,306	€ 348,940
Vaccines Holdings Sweden AB ⁸	SEK 50,000	100.00%	€ 12,604,123	€ 0	SEK 66
	SEK 236,747,754	€ 0	€ 12,604,123	€ 0	SEK 851,820
Valneva Canada Inc. ⁸	CAD 1,000	100.00%	€ 731	€ 1,860,588	CAD 29,962,962
	CAD 675,817	€ 0	€ 731	€ 44,455	CAD 1,011,651
Valneva Scotland Ltd. ⁸	GBP 100	100.00%	€ 136	€ 1,487,490	GBP 7,102,938
	GBP 82,465	€ 0	€ 136	€ 0	GBP 4,478,938
NON-CONSOLIDATED INVESTMENTS (less than 50 %)					
Name	Share capital	Ownership interest ²	Gross value of securities	Loans, advances ⁴	Net sales ⁶
	Shareholders' equity ¹	Dividends ³	Net value of securities	Guarantees ⁵	Profit or loss ⁷
BLiNK Biomedical SAS	€ 16,168,068	41.77%	€ 8,998,528.00	€ 0	€ 1,970,971
	€ (9,861,696)	€ 0	€ 0	€ 0	€ (5,909,075)

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

(2) Ownership interest = percentage held by Valneva at 12/31/2017.

(3) Dividends = dividends received by Valneva in 2017.

(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) 2017 IFRS data.

5.5. Market Risks

5.5.1. Interest rate risk

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

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

The Company has also obtained loans to finance its investments and to support research and development. At December 31, 2017, borrowings totaled €15,364 at the 3-month and 1-month Euribor floating rates (see Note 4.3.14).

At December 31, 2017, the Company was covered by an interest rate hedging contract through Grimaud La Corbière SA. In consequence, its exposure to risks relating to floating-rate debt is limited.

5.5.2. Exchange rate risk

The Company's exposure to exchange rate risks involving the US dollar or any other currency is limited. Therefore, at this stage of its development, the Company has taken no steps to protect its



business against exchange rate risks. The Company will monitor its exchange rate exposure in relation to changes in its situation. The Company's strategy is to use the euro as the main currency when signing contracts. The Company could enter into contracts, however, in the future to cover exchange rate fluctuations if it appeared necessary and if the risks were deemed to be material.

5.6. Events after the reporting period

At the date of issue of this report and up to March 20, 2018, no material events have occurred subsequent to the end of this reporting period that require disclosure.



D.4. Statutory Auditors' report on the separate financial statements

PricewaterhouseCoopers Audit

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92208 Neuilly-sur-Seine

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Les Docks – Atrium 10.4
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13002 Marseille

VALNEVA

Société Européenne

World Trade Center Lyon, Tour Oxygène
10-12, boulevard Marius Vivier Merle
69003 Lyon

Statutory auditors' report on the financial statements

For the year ended December 31, 2017

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

**PricewaterhouseCoopers Audit**

63, rue de Villiers
92208 Neuilly-sur-Seine

Deloitte & Associés
Les Docks – Atrium 10.4
10, place de la Joliette
13002 Marseille

Statutory auditors' report on the financial statements

For the year ended December 31, 2017

To the Annual General Meeting of Valneva SE

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of Valneva SE for the year ended December 31, 2017.

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, 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (*Code de déontologie*) for statutory auditors.

Furthermore, the non-audit services that we provided to your Company and its controlled undertakings during the financial year that are not disclosed in the management report or in the notes to the financial statements are as follows:

PricewaterhouseCoopers Audit

Country	Nature of non-audit services provided	Amount (€)
France	Non-audit services required by law (reports on share capital transactions)	€2,211
Austria	Other non-audit services (attestation on the research and development tax credit)	€11,471

Deloitte & Associés

Country	Nature of non-audit services provided	Amount (€)
France	Non-audit services required by law (reports on share capital transactions)	€6,492
Scotland	Other non-audit services (data conversion to iXBRL format for filing tax returns purposes)	€1,482

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.



Key Audit Matter	How our audit addressed the key audit matter
<p><i>Investments in subsidiaries</i></p> <p><i>(Notes 4.2.10 and 4.3.3 "Financial assets" and 4.4.9 "Depreciation, amortization & impairment of fixed assets" to the financial statements)</i></p> <p>Valneva SE has investments in subsidiaries for a net amount of €160,481 thousand as of December 31, 2017.</p> <p>The account balance is made of the acquisition costs of each of the Company's different subsidiaries.</p> <p>At the end of a reporting period, the Company determines the carrying amount of each investment based on the Group's equity in the underlying net assets of its subsidiary and future perspectives of these companies. When this value at the closing date is lower than the net carrying amount, an impairment is recorded for the difference.</p> <p>Given the significant amount of these investments and Management's judgment in assessing the future perspectives of the subsidiaries, we determined the valuation of these assets to be a key audit matter.</p>	<p>Based on the investment valuation made by Management, we performed the following procedures:</p> <ul style="list-style-type: none">- We obtained an understanding of the Group's procedures regarding the valuation of the investments in subsidiaries- We examined the methodology used to assess the carrying amount of investments- We verified the accuracy of data used for the calculation based on the Group's equity in the underlying net assets of its subsidiaries- We made inquiries with the Company's Finance Department to assess the future perspectives of each subsidiary, and corroborate this information with data used during our audit of the Group's financial statements



<p>Contingencies (Note 5.1.3 "Contingencies" to the financial statements)</p> <p>Valneva is involved in two disputes. Firstly, the former shareholders of Humalys, a subsidiary acquired in the past by Valneva subsequently spun off to Blink Biomedical, have initiated legal proceedings questioning the amount of the earn-out payment. Secondly, the former shareholders of Intercell, entity merged with Valneva SE, have initiated legal proceedings with regards to the exchange ratio in order to obtain financial compensation following the merger.</p> <p>Management considered these disputes as contingent liabilities and therefore did not recognize any provision in the financial statements.</p> <p>Given the uncertainties surrounding the outcomes of these litigations, we have considered the accounting treatment, the absence of provision, and disclosures to the financial statements to be a key audit matter.</p>	<p>To assess that it is unlikely that Valneva will be liable in these disputes and thus justifying the absence of any provision recorded in the financial statement for these two litigations:</p> <ul style="list-style-type: none"> - We discussed the status of these two disputes with the Company's Management and in-house legal counsel. We obtained and analyzed the notes and responses from lawyers to our external confirmation requests. <p>In addition, we verified that Note 5.1.3 "Contingencies" to the financial statements provided appropriate disclosure.</p>
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Verification of the Management Report and of the Other Documents Provided to the Shareholders

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information given in the Management Report and in the Other Documents Provided to the Shareholders with respect to the financial position and the financial statements

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 management board and in the other documents provided to the Shareholders with respect to the financial position and the financial statements.

Corporate Governance report

We confirm that the information given in accordance with the requirements of Article L.225-37-3 and L. 225-37-4 of the French Commercial Code (*Code de commerce*) have been included in the corporate governance report by the Supervisory Board,



Concerning the information given in accordance with the requirements of Article L. 225-37-3 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 controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information.

Concerning the information relating of the items that your Company estimated to have an impact in the event of a public tender offer to the given in accordance with in accordance with the requirements of Article L. 225-37-5 of the French Commercial Code (*Code de commerce*), we have verified its consistency with supporting documentation we received. Based on this work, we have no matter to report on this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Valneva SE by the annual general meeting held on June 29, 2012 for PricewaterhouseCoopers Audit and on February 22, 2007 for Deloitte & Associés.

As at December 31, 2017, PricewaterhouseCoopers Audit and Deloitte & Associés were in the 6th year and 11th year of total uninterrupted engagement.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Management Board.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

*Report to the Audit Committee*

We submit a report to the Audit Committee, which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters. We describe these matters in this audit report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Marseille, March 21, 2018

The Statutory Auditors

PricewaterhouseCoopers Audit

Deloitte & Associés

French original signed by
Thierry CHARRON

French original signed by
Vincent GROS



D.5. Pro forma information

Please refer to the Sections “Selected financial information” and “Comparison of income statement for the year ended December 31, 2015 and pro forma income” of this Registration Document²⁰⁰.

²⁰⁰ See Sections A.1.1 and A.4.3 (c).



E. INFORMATION RELATING TO THE COMPANY AND ITS SHARE CAPITAL

E.1. Share capital

E.1.1. Amount of share capital

A description of Valneva SE's share capital and shareholding structure at December 31, 2017 is presented in the Report by the Supervisory Board on the Corporate Governance for the fiscal year 2017²⁰¹.

Note: For comparison purposes, at December 31, 2016, the Company's share capital stood at €11,815,935.39 and was divided into:

- + 77,582,714 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each;
- + 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each; and
- + 1,074 convertible preferred shares (ISIN XFCS00X0I9M1), with a nominal value of €0.15 each.

E.1.2. Non-equity securities

At the filing date of this Registration Document, there are no issued and outstanding securities other than stock (non-equity securities).

E.1.3. Share buybacks by the Company

During the fiscal year 2017, the Company proceeded with share buybacks in connection with the liquidity agreement executed with the financial institution Natixis, but also pursuant to article 13.4, (iv) of Valneva SE's Articles of Association.

In addition, the Company proceeded with a share buyback transaction during the fiscal year 2013, in the context of its merger with the company Intercell AG.

(a) Current authorizations related to share buyback programs and cancellation of shares of the Company

Please refer to the Report by the Supervisory Board on the Corporate Governance for the fiscal year 2017²⁰².

(b) Share buyback program implemented in connection with a liquidity agreement

The General Meeting of the Company, held on June 29, 2017, authorized the Company to implement a share buyback program valid for a term of 18 months (resolution No. 16).

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

Pursuant to article L. 225-209 of the French Commercial code and the liquidity agreement, the Company acquired 647,495 Valneva SE ordinary shares and sold 604,866 Valneva SE ordinary shares in 2017, for a weighted average purchase price of €2.83 per share (weighted average purchase price in 2016: €2.94) and a weighted average sale price of €2.86 per share (weighted average purchase price in 2016: €2.95). Valneva SE has not paid any execution fees.

²⁰¹ See Section 7.1, in Section B of this Registration Document.

²⁰² See Section 7.8.2, in Section B of this Registration Document.



On December 31, 2017, the Company held, in connection with this liquidity agreement, 64,200 Valneva SE ordinary shares (or 0.08%²⁰³ of the share capital, compared to 0.03% at December 31, 2016), corresponding to an amount on the closing date of December 31, 2017 of €177,834 (€26,675.10 in nominal value²⁰⁴).

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

At December 31, 2017, the Company held 124,332 own ordinary shares with a nominal value of €0.15 per share, and the same number of preferred shares with a nominal value of €0.01. These shares were acquired by the Company through a share buyback related to the merger with Intercell AG and the "Exit Right" offered to the latter's shareholders, combined with the simultaneous implementation of consideration for the merger, as defined in article 3 of the Merger Agreement in its December 16, 2012 version.

Implementation of the Exit Right

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

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

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

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

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

²⁰³ This rate is calculated in reference to a share capital totaling 78,773,618 Valneva SE shares, divided into (a) 77,583,714 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 789 convertible preferred shares (ISIN XFCS00X0I9M1), with a nominal value of €0.15 each.

²⁰⁴ The nominal value of a Valneva ordinary share amounts to €0.15.

**Terms of consideration for the merger, as defined in the Merger Agreement**

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

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

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

(d) Buyback and cancellation of convertible preferred shares, pursuant to the provisions of article 13.4, (iv) of the Company's Articles of Association

Article 13.4, (iv) of the Company's Articles of Association states that if the functions of a convertible preferred share (ISIN XFCS00X0I9M1) holder within the Company or its subsidiaries are terminated for one of the following reasons:

- + dismissal for gross or willful misconduct or the removal as corporate officer or employee of the Company or one of its subsidiaries in similar circumstances;
- + voluntary early retirement with full pension benefits, in the absence of prior written approval from the Company;
- + resignation in the absence of prior written approval from the Company,

the Company will buy back such shares for the purpose of their cancellation.

These shares shall be repurchased at their nominal value per share and definitively canceled as from the repurchase date. The share capital of the Company will then be reduced by the corresponding repurchase amount and the Management Board shall note for the record the number of convertible preferred shares thus repurchased and cancelled by the Company.

After a member of the Executive Committee left the Group in February 2017 and following Mr. Reinhard Kandra's resignation end of March 2017²⁰⁵, the Management Board of the Company declared that the conditions for the application of the article 13.4, (iv) of the Company's Articles of Association were met, and consequently, the Management Board decided to proceed with the buyback and cancellation of 285 convertible preferred shares held by said Executive Committee member and Mr. Reinhard Kandra pursuant to their participation in the Free Convertible Preferred Share Plan 2015-2019. This buyback and cancellation was recognized through decision of the Managing Director, on May 17, 2017 (upon delegation granted by the Management Board) and the share capital of Valneva SE has therefore been amended, so as to decrease and set the total number of convertible preferred shares (ISIN XFCS00X0I9M1) at 789 (compared to 1,074 before cancellation).

²⁰⁵ See Section A.1.2 (f) of this Registration Document.



E.1.4. Potential share capital

(a) Company stock option plans

The Company has only granted stock options to subscribe for shares. Consequently, plans for stock purchase options do not exist at Valneva.

At December 31, 2017, for all Company plans combined, 3,020,400 exercisable stock options were outstanding, permitting the subscription for 3,088,892 new Valneva SE ordinary shares, representing a potential nominal increase in the share capital of €463,333.80 (or a maximum potential dilution of 3.92%²⁰⁶ of the Company's share capital).

Highlights of Company stock option plans in force in 2017 are provided in the Report by the Supervisory Board on the Corporate Governance for the fiscal year 2017²⁰⁷.

(b) Free ordinary share plans

In the fiscal year 2017, for all Company plans combined, 1,000 free ordinary shares were in the process of vesting by their beneficiaries. These shares have been transferred to them on July 24, 2017, as new Valneva SE ordinary shares.

At December 31, 2017, there was no remaining free ordinary share plan within the Group.

Highlights of Company free ordinary share plans in force in 2017 are provided in the Report by the Supervisory Board on the Corporate Governance for the fiscal year 2017²⁰⁸.

(c) Free convertible preferred share programs

Highlights of Company free convertible preferred share programs in force in 2017 are provided in the Report by the Supervisory Board on the Corporate Governance for the fiscal year 2017²⁰⁹.

²⁰⁶ This rate is calculated in reference to a share capital totaling 78,773,618 Valneva SE shares, divided into (a) 77,583,714 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 789 convertible preferred shares (ISIN XFCS00X0I9M1), with a nominal value of €0.15 each.

²⁰⁷ See Section 6.2.1 (c), in Section B of this Registration Document.

²⁰⁸ *Idem.*

²⁰⁹ *Idem.*



(d) Equity warrants - “BSA”

BSA 25	
<i>Grant decision date</i>	Management Board dated July 28, 2015
<i>BSAs authorized by the General Meeting</i>	Combined General Meeting dated June 26, 2014 Authorization to grant 153,000 BSA 25
<i>BSAs issued by the Management Board</i>	153,000
<i>Beneficiaries and amount of BSA granted</i>	+ 36,000 BSA 25 to the Chairman of the Supervisory Board, Mr. Frédéric Grimaud + 19,500 BSA 25 for each one of the following beneficiaries: <ul style="list-style-type: none"> ▪ Mr. Alain Munoz ▪ Mr. Michel Greco ▪ Ms. Anne-Marie Graffin ▪ Mr. James Sulat ▪ Mr. Alexander Von Gabain ▪ Mr. Hans Wigzell, Supervisory Board members at the time the plan was launched.
<i>BSAs lapsed at December 31, 2017</i>	38,250
<i>BSAs exercised at December 31, 2017</i>	0
<i>Outstanding BSAs at December 31, 2017</i>	114,750
<i>Valneva SE ordinary shares to be issued at December 31, 2017</i>	114,750 (1 BSA for 1 Valneva SE ordinary share)
<i>Subscription price per share</i>	€3.92
<i>Expiry date of the plan</i>	July 28, 2020
BSA 27	
<i>Grant decision date</i>	Management Board dated December 15, 2017
<i>BSAs authorized by the General Meeting</i>	Combined General Meeting dated June 30, 2016 Authorization to grant 125,000 BSA 27
<i>BSAs issued by the Management Board</i>	87,500
<i>Beneficiaries and amount of BSA granted</i>	+ 25,000 BSA 27 to the Chairman of the Supervisory Board, Mr. Frédéric Grimaud + 12,500 BSA 27 for each one of the following beneficiaries: <ul style="list-style-type: none"> ▪ Mr. Alain Munoz ▪ Ms. Anne-Marie Graffin ▪ Mr. James Sulat ▪ Mr. Alexander Von Gabain ▪ Mr. Ralf Clemens, Supervisory Board members at the time the plan was launched.
<i>BSAs lapsed at December 31, 2017</i>	0
<i>BSAs exercised at December 31, 2017</i>	0
<i>Outstanding BSAs at December 31, 2017</i>	87,500
<i>Valneva SE ordinary shares to be issued at December 31, 2017</i>	87,500 (1 BSA for 1 Valneva SE ordinary share)
<i>Subscription price per share</i>	€2.574
<i>Expiry date of the plan</i>	December 15, 2022



(e) Preferred shares

Please refer to the Section “Stipulations specific to the Preferred Shares” of this Registration Document²¹⁰.

(f) Equity warrants - “BEA”

In accordance with the authorizations given by the Combined General Meeting held on June 30, 2016, and in order to maintain the Company's financial flexibility, Valneva SE renewed in June 2016 its Equity Line with Crédit Agricole CIB. The new Equity Line, which replaces a previous instrument expired in May 2016, will enable Valneva SE to issue up to 5,474,633 new Valneva SE ordinary shares.

This renewed program, which extends the existing financing capabilities of the Group, is part of the Company's financing toolbox and will be managed based on Valneva's financing needs.

The Equity Line has been implemented by way of issuance of 5,474,633 equity warrants subscribed by Crédit Agricole CIB, which are exercisable, upon Valneva SE's request, in several tranches over 24 months (*i.e.* until end of June 2018). Should the Company trigger the exercise of the warrants, the newly issued shares would be subsequently sold on the market by Crédit Agricole CIB.

For each tranche, the subscription price of the shares issued upon exercise of the equity warrants will represent a 5% discount to the volume weighted average price for the three trading days preceding the subscription date.

(g) Information on the fully-diluted Company's share capital

AT DECEMBER 31, 2017

Valneva SE shareholding structure at December 31, 2017 (to the Company's knowledge)

Shareholders	Shares held (a)			%
	Ordinary shares	Preferred shares	Convertible preferred shares	
Groupe Grimaud La Corbière SA (b)	12,104,830	0	0	15.37
Bpifrance Participations SA	7,456,785	0	0	9.47
Fonds MVM (MVM IV LP & MVM GP (No.4) Scottish LP)	5,851,139	197,768	0	7.68
Management Board members	Total Management Board members	626,978	238	0.80
	Mr. Franck Grimaud	482,589	0	0.61
	Mr. Thomas Lingelbach	129,983	238	0.17
	Mr. Frédéric Jacotot	4,802	0	0.01
	Mr. David Lawrence	4,802	0	0.01
	Mr. Wolfgang Bender	4,802	0	0.01
Employees (non-corporate officers)	106,571	10	196	0.14
Other shareholders (private individuals)	1,237,040	1,469	0	1.57
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS (b)	744,899	0	0	0.95
Including independent members of the Supervisory Board	Mr. Alain Munoz	41,800	0	0.05
	Mr. James Sulat	17,867	0	0.02
	Mr. Alexander Von Gabain	38,218	1,469	0.05
	Ms. Anne-Marie Graffin	0	0	0.00
	Mr. Ralf Clemens	0	0	0.00
Other floating capital	50,200,371	989,630	0	64.97
SUBTOTAL BY CATEGORY	77,583,714	1,189,115	789	100
TOTAL		78,773,618		100

(c) Percentages in this table are calculated in reference to a share capital of 78,773,618 Valneva SE shares, divided into (a) 77,583,714 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 789 convertible preferred shares (ISIN XFC500X019M1), with a nominal value of €0.15 each.

(d) The “Groupe Familial Grimaud” is comprised of the company Groupe Grimaud La Corbière SA, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.

²¹⁰ See Section E.3.3 (c).



Number of ordinary shares to be issued after exercise or final grant of the dilutive instruments

Shareholders		Dilutive instruments - Number of ordinary shares to be issued (c)				
		Stock-options	Equity warrants (BSA)	Preferred shares	Convertible preferred shares	Equity warrants (BEA)
Groupe Grimaud La Corbière SA (b)		0	0	0	0	0
Bpifrance Participations SA		0	0	0	0	0
Fonds MVM (MVM IV LP & MVM GP (No.4) Scottish LP)		0	0	1,557,425	0	0
Management Board members	Total Management Board members	330,921	0	1,876	3,042,200	0
	Mr. Franck Grimaud	109,962	0	0	855,162	0
	Mr. Thomas Lingelbach	209,962	0	1,876	1,147,752	0
	Mr. Frédéric Jacotot	10,997	0	0	462,562	0
	Mr. David Lawrence	0	0	0	288,362	0
	Mr. Wolfgang Bender	0	0	0	288,362	0
Employees (non-corporate officers)		2,750,273	0	85	1,118,254	0
Other shareholders (private individuals)		7,698	202,250	11,580	0	0
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS (b)		0	52,000	0	0	0
Including independant members of the Supervisory Board	Mr. Alain Munoz	0	27,125	0	0	0
	Mr. James Sulat	0	27,125	0	0	0
	Mr. Alexander Von Gabain	0	27,125	11,575	0	0
	Ms. Anne-Marie Graffin	0	27,125	0	0	0
	Mr. Ralf Clemens	0	12,500	0	0	0
Other floating capital		0	0	7,793,311	0	5,474,633
SUBTOTAL BY CATEGORY		3,088,892	202,250	9,364,277	4,160,454	5,474,633
TOTAL				22,290,506		

(b) The "Groupe Familial Grimaud" is comprised of the company Groupe Grimaud La Corbière SA, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.

(c) Ratios of conversion with respect to the different dilutive instruments are set as follows:

- + Stock options: 1 stock option issued pursuant to plans 6 or 7 entitles to 1.099617653 Valneva SE ordinary share (then rounded up for each beneficiary), while 1 stock option issued pursuant to plans 8, 9 or 10 entitles to 1 ordinary share of the Company Valneva SE;
- + BSA 25 and BSA 27: 1 BSA entitles to 1 ordinary share of the Company Valneva SE;
- + Preferred shares (ISIN FR0011472943): the ratio of conversion applicable to the number of preferred shares is 0.5246 (rounded up to 0.5250 in accordance with the Articles of Association of the Company Valneva SE);
- + Convertible preferred shares (ISIN XFCS00X019M1):
 - Program 2015-2019:
 - the conversion of convertible preferred shares (granted with or without consideration) into ordinary shares is set as follows: Number of convertible preferred shares*100 (maximum ratio of conversion in accordance with the plan);
 - regarding convertible preferred shares granted without consideration, 1 convertible preferred share granted with consideration confers a right to 25 convertible preferred shares granted without consideration;
 - Program 2017-2021:
 - the conversion of convertible preferred shares into ordinary shares is set as follows: : Number of convertible preferred shares*62 (maximum ratio of conversion in accordance with the plan);
- + Equity warrants (BEA): 1 BEA entitles to 1 ordinary share of the Company Valneva SE.

Valneva SE shareholding structure after exercise or final grant of the dilutive instruments

Shareholders		Ordinary shares after exercise or final grant of all dilutive instruments	%
Groupe Grimaud La Corbière SA (b)		12,104,830	12.12
Bpifrance Participations SA		7,456,785	7.47
Fonds MVM (MVM IV LP & MVM GP (No.4) Scottish LP)		7,408,564	7.42
Management Board members	Total Management Board members	4,001,975	4.01
	Mr. Franck Grimaud	1,447,713	1.45
	Mr. Thomas Lingelbach	1,489,573	1.49
	Mr. Frédéric Jacotot	478,361	0.48
	Mr. David Lawrence	293,164	0.29
	Mr. Wolfgang Bender	293,164	0.29
Employees (non-corporate officers)		3,975,183	3.98
Other shareholders (private individuals)		1,458,568	1.46
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS (b)		796,899	0.80
Including independant members of the Supervisory Board	Mr. Alain Munoz	68,925	0.07
	Mr. James Sulat	44,992	0.05
	Mr. Alexander Von Gabain	76,918	0.08
	Ms. Anne-Marie Graffin	27,125	0.03
	Mr. Ralf Clemens	12,500	0.01
Other floating capital		63,468,315	63.54
TOTAL		99,874,220	100

(b) The "Groupe Familial Grimaud" is comprised of the company Groupe Grimaud La Corbière SA, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.



AT FEBRUARY 28, 2018

Valneva SE shareholding structure at February 28, 2018 (to the Company's knowledge)

Shareholders		Shares held (a)			%
		Ordinary shares	Preferred shares	Convertible preferred shares	
Groupe Grimaud La Corbière SA (b)		12,104,830	0	0	15.37
Bpifrance Participations SA		7,456,785	0	0	9.47
Fonds MVM (MVM IV LP & MVM GP (No.4) Scottish LP)		5,851,139	197,768	0	7.68
Management Board members	Total Management Board members	626,978	238	593	0.80
	Mr. Franck Grimaud	482,589	0	218	0.61
	Mr. Thomas Lingelbach	129,983	238	308	0.17
	Mr. Frédéric Jacotot	4,802	0	67	0.01
	Mr. David Lawrence	4,802	0	0	0.01
	Mr. Wolfgang Bender	4,802	0	0	0.01
Employees (non-corporate officers)		106,571	10	196	0.14
Other shareholders (private individuals)		1,236,541	1,469	0	1.57
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS (b)		744,899	0	0	0.95
Including independant members of the Supervisory Board	Mr. Alain Munoz	41,800	0	0	0.05
	Mr. James Sulat	17,867	0	0	0.02
	Mr. Alexander Von Gabain	38,218	1,469	0	0.05
	Ms. Anne-Marie Graffin	0	0	0	0.00
	Mr. Ralf Clemens	0	0	0	0.00
Other floating capital		50,200,870	989,630	0	64.97
SUBTOTAL BY CATEGORY		77,583,714	1,189,115	789	100
TOTAL			78,773,618		100

(a) Percentages in this table are calculated in reference to a share capital of 78,773,618 Valneva SE shares, divided into (a) 77,583,714 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 789 convertible preferred shares (ISIN XFCSS00X0I9M1), with a nominal value of €0.15 each.

(b) The "Groupe Familial Grimaud" is comprised of the company Groupe Grimaud La Corbière SA, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.

Number of ordinary shares to be issued after exercise or final grant of the dilutive instruments

Shareholders		Dilutive instruments - Number of ordinary shares to be issued (c)				
		Stock-options	Equity warrants (BSA)	Preferred shares	Convertible preferred shares	Equity warrants (BEA)
Groupe Grimaud La Corbière SA (b)		0	0	0	0	0
Bpifrance Participations SA		0	0	0	0	0
Fonds MVM (MVM IV LP & MVM GP (No.4) Scottish LP)		0	0	1,557,425	0	0
Management Board members	Total Management Board members	330,921	0	1,876	3,042,200	0
	Mr. Franck Grimaud	109,962	0	0	855,162	0
	Mr. Thomas Lingelbach	209,962	0	1,876	1,147,752	0
	Mr. Frédéric Jacotot	10,997	0	0	462,562	0
	Mr. David Lawrence	0	0	0	288,362	0
	Mr. Wolfgang Bender	0	0	0	288,362	0
Employees (non-corporate officers)		2,717,773	0	85	1,118,254	0
Other shareholders (private individuals)		7,698	164,000	11,580	0	0
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS (b)		0	43,000	0	0	0
Including independant members of the Supervisory Board	Mr. Alain Munoz	0	22,250	0	0	0
	Mr. James Sulat	0	22,250	0	0	0
	Mr. Alexander Von Gabain	0	22,250	11,575	0	0
	Ms. Anne-Marie Graffin	0	22,250	0	0	0
	Mr. Ralf Clemens	0	12,500	0	0	0
Other floating capital		0	0	7,793,311	0	5,474,633
SUBTOTAL BY CATEGORY		3,056,392	164,000	9,364,277	4,160,454	5,474,633
TOTAL				22,219,756		

(b) The "Groupe Familial Grimaud" is comprised of the company Groupe Grimaud La Corbière SA, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.

(c) Ratios of conversion with respect to the different dilutive instruments are set as follows:

- + Stock options: 1 stock option issued pursuant to plans 6 or 7 entitles to 1.099617653 Valneva SE ordinary share (then rounded up for each beneficiary), while 1 stock option issued pursuant to plans 8, 9 or 10 entitles to 1 ordinary share of the Company Valneva SE;
- + BSA 25 and BSA 27: 1 BSA entitles to 1 ordinary share of the Company Valneva SE;
- + Preferred shares (ISIN FR0011472943): the ratio of conversion applicable to the number of preferred shares is 0.5246 (rounded up to 0.5250 in accordance with the Articles of Association of the Company Valneva SE);
- + Convertible preferred shares (ISIN XFCSS00X0I9M1):
 - Program 2015-2019
 - the conversion of convertible preferred shares (granted with or without consideration) into ordinary shares is set as follows: Number of convertible preferred shares*100 (maximum ratio of conversion in accordance with the plan);
 - regarding convertible preferred shares granted without consideration, 1 convertible preferred share granted with consideration confers a right to 25 convertible preferred shares granted without consideration;
 - Program 2017-2021
 - the conversion of convertible preferred shares into ordinary shares is set as follows: : Number of convertible preferred shares*62 (maximum ratio of conversion in accordance with the plan);
- + Equity warrants (BEA): 1 BEA entitles to 1 ordinary share of the Company Valneva SE.



Valneva SE shareholding structure after exercise or final grant of the dilutive instruments

Shareholders	Ordinary shares after exercise or final grant of all dilutive instruments	%
Groupe Grimaud La Corbière SA (b)	12,104,830	12.13
Bpifrance Participations SA	7,456,785	7.47
Fonds MVM (MVM IV LP & MVM GP (No.4) Scottish LP)	7,408,564	7.42
Management Board members	Total Management Board members	4,001,975
	Mr. Franck Grimaud	1,447,713
	Mr. Thomas Lingelbach	1,489,573
	Mr. Frédéric Jacotot	478,361
	Mr. David Lawrence	293,164
	Mr. Wolfgang Bender	293,164
Employees (non-corporate officers)	3,942,683	3.95
Other shareholders (private individuals)	1,419,819	1.42
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS (b)		787,899
Including independant members of the Supervisory Board	Mr. Alain Munoz	64,050
	Mr. James Sulat	40,117
	Mr. Alexander Von Gabain	72,043
	Ms. Anne-Marie Graffin	22,250
	Mr. Ralf Clemens	12,500
Other floating capital	63,468,814	63.60
TOTAL	99,803,470	100

(b) The "Groupe Familial Grimaud" is comprised of the company Groupe Grimaud La Corbière SA, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.

E.1.5. Authorized share capital

Please refer to the Report by the Supervisory Board on the Corporate Governance for the fiscal year 2017²¹¹.

²¹¹ See Sections 7.8.1 and 7.8.3, in Section B of this Registration Document.



E.1.6. Share capital changes

Date	Nature of the share capital change	Shares composing the share capital	Share capital after the capital change
06.02.2015	Capital increase by way of cash contribution + Issuance of 18,231,466 Valneva SE ordinary shares with a nominal value of €0.15 each + Total amount paid to the Company: €45,031,721.02 (including €2,734,719.90 in nominal value and €42,297,001.12 as issue premium)	75,772,414 Valneva SE shares Including: + 74,583,299 ordinary shares with a nominal value of €0.15 each + 17,836,719 preferred shares with a nominal value of €0.01 each	€1,365,862.04
30.04.2015	Capital increase by way of cash contribution + Issuance of 79,800 Valneva SE ordinary shares with a nominal value of €0.15 each + Total amount paid to the Company: €143,640 (including €11,970 in nominal value and €131,670 as issue premium)	75,852,214 Valneva SE shares Including: + 74,663,099 ordinary shares with a nominal value of €0.15 each + 17,836,719 preferred shares with a nominal value of €0.01 each	€1,377,832.04
24.07.2015	Capital increase through capitalization of issue premium + Issuance of 30,500 Valneva SE ordinary shares with a nominal value of €0.15 each + Nominal value of the share capital increase: €4,575	75,882,714 Valneva SE shares Including: + 74,693,599 ordinary shares with a nominal value of €0.15 each + 17,836,719 preferred shares with a nominal value of €0.01 each	€1,382,407.04
28.07.2015	Capital increase by way of cash contribution + Issuance of 1,074 preferred shares convertible into Valneva SE ordinary shares with a nominal value of €0.15 each + Total amount paid to the Company: €172,914 (including €161.10 in nominal value and €172,752.90 as issue premium)	75,883,788 Valneva SE shares Including: + 74,693,599 ordinary shares with a nominal value of €0.15 each + 17,836,719 preferred shares with a nominal value of €0.01 each + 1,074 convertible preferred shares with a nominal value of €0.15 each	€1,382,568.14
07.09.2015	Capital increase through capitalization of issue premium + Issuance of 4,500 Valneva SE ordinary shares with a nominal value of €0.15 each + Nominal value of the share capital increase: €675	75,888,288 Valneva SE shares Including: + 74,698,099 ordinary shares with a nominal value of €0.15 each + 17,836,719 preferred shares with a nominal value of €0.01 each + 1,074 convertible preferred shares with a nominal value of €0.15 each	€1,383,243.14
14.12.2016	Capital increase by way of cash contribution + Issuance of 2,884,615 Valneva SE ordinary shares with a nominal value of €0.15 each + Total amount paid to the Company: €7,499,999 (including €432,692.25 in nominal value and €7,067,306.75 as issue premium)	78,772,903 Valneva SE shares Including: + 77,582,714 ordinary shares with a nominal value of €0.15 each + 17,836,719 preferred shares with a nominal value of €0.01 each + 1,074 convertible preferred shares with a nominal value of €0.15 each	€1,815,935.39
17.05.2017	Capital decrease through buyback and cancellation of convertible preferred shares + Buyback and cancellation of 285 convertible preferred shares Valneva SE with a nominal value of €0.15 each + Total amount reimbursed by the Company: €42.75	78,772,618 Valneva SE shares Including: + 77,582,714 ordinary shares with a nominal value of €0.15 each + 17,836,719 preferred shares with a nominal value of €0.01 each + 789 convertible preferred shares with a nominal value of €0.15 each	€1,815,892.64
24.07.2017	Capital increase through capitalization of issue premium + Issuance of 1,000 Valneva SE ordinary shares with a nominal value of €0.15 each + Nominal value of the share capital increase: €150	78,773,618 Valneva SE shares Including: + 77,583,714 ordinary shares with a nominal value of €0.15 each + 17,836,719 preferred shares with a nominal value of €0.01 each + 789 convertible preferred shares with a nominal value of €0.15 each	€1,816,042.64



E.1.7. Pledged share capital

Shareholders owning pledged shares	Pledge beneficiary	Number of pledged Valneva ordinary shares	Pledge starting date - Release date	Date of maturity of the pledge	Condition for the release of pledge	% of Valneva SE share capital pledged ²¹²
Groupe Grimaud La Corbière SA	Pledge given to the benefit of the shareholder's banking pool in the context of a syndicated loan	3,284,779	22.05.2014	Pledge effective as long as the banking pool of the shareholder has claims against the latter in connection with the syndicated agreement		4.17
		1,644,798	19.12.2014			2.09
		48,989	06.02.2015			0.06
		419,892	30.04.2015			0.53
		- 5,398,458 (Release of pledged shares)	30.06.2015			- 6.85
		7,389,162	30.06.2015			9.38
		167,513	17.08.2015			0.21
		640,046	08.09.2015			0.81
		1,178,279	08.10.2015			1.50
		- 1,155,822 (Release of pledged shares)	15.12.2015			- 1.47
		983,276	11.02.2016			1.25
		2,902,376	23.06.2016			3.68
TOTAL		12,104,830				15.37

E.1.8. Adjustments involving capital securities or securities giving access to the Company's share capital

No adjustments involving capital securities or securities giving access to the Company's share capital have been made during the fiscal year 2017.

²¹² This rate is calculated in reference to a share capital totaling 78,773,618 Valneva SE shares, divided into (a) 77,583,714 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 789 convertible preferred shares (ISIN XFC000X0I9M1), with a nominal value of €0.15 each.



E.2. Main shareholders

E.2.1. Shareholding structure

Company's shareholding structure at February 28, 2018
(End of business day, to the Company's knowledge)

Shareholders	Shares held (a)				Theoretical voting rights	
	Ordinary shares	Preferred shares	Convertible preferred shares	%		%
Groupe Grimaud La Corbière SA (b)	12,104,830	0	0	15.37	24,209,660	24.49
Bpifrance Participations SA	7,456,785	0	0	9.47	14,913,570	15.09
MVM Funds (MVM IV LP & MVM GP (No.4) Scottish LP)	5,851,139	197,768	0	7.68	5,851,139	5.92
Management Board members	Total Management Board members	626,978	238	0.80	1,104,765	1.12
	Mr. Franck Grimaud	482,589	0	0.61	960,376	0.97
	Mr. Thomas Lingelbach	129,983	238	0.17	129,983	0.13
	Mr. Frédéric Jacotot	4,802	0	0.01	4,802	0.00
	Mr. David Lawrence	4,802	0	0.01	4,802	0.00
	Mr. Wolfgang Bender	4,802	0	0.01	4,802	0.00
Employees (non-corporate officers)	106,571	10	196	0.14	202,503	0.20
Other shareholders (private individuals)	1,236,541	1,469	0	1.57	2,364,257	2.39
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS (b)	744,899	0	0	0.95	1,433,800	1.45
Including independent members of the Supervisory Board	Mr. Alain Munoz	41,800	0	0.05	83,600	0.08
	Mr. James Sulat	17,867	0	0.02	35,734	0.04
	Mr. Alexander Von Gabain	38,218	1,469	0.05	38,218	0.04
Other floating capital	50,200,870	989,630	0	64.97	50,200,870	50.79
SUBTOTAL BY CATEGORY	77,583,714	1,189,115	789	100	98,846,764	100
TOTAL		78,773,618	0		98,846,764	100

(a) Percentages in this table are calculated in reference to a share capital of 78,773,618 Valneva SE shares, divided into (a) 77,583,714 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 789 convertible preferred shares (ISIN XFCS00X0I9M1), with a nominal value of €0.15 each.

(b) The "Groupe Familial Grimaud" is comprised of the company Groupe Grimaud La Corbière SA, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.

For information, the number of registered shares thus carrying a double voting right on February 28, 2018 amounts to 21,263,050, or 26.99% of the share capital²¹³. Consequently, the total number of voting rights resulting from the registered shares entitled to a double voting right is of 42,526,100, or 43.02% of the total voting rights²¹⁴.

Note: A description of Valneva SE's share capital and shareholding structure at December 31, 2017 is presented in the Report by the Supervisory Board on the Corporate Governance for the fiscal year 2017²¹⁵.

E.2.2. Direct or indirect shareholdings in the share capital of the Company, of which the Company has been informed in accordance with L. 233-7 and L. 233-12 of the French Commercial code

Please refer to the Report by the Supervisory Board on the Corporate Governance for the fiscal year 2017²¹⁶.

E.2.3. Changes in share ownership over the past three financial years

Please refer to the Report by the Supervisory Board on the Corporate Governance for the fiscal year 2017²¹⁷.

²¹³ This rate is calculated in reference to a share capital totaling 78,773,618 Valneva SE shares, divided into (a) 77,583,714 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 789 convertible preferred shares (ISIN XFCS00X0I9M1), with a nominal value of €0.15 each.

²¹⁴ This rate is calculated in reference to 98,846,764 voting rights (theoretical) at February 28, 2018.

²¹⁵ See Section 7.1, in Section B of this Registration Document.

²¹⁶ See Section 7.3, in Section B of this Registration Document.

²¹⁷ See Section 7.1, in Section B of this Registration Document.



E.2.4. Shareholders agreement

Please refer to the Report by the Supervisory Board on the Corporate Governance for the fiscal year 2017²¹⁸.

E.2.5. Control of the Company

At the filing date of this Registration Document, no shareholder directly or indirectly controls the Company or an interest therein liable to constitute a blocking minority, in accordance with the provisions of article L.233-3, I, II, III of the French Commercial code.

Please refer to the Section “Stipulation specific to Ordinary Shares” of this Registration Document²¹⁹, for information regarding the limitation on the voting rights set at 29.9% for any holder (acting alone or in concert) of Valneva SE ordinary shares.

E.2.6. Agreements or elements that may lead to a change of control or that may have an impact in case of public offering

The agreements or elements that may lead to a change of control or that may have an impact in case of public offering are the following:

- + double voting right mechanism²²⁰;
- + limitation on the voting rights set at 29.9% for any holder (acting alone or in concert) of Valneva SE ordinary shares²²¹; and
- + the agreements referred to in the Report by the Supervisory Board on the Corporate Governance for the fiscal year 2017²²².

E.2.7. List of all security holders with special control rights; description of said rights

Please refer to the Report by the Supervisory Board on the Corporate Governance for the fiscal year 2017²²³.

E.2.8. Control mechanisms provided for in a potential employee stock ownership system, where control rights are not exercised by the latter

Please refer to the Report by the Supervisory Board on the Corporate Governance for the fiscal year 2017²²⁴.

E.3. Company's Articles of Association

E.3.1. Object and purpose of the Company (Article 3 of the Articles of Association)

The Company has as its object, within France and in every country:

- + Research & Development within the field of biomedicine and pharmacology;
- + the commercial exploitation of patents and know-how;

²¹⁸ See Section 7.6, in Section B of this Registration Document.

²¹⁹ See Section E.3.3 (b).

²²⁰ As described in Section 7.2.1 (a) of the Report by the Supervisory Board on the Corporate Governance for the fiscal year 2017, in Section B of this Registration Document.

²²¹ As described in Section E.3.3 (b) of this Registration Document.

²²² See Section 7.9, in Section B of this Registration Document.

²²³ See Section 7.4, in Section B of this Registration Document.

²²⁴ See Section 7.5, in Section B of this Registration Document.



- + trading in products of all kinds and the provision of services in the field of data processing and information technology;
- + the production, monitoring and marketing of all products, services and research programs with applications to human and animal health, using the technologies of molecular and cellular biology and all of the associated techniques;
- + the participation of the Company by all means, direct or indirect, in all operations which may be associated with its company object, through the creation of new companies, contributions, subscription or purchase of securities or company rights, mergers or otherwise, the creation, acquisition, leasing, lease management of all operating assets or facilities; the acquisition, exploitation or sale of all procedures and patents regarding these activities, within France and abroad;
- + and more generally, all industrial, commercial or financial, securities or property operations, which may be directly or indirectly associated with its business object or likely to favour its exploitation, realization or development.

E.3.2. Corporate Governance

(a) Management Board

Please refer to the Report by the Supervisory Board on the Corporate Governance for the fiscal year 2017²²⁵.

(b) Supervisory Board

Please refer to the Report by the Supervisory Board on the Corporate Governance for the fiscal year 2017²²⁶.

E.3.3. Rights and obligations attaching to Shares (Article 13 of the Articles of Association)

(a) Rights and obligations common to the Shares

Each Share gives the right to participate in collective decisions, as well as the right to be informed of the progress of the Company and to receive certain documents at times and under the conditions provided by law and the Articles of Association.

Shareholders shall only bear losses up to the limit of their contributions.

Subject to the provisions of the law and of the Articles of Association, no majority may impose an increase in their commitments. The rights and obligations attached to the Share shall follow the security regardless of its holder.

The ownership of a Share shall entail the ipso jure adhesion to the decisions of the General Meeting and to the Articles of Association.

The assignment shall include all dividends fallen due and falling due, as well as any portion of the reserve fund, unless otherwise notified to the Company.

The heirs, creditors, assignees or other representatives of a shareholder may not, under any pretext, require the sealing of the property and company documents, demand the division or the sale by auction of these assets or interfere in the administration of the Company. In order to exercise their rights, they shall refer to the company inventories and to the decisions of the General Meeting.

²²⁵ See Section 1.3 (a), in Section B of this Registration Document.

²²⁶ See Section 1.3 (b), in Section B of this Registration Document.



Whenever it is necessary to possess a certain number of Shares in order to exercise any right, in the event of an exchange, consolidation or attribution of securities or for an increase or reduction in the share capital, a merger or any other transaction, shareholders holding a number of Shares less than that required shall only be able to exercise these rights provided that they personally ensure that they obtain the required number of Shares.

(b) Stipulations specific to Ordinary Shares

Each Ordinary Share confers a right of ownership of the Company's assets, to profit-sharing and to the liquidation surplus, to a share proportional to the stake in the share capital which it represents, taking into account, where appropriate, amortized and unamortized, paid up and unpaid share capital, for the nominal amount of the Shares and the rights of the different classes of Shares.

Except in cases where the law provides otherwise and with the exception of the double voting right provided below, each shareholder shall have as many voting rights and express as many votes at Meetings as he has Ordinary Shares fully paid up for all of the due payments. For the same nominal value, each capital or participating Ordinary Share shall confer one vote.

A double voting right, considering the proportion of the share capital which they represent, shall be attributed to all fully paid up Ordinary Shares, which shall be documented by a registration in the nominative form for at least two years, starting from the registration of the Company in the form of a European Company, in the name of the same shareholder. This right is also granted on issuance, in the event of a share capital increase through incorporation of reserves, profits or issue premiums, to the Ordinary Shares attributed as a bonus to a shareholder by virtue of former Ordinary Shares for which it has already benefited from this right.

Regardless of the number of Ordinary Shares held by it, whether directly or indirectly, a shareholder, acting alone or in concert, may not express, by way of the votes which it submits, whether in its own name or as a proxy during a General Meeting, more than 29.9% of the votes attached to the Ordinary Shares issued and with attached voting rights as at the date of such General Meeting. This cap shall apply to shareholders acting in concert according to article L. 233-10 of the French Commercial code, the voting rights of such shareholders to be aggregated for this purpose. If the cap is to apply to one or more shareholders, the quorum and majority rules shall be determined for each General Meeting by taking into account the number of voting rights that could be validly exercised by the relevant shareholders. This cap shall apply for a period of five (5) years from the registration of the Company as a European Company with the trade and companies register.

(c) Stipulations specific to the Preferred Shares

1. Pecuniary rights

The pecuniary rights associated with a Preferred Share shall be limited under the conditions provided in Articles 34 and 39 of the Articles of Association.

2. Voting rights

Preferred Shares shall be deprived of their voting right at General Meetings. This provide entitlement, under the conditions set by the law and by Article 31 of the Articles of Association, to take part in and vote at the special meetings of holders of Preferred Shares.

3. Right to convert Preferred Shares into Ordinary Shares subject to conditions

(i) Condition for conversion of Preferred Shares into Ordinary Shares

Subject to any adjustments pursuant to the stipulations of the paragraph "*Protection of individual rights of holders of Preferred Shares*" below, all of the Preferred Shares shall be converted *ipso jure* into a



number of Ordinary Shares determined according to the procedures appearing in the paragraph “*Determination of the Conversion Ratio*” below, in the event that (i) the Company (or any subsidiary, company member of the same group or successor by operation of law) obtains the marketing authorization in the United States of America or in Europe (on the basis of a centralized procedure) for the therapeutic application of the vaccine *Pseudomonas aeruginosa* against mortality from any cause for ICU patients, and (ii) that at the date of such granting either (a) the royalties received by the Company for this vaccine *Pseudomonas aeruginosa* represent at least 9.375% of the net proceeds from the sales of the vaccine, as currently stipulated in the Strategic Alliance Agreement (as modified) concluded with Novartis, or (b) the share of the profits resulting from the sales of the vaccine for Intercell remains unchanged and at least equal to 45%, in each case as currently set forth in the Novartis Strategic Alliance Agreement (as modified) (the **Condition**) depending on the election of Intercell Austria AG, such election by Intercell Austria AG being subject to the prior approval of the Supervisory Board of the Company at a simple majority.

This condition must be satisfied within seven (7) years starting from the date of realization of the merger between the Company and Intercell AG and shall be deemed satisfied at the date of issue of the first approval once final after expiry of the time for appeal, if any, on the part of either the Food & Drug Administration for the United States of America, or the European Medicines Agency for the countries of the European Union.

(ii) Procedures for conversion of Preferred Shares into Ordinary Shares

Determination of the Conversion Ratio

The conversion of the Preferred Shares into Ordinary Shares shall be carried out pursuant to a conversion ratio of 0.5246 Ordinary Share for 1 Preferred Share (the **Conversion Ratio**), if necessary adjusted in accordance with provisions of paragraph “(iii) *Protection of the individual rights of holders of the Preferred Shares*” below.

Conversion procedures for Preferred Shares

The conversion of Preferred Shares into Ordinary Shares shall not require either instructions or payment by the holders of the Preferred Shares.

The nominal value of each of the Ordinary Shares shall be paid up by debiting the special blocked reserve account created for that purpose in the accounts (shareholders' equity) of the Company.

The conversion of Preferred Shares into Ordinary Shares and the registration in the shareholders' accounts of the Company resulting from the same shall take place ipso jure within 10 days of the realization of the Condition.

All Preferred Shares converted into Ordinary Shares shall definitively be considered as Ordinary Shares on the date of their conversion.

The Management Board shall be entitled to carry out any conversion transaction, amend the Articles of Association and carry out any subsequent necessary or legal formalities.

Payment of Fractional Shares

On conversion of the Preferred Shares, every holder of the Preferred Shares may obtain a number of Ordinary Shares calculated with regard to the number of Preferred Shares which it holds on the basis of the Conversion Ratio in effect.

When the number of Ordinary Shares so calculated is not a whole number, the fraction of Ordinary Shares forming a fractional lot shall be paid in cash. In such an event, the holder of the Preferred Shares shall receive an amount equal to the product (i) of the fraction of an Ordinary Share forming a fractional lot and (ii) an amount equal to the first recorded market price of the Ordinary Share for the



stock exchange trading session preceding that of the *ipso jure* conversion of the Preferred Shares into Ordinary Shares.

Such amount shall be debited from the special blocked reserve account created for that purpose in the accounts (shareholders' equity) of the Company and, as the case may be, from any available reserve accounts.

(iii) Protection of the individual rights of holders of the Preferred Shares

Amortization of the share capital - Modification of profit-sharing - Issuance of preferred shares

The Company shall have the right to amortize its share capital, to modify the rules for sharing of its profits or the issuance of preferred shares, provided that, for as long as Preferred Shares are in circulation, it has taken the necessary measures to preserve the rights of the holders of the Preferred Shares, pursuant to the stipulations of the paragraph "*Financial Operations of the Company*" below.

Capital reduction due to losses

In the event of reduction of the share capital of the Company due to losses and carried out through a reduction in the nominal amount or number of shares comprising the share capital, the rights of the holders of the Preferred Shares shall consequently be reduced, as if the holders of the Preferred Shares had converted their Preferred Shares before the date on which the capital reduction had become final.

Financial operations of the Company

On conclusion of one of the following operations:

1. financial operations with a listed preferential subscription right;
2. attribution of bonus ordinary shares of the Company to shareholders, division or consolidation of shares;
3. free attribution to shareholders of any financial instruments other than the ordinary shares of the Company;
4. absorption, merger, division;
5. amortization of the share capital;

which the Company could realize starting from the date of issuance of the Preferred Shares, the maintenance of rights of holders of the Preferred Shares shall be ensured by carrying out an adjustment of the Conversion Ratio, pursuant to the following procedures (the **Adjusted Conversion Ratio**).

This adjustment shall be carried out in such a way that it equalizes the value of the Ordinary Shares, to the nearest thousandth of an Ordinary Share, which have been obtained in the event of conversion of the Preferred Shares immediately after the realization of one of the above-mentioned operations, and the value of Ordinary Shares that would be obtained in case of conversion of Preferred Shares immediately after said operation.

In the event of adjustments carried out pursuant to paragraphs 1. to 5. below, the new Conversion Ratio shall be determined to the nearest thousandth (0.0005 being rounded up to the nearest thousandth, i.e. to 0.001). Any further adjustments shall be carried out on the basis of the preceding Conversion Ratio so calculated and rounded. At the same time, the Ordinary Shares shall only give rise to the delivery of a full number of Ordinary Shares, with the payment of partial Shares being specified in the paragraph "*Payment of partial shares*" above.

1. In the case of financial operations entailing a listed preferential subscription right, the Adjusted Conversion Ratio shall be equal to the product of the current Conversion Ratio before the start of the operation in question and the ratio below:



$$\frac{\text{Value of the Ordinary Share after detachment of the preferential subscription right} + \text{Value of the preferential subscription right}}{\text{Value of the Ordinary Share after detachment of the preferential subscription right}}$$

To calculate this ratio, the value of the Ordinary Share after detachment of the preferential subscription right shall be determined as the arithmetic average of the first market prices on NYSE Euronext Paris exchange (or in the absence of a market price on NYSE Euronext Paris exchange, on another regulated or similar market on which the share and the subscription right are both listed) for all of the trading days included in the subscription period.

2. In the event of attribution of free Shares, as well as in the event of division or consolidation of Ordinary Shares, the Adjusted Conversion Ratio shall be equal to the product of the Conversion Ratio in effect before the start of the operation in question and the following ratio:

$$\frac{\text{Number of Ordinary Shares comprising the share capital after the operation}}{\text{Number of Ordinary Shares comprising the share capital before the operation}}$$

3. In the event of attribution free of charge of a financial instrument/financial instruments other than the ordinary shares of the Company, the Adjusted Conversion Ratio shall be determined as follows:

(a) if the right of free attribution of the financial instrument/financial instruments is subject to a listing on NYSE Euronext Paris exchange (or in the absence of a listing on NYSE Euronext Paris exchange, on another regulated or similar market), the new Conversion Ratio shall be equal to the product of the Conversion Ratio in effect before the start of the operation in question and the following ratio:

$$\frac{\text{Value of the ordinary share ex the free bonus right} + \text{value of the free bonus right}}{\text{Value of the ordinary share ex the free bonus right}}$$

To calculate this ratio:

- + the value of the ordinary share ex the free bonus right shall be determined as the average weighted by the volumes of the first market prices quoted on NYSE Euronext Paris exchange (or in the absence of a price on NYSE Euronext Paris exchange, on another regulated or similar market on which the share and the subscription right are both listed) for the ordinary share ex the free bonus right for the first three stock exchange trading sessions, starting on the date on which the ordinary shares are listed ex the free bonus right;
- + the value of the free bonus right shall be determined as in the above paragraph. If the free bonus right is not listed for at least each of these three stock exchange sessions, its value shall be determined by an independent expert of international reputation, chosen by the Company.

(b) if the bonus right for the financial instrument/financial instruments is not listed on the NYSE Euronext Paris exchange (or in the absence of a price on the NYSE Euronext Paris exchange, on another regulated or similar market), the Adjusted Conversion Ratio shall be equal to the product of the Conversion Ratio in effect before the start of the operation in question and the following ratio:

$$\frac{\text{Value of the ordinary share ex free bonus right} + \text{Value of the financial instrument(s) attributed per ordinary share}}{\text{Value of the ordinary share ex free bonus right}}$$



To calculate this ratio:

- + the value of the ordinary share ex the free bonus right shall be determined as in paragraph (a) above.
- + if the attributed financial securities are listed or likely to be listed on the NYSE Euronext Paris exchange (or in the absence of a listing on the NYSE Euronext Paris exchange, on another regulated or similar market), for the 10-day trading period starting on the date on which the shares are listed ex-distribution, the value per share of the attributed financial security/securities shall be equal to the average weighted by the volumes of the prices of the said financial securities observed on the said market for the first three stock exchange trading sessions included in this period during which the said financial securities are listed. If the said attributed financial securities are not listed for at least each of these three stock exchange trading sessions, the per share value of the attributed financial security/securities shall be determined by an independent expert of international reputation, chosen by the Company.

4. *In the event of absorption of the Company by another company or merger with one or several other companies to form a new company or a division*, the Preferred Shares shall be exchanged for the preferred shares of the absorbing or new company or of the companies benefiting from the division and shall be converted into ordinary shares of the absorbing or new company or the companies benefiting from the division (the **Replacement Shares**).

The new Conversion Ratio shall be determined by multiplying the Conversion Ratio in effect before such an event by the exchange ratio for the Ordinary Shares into the Replacement Shares.

The company or companies which are beneficiaries of the contributions or the new company/companies shall replace the Company *ipso jure* in its obligations with regard to the holders of the Preferred Shares.

5. *In the event of amortization of the share capital*, the Adjusted Conversion Ratio shall be equal to the product of the Conversion Ratio in effect before the amortization and the following ratio:

$$\frac{\text{Value of the Ordinary Share before the amortization}}{\text{Value of the Ordinary Share before the amortization} - \text{Amount of the amortization per Ordinary Share}}$$

To calculate this ratio, the value of the Ordinary Share before the amortization shall mean the average weighted by the volumes of the market prices quoted on the NYSE Euronext Paris exchange (or in the absence of a price on the NYSE Euronext Paris exchange, on another regulated or similar market) for the last three stock exchange trading sessions preceding the day on which the Ordinary Shares are listed ex-amortization.

In the event that the Company executes operations for which an adjustment has not been stipulated by way of paragraphs 1. to 5. above and where a further provision of law or regulation provides for an adjustment, the Company shall make this adjustment pursuant to the applicable legal or regulatory provisions, taking account of practices in the field within the French market. In the event that the Ordinary Share of the Company is no longer admitted to trading on the NYSE Euronext Paris exchange (or in the absence of a price on the NYSE Euronext Paris exchange, on another regulated or similar market), the values referred to above shall be determined by an independent expert of international reputation, chosen by the Company.

(iv) Permanent information regarding the Preferred Shares

The Company shall notify the following information by all appropriate means within France and in Austria, shall place it on-line on the Company's website and shall proceed, as the case may be, with



the necessary publications in the *Bulletin des Annonces Légales Obligatoires* within the time limits set out by applicable laws:

- + at the latest within two (2) working days following the realization of the Condition, the realization of said Condition, as well as a description of the modalities for granting Ordinary Shares issued upon conversion of Preferred Shares and of the cash payment of the fractional Ordinary Shares;
- + at the latest on 30 June of each year, until the date of realization of the Condition, a special report by the Statutory Auditors of the Company on the observance by the Company of the particular rights associated with the Preferred Shares;
- + in the event of adjustment of the Conversion Ratio, the new Conversion Ratio within five (5) working days following the adjustment date of the Conversion Ratio;
- + after the expiry of the 7 years delay within which the Condition is to be met, and if such Condition is not satisfied, the procedure to buy back the Preferred Shares.

4. Repurchase of the Preferred Shares

The Company shall buy-back:

- + the Preferred Shares that were not allotted to the shareholders of Intercell AG, according to the conditions of article 7.5 of the Merger Agreement entered into between the Company and Intercell AG;
- + of all the Preferred Shares in the event that the Condition is not realized, for a price equal to their nominal value and payable within a ten (10) working day-period from the end of the period within which the Condition is to be met.

In any event, the repurchase of the Preferred Shares shall be carried out by the Company by deduction from the special blocked reserve account created for such purpose.

5. Cancellation of the Preferred Shares

The Company shall cancel:

- + the non-converted Preferred Shares if the Conversion Ratio was to lead to the creation of a lower number of Ordinary Shares than the existing number of Preferred Shares as at the date of the completion of the Condition;
- + the Preferred Shares bought back by the Company in one of the cases set out in paragraph 4 above.

The Management Board is hereby granted all powers to carry out the cancellation of the Preferred Shares and the subsequent amendment of the Articles of Association.

Provisions of paragraphs 4 and 5 above are applicable without prejudice of the ability for the Company to buy back, and if applicable, to cancel the Preferred Shares, in all other hypothesis under conditions set forth by laws and regulations.

(d) Special provisions applicable to the Convertible Preferred Shares

1. Rights attached to the Convertible Preferred Shares

The Convertible Preferred Shares will not be entitled to the distribution of dividends.

The Convertible Preferred Share does not carry voting rights in General Meeting. In accordance with the provisions set by statute and article 32 of the Articles of Association, it confers a right to participate and vote in special shareholders meetings for holders of Convertible Preferred.



The Convertible Preferred Shares do not carry preferential subscription rights to capital increases or any other corporate action with preferential subscription rights to Ordinary Shares and will not benefit from capital increases by free grants of new shares or by increasing the nominal amount of existing ordinary shares or through the capitalization of reserves, earnings or other items that may be capitalized, or through free grants of securities giving access to shares for the benefit of holders of ordinary shares.

The Convertible Preferred Shares are non-transferable.

2. Right to convert Convertible Preferred Shares into Ordinary Shares subject to conditions

(i) Condition for conversion of Preferred Shares into Ordinary Shares

The Convertible Preferred Shares may be converted into Ordinary Shares at the end of four (4) years from their issuance date or their allocation date (the **Conversion Date**), according to a conversion ratio determined in the conditions described hereunder (the **Conditions of Convertible Preferred Shares**):

The number of Ordinary Shares that may result from the conversion will be calculated according to a conversion ratio determined by the Management Board based on the volume weighted average price of the Company's share for a period defined by the Management Board (the **Volume Weighted Average Price**) on the Conversion Date (the **Conversion Ratio**). It being stipulated that the Management Board will determine for this purpose on the date the Convertible Preferred Shares are issued or awarded:

- + the Volume Weighted Average Price from which the Convertible Preferred Shares may confer a right of conversion (the **Floor Price**) that may not, in any case be less than €4;
- + the target price on the Conversion Date above which the Ordinary Shares issued from the conversion will not increase (the **Ceiling Price**).

The Convertible Preferred Shares may not represent more than 6% of the share capital.

(ii) Procedures for conversion of Preferred Shares into Ordinary Shares

Subject to fulfillment of the Conditions of the Convertible Preferred Shares, the Convertible Preferred Shares will, on the Date of Conversion, be converted by the Company into Ordinary Shares at the request of the holder as from the Conversion Date and up to the cut-off date determined by the Management Board after which the Convertible Preferred Shares will automatically be converted if the holder has not requested conversion during this period.

The conversion of Convertible Preferred Shares into Ordinary Shares shall not require any payment by the holders of the Convertible Preferred Shares.

The nominal value of each of the Ordinary Shares shall be paid up by debiting the special blocked reserve account created for that purpose in the accounts (shareholders' equity) of the Company.

The conversion of Convertible Preferred Shares into Ordinary Shares will constitute de facto waiver by shareholders of their preferential subscription rights resulting from new ordinary shares that will be, as applicable, issued pursuant to this conversion.

The Ordinary Shares resulting from the conversion of Convertible Preferred Shares will be definitively fungible with existing ordinary shares of the company as from the conversion date.

When the total number of Ordinary Shares to be received by a holder of Convertible Preferred Shares by applying the Conversion Ratio to the number of Convertible Preferred Shares held is not a whole number, said holder will receive the next lowest number of Ordinary Shares.

The Management Board must note for the record, as applicable, the number of Ordinary Shares resulting from the conversion of Convertible Preferred Shares, and make the necessary modifications



to the bylaws, in particular with respect to the allocation of Shares per class and record the capital increase as required by law.

On conversion of the Convertible Preferred Shares, every holder of Convertible Preferred Shares may obtain a number of Ordinary Shares calculated with regard to the number of Convertible Preferred Shares which it holds on the basis of the Conversion Ratio in effect.

When the number of Ordinary Shares so calculated is not a whole number, the fraction of Ordinary Shares forming a fractional lot shall be paid in cash. In such an event, the holder of Convertible Preferred Shares shall receive an amount equal to the product (i) of the fraction of an Ordinary Share forming a fractional lot and (ii) an amount equal to the first recorded market price of the Ordinary Share for the stock exchange trading session preceding that of the ipso jure conversion of the Preferred Shares into Ordinary Shares.

Such amount shall be debited from the special blocked reserve account created for that purpose in the accounts (shareholders' equity) of the Company and, as the case may be, from any available reserve accounts.

(iii) Protection of the individual rights of holders of Convertible Preferred Shares

The provisions of article 13.3 "Special provisions applying to Preferred Shares", section 3 "Right to convert Preferred Shares into Ordinary Shares subject to conditions", subsection (iii) "Protection of the individual rights of holders of Preferred Shares" of the Articles of Association, will also apply to Convertible Preferred Shares, subject to the characteristics of these securities.

(iv) Repurchase of Convertible Preferred Shares

If the functions of a holder of Convertible Preferred Shares within the Company or its subsidiaries are terminated for one of the following reasons:

- + dismissal or gross or willful misconduct or the removal as corporate officer or employee of the Company or one of its subsidiaries in similar circumstances;
- + voluntary early retirement with full pension benefits, in the absence of prior written approval from the Company;
- + resignation in the absence of prior written approval from the Company,

the Company will buy back the Convertible Preferred Shares for the purpose of their cancellation.

The Convertible Preferred Shares will be repurchased at a price corresponding to their nominal value per share.

The Company will inform the holder of Convertible Preferred Shares concerned of the repurchase to be carried out by any means before the actual date of the repurchase.

All Convertible Preferred Shares repurchased on this basis will be definitively canceled as from that repurchase date and the capital of the company will be reduced by the corresponding amount, with the creditors possessing a right of objection.

The Management Board must note for the record, as applicable, the number of Convertible Preferred Shares repurchased and canceled by the company and make the necessary modifications to the articles of association with respect to the share capital and the number of shares making up the capital.

E.3.4. Amendment to shareholders' rights

Shareholder rights, as set forth in the Company's Articles of Association, may be changed or amended only by action taken at an Extraordinary General Meeting.

E.3.5. General Meetings

**(a) Nature of General Meetings (Article 24 of the Articles of Association)**

The decisions of the shareholders shall be taken at a General Meeting.

The Ordinary General Meetings shall be those which are convened on to take all of the decisions which do not modify the Articles of Association.

The Extraordinary General Meetings shall be those convened on to decide or authorize direct or indirect modifications of the Articles of Association.

The Special Meetings shall bring together the holders of Shares of a given category to rule on a modification of the rights of the Shares of this category and all other decisions provided by law or by the Articles of Association.

The resolutions of the General Meetings shall oblige all of the shareholders, even if absent, dissenting or incapable.

(b) Notice and convening of General Meetings (Article 25 of the Articles of Association)

The General Meetings shall be convened either by the Management Board or failing this, by the Supervisory Board or the Statutory Auditors or by a representative designated by the court, at the demand, either of any interested party or works council in the event of an emergency or by several shareholders representing at least 5% of the share capital.

The General Meetings shall be convened at the registered office or at any other location indicated in the notice of calling.

The Company shall be obliged, within the time limits set out in applicable laws, to publish a notice of meeting in the *Bulletin des Annonces Légales Obligatoires* containing the mentions provided by the laws in effect.

The convening of the General Meetings shall be realized by the inclusion in a newspaper authorized to receive legal announcements in the Department of the registered office and in addition, in the *Bulletin des Annonces Légales Obligatoires*, within the time limits set out in applicable laws.

When a Meeting has been unable to deliberate in regular fashion, due to failure to reach the necessary quorum, the second Meeting and as per the case, the second extended Meeting, shall be convened, in the same forms as the first, within the time limits set out in applicable laws and the notice of calling shall recall the date of the first calling and reproduce its agenda.

(c) Agenda (Article 26 of the Articles of Association)

The agenda of the Meetings shall be drawn up by the author of the calling.

One or several shareholders, representing at least the required proportion of the share capital and acting under the conditions and pursuant to the deadlines set by the law, shall be entitled to request the inclusion of draft resolutions in the agenda of the Meeting by registered letter with a request for notice of receipt.

If a works council exists, it may request the entering of draft resolutions on the agenda of a Meeting.

These draft resolutions must be notified to the shareholders and be entered in the agenda and submitted to the vote of the Meeting.

The Meeting may not deliberate on an issue which is not entered on the agenda, which may not be modified at a second calling. It may nevertheless dismiss one or several members of the Supervisory Board under any circumstances and replace them.

**(d) Admission to General Meetings - Powers (Article 27 of the Articles of Association)**

All of the shareholders shall be entitled to take part in the Meetings on providing proof of their identity, though subject to compliance with the following provisions:

- + for holders of registered shares, their registration in the registered share account maintained by the Company no later than the second day preceding the Meeting date;
- + for holders of ordinary bearer shares, issuance of a certificate of participation (attestation de participation) by an authorized intermediary confirming they are registered in a securities account no later than the second day preceding the Meeting date.

Any shareholder may vote by post through a form, a copy of which may be obtained under the conditions indicated by the notice of calling of the Meeting.

A shareholder may be represented by another shareholder who provides evidence of a power of attorney, by his/her spouse or partner with whom he/she has concluded a civil solidarity pact.

A shareholder may furthermore be represented by any other natural or legal person of his/her choice and this under the conditions provided in articles L. 225-106, L. 225-106-1 and R. 225-79 of the French Commercial Code.

In the event of existence of a works council within the Company, two of its members designated by the counsel, of which one belongs to the category of technical staff and supervisors and the other to the category of employees and workers, or where appropriate, the persons mentioned in articles L. 2323-64 and L. 2323-65 of the French Labour Code, may attend the General Meetings. They shall be heard at their request for all of the resolutions which require the unanimity of shareholders.

(e) Convening of General Meetings - Officers - Minutes (Article 28 of the Articles of Association)

An attendance sheet shall be signed by the attending shareholders and representatives, to which shall be attached the powers granted to each representative and, as appropriate, the postal voting forms. It shall be certified as accurate by the bureau of the Meeting.

The Meetings shall be chaired by the Chairman of the Supervisory Board or, in his absence, by the Deputy Chairman or by a member of the Supervisory Board especially appointed for this purpose. In the event of convening by a Statutory Auditor or court-appointed agent, the Meeting shall be chaired by the author of the convening notice. Failing this, the Meeting shall itself elect its Chairman.

The two present and accepting shareholders, representing the largest number of votes, both as themselves and as representatives, shall serve as scrutineers. The bureau so established shall designate a secretary, who may be selected from outside the members of the Meeting.

The deliberations of the meetings shall be recorded in minutes signed by the members of the bureau and drawn up in a special register, in accordance with the law. Copies and extracts of these minutes shall be certified under the conditions set by law.

(f) Quorum - Vote (Article 29 of the Articles of Association)

The quorum shall be calculated on all of the Shares comprising the share capital, except in the Special Meetings, where it shall be calculated on all of the Shares for the category in question, all of which minus the Shares deprived of the voting rights by virtue of the provisions of the law. In the event of a postal vote, for the calculation of the quorum, only forms duly completed and received by the Company at least three (3) days before the date of the Meeting shall be considered.

Subject to the double voting right and the cap of the voting rights referred to article 13.2 of the Articles of Association, the voting rights attached to Ordinary Shares shall be proportional to the stake in the share capital which they represent.



The vote shall be expressed by a show of hands, by a roll-call or by a secret ballot, pursuant to what the bureau of the Meeting or the shareholders decide. The shareholders may also vote by post.

For the purposes of calculating the quorum and majority, shareholders shall be considered to be present who take part in the Meeting via videoconference or telecommunications media which permit their identification and guarantee their effective participation, the nature and conditions of application of which are determined by legislative and regulatory provisions in effect.

(g) Ordinary General Meeting (Article 30 of the Articles of Association)

The Ordinary General Meeting shall take all of the decisions exceeding the powers of the Management Board, which do not have the object of modifying the Articles of Association.

The Ordinary General Meeting shall meet at least once a year, within six months of the end of the financial year, to rule on the financial statements for the financial year, subject to the extension of the deadline by a court decision.

It shall only deliberate validly, on a first convening, if the present and represented shareholders, or those voting by postal vote, hold at least the number of Shares set out in applicable laws.

No quorum shall be required for the second convening. It shall rule with a majority of the votes validly cast by the present or represented shareholders or shareholders voting by post. Abstention and votes blank or void shall not be considered as votes cast.

For the purposes of calculating the quorum and majority, shareholders shall be considered to be present who take part in the General Meetings via videoconference or telecommunications media as detailed above, albeit with the exception of resolutions relating to the approval of the company accounts, and as per the case, the approval of the consolidated accounts.

(h) Extraordinary General Meeting (Article 31 of the Articles of Association)

The Extraordinary General Meeting may amend the Articles of Association in all of their provisions and notably decide on the conversion of the Company into a limited liability company. It may nevertheless increase the commitments of the shareholders, subject to the operations resulting from a consolidation of Shares effected in regular fashion.

The Extraordinary General Meeting may only deliberate validly if the present or represented shareholders or shareholders voting by postal vote possess on the first convening or on the second convening the number of Shares set out by applicable laws. In the absence of this latter quorum, the second Meeting may be extended until a date two months later than the one on which it had been convened.

The Extraordinary General Meeting shall rule with a majority of two thirds of the votes validly cast by the present or represented shareholders, or voting by postal vote, unless there is a legal exemption. Abstention and votes blank or void shall not be considered as votes cast.

In constituent Extraordinary General Meetings, *i.e.* those convened to deliberate on the approval of a contribution in kind or the granting of a particular benefit, the grantor or beneficiary shall not have a vote, either for itself or as a representative.

For the purposes of calculating the quorum and majority, shareholders shall be regarded as present who take part in the General Meetings via videoconference or telecommunications media as detailed above, albeit with the exception of resolutions relating to a modification of the share capital, a merger, division or partial contribution of assets.

(i) Special Meetings (Article 32 of the Articles of Association)

If there are several categories of share, no modification may be made to the rights of the Shares in one of these categories, without a requisite vote of an Extraordinary General Meeting, open to all of



the shareholders and furthermore, without an equally requisite vote of a Special Meeting, open only to the owners of Shares of the category in question.

The special Meetings may only deliberate validly if the present or represented shareholders hold on the first convening or on the second convening the number of Shares of the relevant category set out by applicable laws.

Other meetings shall be convened and shall deliberate under the same conditions as the Extraordinary General Meetings, subject to the particular provisions applicable to Meetings of holders of Shares with a priority dividend, but without voting rights.

For the purposes of calculating the quorum and majority, shareholders shall be regarded as present who take part in the Meeting via videoconference or telecommunications media as detailed above and for which the nature and conditions of application are determined by current legislative and regulatory provisions.

As necessary, it is hereby specified that the conversion of preferred Shares into ordinary Shares under the conditions provided in article 13.3 of the Articles of Association shall not be subject to the approval of the special meeting of Preferred Shareholders.

(j) Shareholders' right to information (Article 33 of the Articles of Association)

Every shareholder has the right to receive, under the conditions and at times set by law, the documents required for it to be able to pronounce knowledgeably and draw up a ruling on the management and control of the Company.

The nature of these documents and the conditions of their dispatch or provision shall be determined by the law and regulations.

E.3.6. Clauses likely to affect control of the Company

Please refer to the Section "Agreements or elements that may lead to a change of control or that may have an impact in case of public offering" of this Registration Document²²⁷.

E.3.7. Threshold crossing (Article 12 of the Articles of Association)

For information on the applicable rules on threshold crossing provided in the Articles of Association, please refer to the Report by the Supervisory Board on the Corporate Governance for the fiscal year 2017²²⁸.

E.3.8. Special provisions applicable to changes in share capital (Article 9 of the Articles of Association)

There are no special provisions in the Company's Articles of Association applicable to changes in its share capital. As a result, the share capital and rights attached to Shares may be simply amended in accordance with conditions provided for by law.

²²⁷ See Section E.2.6.

²²⁸ See Sections 7.2.1 (c), in Section B of this Registration Document.



E.4. Information and history of the Company during the fiscal year

Registered name

Valneva

Place of incorporation and registration number

The Company is registered in the Trade and Companies Registry in Lyon under registration number 422 497 560.

Date of incorporation and term

The Company's business sector N.A.F. code (with respect to the main establishment) is 72.11Z - Research & Development in biotechnology.

The Company was incorporated on April 7, 1999 for a fixed period, except in the case of early dissolution or extension, of ninety-nine years from its registration in the Register of Commerce and Companies, *i.e.* until April 6, 2098.

Registered office, legal form and applicable law

Registered office: World Trade Center Lyon - Tour Oxygène, 10-12 boulevard Marius Vivier Merle, 69003 Lyon - France

Telephone: +33 (0) 4 72 40 57 52

Valneva is a European Company with a Management and a Supervisory Board, governed in particular by the provisions of Book II of the French Commercial code.

Significant events in the development of the issuer's activities

Please refer to the Sections "Annual operating highlights", "Recent events", "Description of Valneva SE's subsidiaries", "Products and technologies of the Group", "Main markets" and "Significant post-closing events - Group's business trends and outlooks" of this Registration Document²²⁹.

E.5. Information on shareholdings

Please refer to the Section "Description of Valneva SE's shareholdings" of this Registration Document²³⁰, as well as to the Notes of the consolidated financial statements for the fiscal year 2017²³¹.

²²⁹ See Sections A.1.2, A.1.3, A.2.2 (b), A.3.1, A.3.2 (a) and A.4.4.

²³⁰ See Section A.2.2 (c).

²³¹ See Note 5.1 and 5.14, in Section D.1 of this Registration Document.



E.6. Regulated agreements and commitments

E.6.1. List of regulated agreements and commitments

Regulated agreements authorized by the Company's Supervisory Board in 2017²³²

Management Agreement executed between Mr. David Lawrence and Valneva SE	
<i>Authorized by the Supervisory Board on August 1, 2017</i>	
Purpose of the agreement	This agreement specifies the compensation and benefits to be received by Mr. David Lawrence in his capacity as a Management Board Member and CFO as from August 7, 2017.
Income and/or charges recognized the period: (128,456.83)	
Encashments and/or payments: (94,917.20)	
Amendment to the Management Agreement executed between Mr. David Lawrence and Valneva SE	
<i>Authorized by the Supervisory Board on December 19, 2017</i>	
Purpose of the agreement	<p>Considering the distribution of Mr. Lawrence's working time among Valneva SE and Valneva Austria GmbH, the structure of his Management Agreements have been modified. The <i>Management Agreement</i> with Valneva Austria GmbH is terminated as of December 31, 2017, while the compensation and benefits previously provided under this agreement are incorporated into the Management Agreement executed between Mr. Lawrence and Valneva SE.</p> <p>The amendment also clarifies the situation regarding travel expenses of Mr. Lawrence, vis-à-vis his travels between United-Kingdom and France.</p> <p>This amendment entered into force as from January 1, 2018.</p>
Management Agreement executed between Mr. Wolfgang Bender and Valneva SE	
<i>Authorized by the Supervisory Board on August 1, 2017</i>	
Purpose of the agreement	This agreement specifies the compensation and benefits to be received by Mr. Wolfgang Bender in his capacity as a Management Board Member and CMO as from September 1, 2017.
Income and/or charges recognized the period: (56,201.08)	
Encashments and/or payments: (39,401.08)	

The agreements described above for Messrs. Lawrence and Bender were executed in the best interest of the Company, because they enabled to strengthen Valneva's management team with international leaders recognized in their field, who will be able to support the Group's growth in accordance with its strategy.

Note: the amendment No. 1 to the Management Agreement described above for Mr. David Lawrence withdrew the possibility for the corporate officer to resign and obtain indemnification in case of circumstances entailing a reduction in law or fact of his responsibilities in Valneva Austria GmbH, because of the termination of his Management Agreement with Valneva Austria GmbH.

Before such amendment, the Company had to indemnify Mr. Lawrence in case of resignation due to circumstances entailing a reduction in law or fact of his responsibilities in Valneva Austria GmbH, as follows:

²³² Amounts in euros - Charges and payments are presented between brackets.



- + Payment until the termination of the Management Agreement (or until the date of the Annual General Meeting of Valneva SE called for the purpose of approving the financial statements of the 2018 fiscal year, and no later than June 30, 2019), of an amount equal to the fixed compensation provided for in Section 6.1 of the Management Agreement;
- + Payment of the bonus mentioned in Section 6.3 of the Management Agreement, on a pro rata basis and for the Term of the Management Agreement, in being understood that the bonus cannot exceed 50% of the gross annual salary defined in Section 6.1 of the Management Agreement.

Payment of the indemnities were subject to (i) the corporate officer having fulfilled the performance criteria defined by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code, and (ii) the Annual General Meeting approval.

Regulated agreements which remained in force during the fiscal year 2017²³³

Management Agreement between Mr. Franck Grimaud and the Company Valneva SE	
<i>Authorized by the Supervisory Board on June 25, 2015</i>	
Purpose of the agreement	<p>This agreement specifies the compensation and benefits to be received by Mr. Franck Grimaud in his capacity as a Management Board member and Managing Director as from the end of the Combined General Meeting called on June 30, 2016 for the purpose of approving the financial statements for the financial year ended 31 December, 2015.</p> <p>This agreement's execution (associated with the renewal of Mr. Grimaud's term of office authorized at the same time by the Supervisory Board) contributed to long-term stability in the Company's management while at the same time limiting costs.</p>
Income and/or charges recognized the period: (579,016.46)	
Encashments and/or payments: (605,261.22)	
Loan guarantee for the benefit of Valneva SE	
<i>Authorized by the Supervisory Board on March 20, 2013</i>	
Purpose of the agreement	Loan for €500,000 from Caisse d'Épargne Bretagne Pays de la Loire.
Income and/or charges recognized the period: (242.72)	
Encashments and/or payments: (242.72)	
<i>Authorized by the Supervisory Board on June 10, 2010</i>	
Purpose of the agreement	Loans totaling for €1,500,000 from Crédit Mutuel and LCL. Remuneration paid for the guarantee of Grimaud La Corbière Group for the benefit of the Company amounted to 0.75% of loans outstanding.
Income and/or charges recognized the period: (291.84)	
Encashments and/or payments: (291.84)	

²³³ Amounts in euros - Charges and payments are presented between brackets.



**Regulated commitments authorized by the Supervisory Board,
or which remained in force, during the fiscal year 2017**

For a description of these commitments, please refer to the Report by the Supervisory Board on the Corporate Governance for the fiscal year 2017²³⁴.

The commitments incurred for each Management Board member (whether executed or continued during the fiscal year 2017) reflect the Company's aim to provide for equitable solutions for the corporate officers in the event of termination or change in their functions (including in the interest of ensuring equal treatment), while making it possible to:

- limit the costs arising from terminating Management Agreements;
- improve the predictability of these costs; and
- reduce the risks of litigation.

In addition, the commitments incurred for Mr. Reinhard Kanderer in the context of his Termination Agreement allowed organizing the Management Board member - CFO's departure, under conditions which best preserve the interests of the Company.

²³⁴ See Section 7.10, in Section B of this Registration Document.



E.6.2. Special Auditors' report on regulated agreements and commitments

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**Statutory Auditors' special report
on related-party agreements and
commitments**

Annual General Meeting for the approval of the financial
statements for the year ended December 31, 2017



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**Statutory Auditors' special report
on related-party agreements and
commitments**

Annual General Meeting for the approval of the financial
statements for the year ended December 31, 2017

This is a free translation into English of the Statutory Auditors' special report on related party agreements and commitments issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders;

In our capacity as Statutory Auditors of Valneva, we hereby report to you on related-party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of, as well as the reasons provided for, the agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of article R.225-58 of the French Commercial Code (*Code de commerce*), it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by article R.225-58 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Annual General Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.



Agreements and commitments to be submitted for the approval of the Annual General Meeting

Agreements and commitments authorized during the year

Pursuant to article L. 225-88 of the French Commercial Code, the following agreements and commitments, which were previously authorized by the Supervisory Board, have been brought to our attention.

Management Agreement executed between Mr. David Lawrence, member of the Management Board and Chief Financial Officer, and Valneva SE

- Nature and purpose: the management agreement authorized by the Supervisory Board on 1st August 2017 specifies the compensation and benefits to be received by Mr. David Lawrence in his capacity as a Management Board Member and CFO as from August 7, 2017.
- Terms and conditions: the expense recognized in 2017 by your company in relation to this agreement amounts to €128,456.83 and the amount paid to €94,917.20.
- Reason provided by the Company: this agreement has enabled to strengthen Valneva's management team with international leaders recognized in their field, who will be able to support the Group's growth in accordance with its strategy.

Amendment to the Management Agreement executed between Mr. David Lawrence, member of the Management Board and Chief Financial Officer, and Valneva SE

- Nature and purpose: considering the distribution of Mr. Lawrence's working time among Valneva SE and Valneva Austria GmbH, the structure of his Management Agreements have been modified. The Management Agreement with Valneva Austria GmbH is terminated as of December 31, 2017, while the compensation and benefits previously provided under this agreement are incorporated into the Management Agreement executed between Mr. Lawrence and Valneva SE. The amendment also clarifies the situation regarding travel expenses of Mr. Lawrence, vis-à-vis his travels between United-Kingdom and France. This amendment entered into force as from January 1, 2018.
- Reason provided by the Company: this agreement has enabled to strengthen Valneva's management team with international leaders recognized in their field, who will be able to support the Group's growth in accordance with its strategy.



Management Agreement executed between Mr. Wolfgang Bender, member of the Management Board and Chief Medical Officer and Valneva SE

- Nature and purpose: the management agreement authorized by the Supervisory Board on 1st August 2017 specifies the compensation and benefits to be received by Mr. Wolfgang Bender as from September 1, 2017.
- Terms and conditions: the expense recognized in 2017 by your company in relation to this agreement amounts to €56,201.08 and the amount paid to €39,401.08.
- Reason provided by the Company: this agreement has enabled to strengthen Valneva's management team with international leaders recognized in their field, who will be able to support the Group's growth in accordance with its strategy.

Indemnities granted to Mr. Reinhard Kandra upon termination of his offices as Management Board member – Chief Financial Officer of the Valneva Group

- Nature and purpose: Termination Agreement executed with Valneva Austria GmbH on February 22, 2017 authorized by the Supervisory Board on 22 February 2017 mentions compensation, expenses and benefits in kind for Mr. Reinhard KANDERA upon termination of his offices as Management Board member - CFO of the Valneva Group
- Terms and conditions :
 1. Regarding compensation, expenses and benefits in kind (Article 2 of the agreement): (i) until April 30, 2017 (the « Termination Date ») : payment of the remuneration set forth in article 6.1 of the Management Agreement (as adjusted) until April 30, 2017 (the « Termination Date ») and provision of benefits in kind set forth in article 8 of such Management Agreement, (ii) payment of the bonus for the year 2016, in accordance with article 6.3 of the Management Agreement, (iii) payment of a special departure indemnity of €25,000, (iv) confirmation of buyback of convertible preferred shares held by Mr. Kandra, at their nominal value, in accordance with the Company's Articles of Association.
 2. Regarding non-compete clause (Article 4 of the Agreement): Valneva Austria GmbH waived application of articles 10.1 and 10.2 of the Management Agreement. Mr. Kandra will not be subject to any non-compete obligation towards Valneva Austria GmbH as from the Termination Date.
 3. Regarding death and endowment insurance policy (Article 7 of the Agreement): payment of the remaining premium (from November 2016 to April 2017) until the insurance is transferred to Mr. Kandra (at the Termination Date).
- Reason provided by the Company: the commitments incurred for Mr. Reinhard Kandra in the context of his Termination Agreement allowed organizing the Management Board member - CFO's departure, under conditions which best preserve the interests of the Company.



Commitments authorized in relation to M David LAWRENCE, member of the Management Board and Chief Financial Officer, regarding compensation and benefits to be paid by Valneva SE in the event of termination of his contract or change of position

- Nature and purpose : this Management Agreement authorized by the Supervisory Board on August 1, 2017, specifies the compensation and benefits to be received by Mr. David Lawrence from Valneva SE in the event of termination of his contract or change of position
- Terms and conditions :
 1. In the event of Mr. Lawrence's incapacity to work due to illness or accident Valneva SE shall pay the difference between the health insurance allowance and the corporate officer's fixed remuneration, so that he receives an aggregate amount equal to 100% of the compensation outlined in Section 6.1 of the Management Agreement for a period of three months, and to 49% for an additional maximum period of three months.
The limit for a period of 24 consecutive months is 100% compensation up to a maximum of six months, and 49% for a further maximum of six months.
In all cases, payments shall cease upon termination of the Management Agreement.
 2. In the event of termination of the management agreement pursuant to :
(i) removal of the corporate officer by Valneva SE without good cause (juste motif); or (ii) resignation of the corporate officer justified by circumstances entailing a reduction in law or in fact of his or her responsibilities in Valneva SE or Valneva Austria GmbH, payment until termination of the Management Agreement (or until the date of the Annual General Meeting of Valneva SE called for the purpose of approving the financial statements for fiscal year 2018, and no later than June 30, 2019) of an amount equal to the fixed compensation provided for in Section 6.1 of the Management Agreement and payment of the bonus defined in Section 6.3 of the Management Agreement, on a pro rata basis and for the duration set forth in the Management Agreement (depending on the case, until termination of the Management Agreement or until the end of the applicable notice period), it being understood that this bonus may not exceed 50% of the gross annual compensation defined in Section 6.1 of the Management Agreement. Indemnities above are paid on condition that (i) the corporate officer fulfills the performance criteria defined, as applicable, by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code, and (ii) the Annual General Meeting approves such indemnities.
 3. In the event of termination of the management agreement pursuant to: (i) removal of the corporate officer by Valneva SE with good cause (juste motif); or, (ii) resignation of the corporate officer unjustified by circumstances entailing in law or in fact a reduction in his or her responsibilities in Valneva Austria GmbH, discontinuation of payment of any compensation, bonuses and benefits in kind as from the date of effect of the termination of the corporate office. This date is immediate in the case of a removal for good cause. It takes effect after a two-month notice period (end of month) in the event of resignation. No severance benefits are payable to the corporate officer, without prejudice, however to the possible application of the non-compete provisions mentioned below in (4).



4. Application of the non-compete clause: the Management Agreement contains a post-contractual non-compete clause. This clause applies (i) automatically, except where expressly waived by Valneva SE, in the event of dismissal by Valneva SE for good cause (*juste motif*) or resignation of the corporate officer not justified by circumstances entailing a reduction in responsibilities in right or in law in Valneva SE or Valneva Austria SE GmbH, and (ii) upon the express declaration by Valneva SE, in other cases of termination (removal by Valneva SE without good cause, resignation of the corporate officer justified by the circumstances defined above). When the non-compete clause applies, this results, in all circumstances other than removal for good cause (*juste motif*), in the payment of financial consideration equal to the amount of compensation defined by Section 6.1 of the Management Agreement (as adjusted) and the bonus defined by Section 6.3 of the Management Agreement, on a pro rata basis, for the duration of the non-compete obligation (i.e. 1 year from the date of the Management Agreement's termination), subject to (i) the corporate officer having fulfilled the performance criteria defined, as applicable, by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code, and (ii) the Annual General Meeting approval on such indemnities. This payment shall not be payable in combination with the continued payment of compensation mentioned above in paragraphs (2) and (3).
5. Indemnities set for events (2) to (4) shall exclude any other indemnity, compensation or benefit, to the extent permitted by law.
6. Relations between Valneva SE and Mr. David Lawrence, in his capacity as a member of the Company's Management Board and CFO, are governed by French law and regulations, the Company's articles of association, the provisions of the Management Agreement and the decisions of Valneva SE's Supervisory Board.

Pursuant to the law, we inform you that the prior authorization given by the Supervisory Board on August 1, 2017 did not provide for compliance with performance conditions and as a result did not include reasons justifying the interest of the commitment in the company's interest as required by Article L. 225-86 of the French Commercial Code (*Code de commerce*). However, we specify that at its March 20, 2018 meeting, the Supervisory Board provided for compliance with performance conditions and justified the commitment as follows. This agreement has enabled to strengthen Valneva's management team with international leaders recognized in their field, who will be able to support the Group's growth in accordance with its strategy.

Note: the amendment No. 1 to the Management Agreement described above for Mr. David Lawrence, authorized by the Supervisory Board on December 20, 2017 withdrew the possibility for the corporate officer to resign and obtain indemnification in case of circumstances entailing a reduction in law or fact of his responsibilities in Valneva Austria GmbH, because of the termination of his Management Agreement with Valneva Austria GmbH.

Commitments authorized in relation to M David LAWRENCE, member of the Management Board and Chief Financial Officer, regarding compensation and benefits to be paid by Valneva Austria GmbH in the event of termination of his contract or change of position



- Nature and purpose: this Management Agreement authorized by the Supervisory Board on August 1, 2017, specifies the compensation and benefits to be received by Mr. David Lawrence from Valneva GmbH in the event of termination of his contract or change of position. This agreement was completed through an Addendum effective as from December 20, 2017, then terminated at December 31, 2017 through a Termination Agreement, all authorized by the Supervisory Board on December 19, 2017.
- Terms and conditions :
 1. In the event of Mr. Lawrence's incapacity to work due to illness or accident: Valneva GmbH shall pay the difference between the health insurance allowance and the corporate officer's fixed remuneration, so that he receives an aggregate amount equal to 100% of the compensation outlined in Section 6.1 of the Management Agreement for a period of three months, and to 49% for an additional maximum period of three months. The limit for a period of 24 consecutive months is 100% compensation up to a maximum of six months, and 49% for a further maximum of six months. In all cases, payments shall cease upon termination of the Management Agreement.
 2. In the event of termination of the Management Agreement: (i) at the initiative of Valneva GmbH without good cause, or (ii) at the initiative of the corporate officer with good cause (in compliance with Section 26 of the Austrian White Collar Workers Act - Angestelltengesetz), including resignation justified by circumstances entailing a reduction in law or fact of his responsibilities in Valneva SE, payment until the termination of the Management Agreement (or until the date of the Annual General Meeting of Valneva SE called for the purpose of approving the financial statements of the 2018 fiscal year, and no later than June 30, 2019), of an amount equal to the fixed compensation provided for in Section 6.1 of the Management Agreement and of the bonus mentioned in Section 6.3 of the Management Agreement, on a pro rata basis and for the duration set forth in the Management Agreement (depending on the case, until termination of the Management Agreement - after possible deduction of the amount saved by the corporate officer as a result of services not rendered or any amount earned for any other type of work performed, or intentional loss of earnings (Section 29 of the Austrian White Collar Workers Act - Angestelltengesetz) - or until the end of the applicable notice period), in being understood that the bonus cannot exceed 50% of the gross annual salary defined in Section 6.1 of the Management Agreement.
 3. In the event of termination of the Management Agreement: (i) at the initiative of Valneva GmbH with good cause (under Section 27 of the Austrian White Collar Workers Act - Angestelltengesetz), or (ii) at the initiative of the corporate officer without good cause (including resignation not justified by circumstances entailing a reduction in fact or in right of his responsibilities in Valneva SE), discontinuation of payment of any compensation, bonuses and benefits in kind as from the date of effect of the termination of the corporate office. This date is immediate in the case of a removal for good cause. It takes effect after a two-month notice period (end of month) in the event of resignation. No severance benefits are payable to the corporate officer, without prejudice, however to the possible application of the non-compete provisions mentioned below in (4).



4. Application of the non-compete clause: the Management Agreement contains a post-contractual non-compete clause. This applies (i) automatically, except where expressly waived by Valneva GmbH, in the event of dismissal by Valneva GmbH for good cause (Section 27 of the Austrian White Collar Workers Act - Angestelltengesetz), or the early and unjustified resignation at the initiative of the corporate officer (Section 26 of the Austrian White Collar Workers Act - Angestelltengesetz), or resignation without cause at the initiative of the corporate officer and (ii) upon the express declaration by Valneva Austria GmbH in the case of termination by Valneva GmbH without good cause. When the non-compete clause applies, this results, in all circumstances other than termination for good cause, in the payment of financial consideration equal to the amount of compensation defined by Section 6.1 of the Management Agreement (as adjusted) and the bonus defined by Section 6.3 of the Management Agreement, on a pro rata basis, for the duration of the non-compete obligation (i.e. 1 year from the date of the Management Agreement's termination). This payment shall not be payable in combination with the continued payment of compensation mentioned above in paragraphs (2) and (3).
5. Indemnities set for events (2) to (4) shall exclude any other indemnity, compensation or benefit, to the extent permitted by law. Any severance payments made to the corporate officer by the compensation fund upon termination of the Management Agreement, as well as prospective entitlements to the corporate officer to severance benefits (in case that the fund does not have to make a payment upon termination) shall be deducted from the indemnities set for events (2) to (4), to the extent permitted by law.
6. The contractual relationship between Valneva Austria GmbH and Mr. Lawrence is regulated by the provisions of its Management Agreement, the Austrian Act on Limited Liability Companies (GmbH-Gesetz), the Austrian White Collar Workers Act (Angestelltengesetz), the Articles of Associations of Valneva Austria GmbH and the binding resolutions of the General Assembly of Valneva Austria GmbH.

Pursuant to the law, we inform you that the prior authorization given by the Supervisory Board on August 1, 2017 did not provide for compliance with performance conditions and as a result did not include reasons justifying the interest of the commitment in the company's interest as required by Article L. 225-86 of the French Commercial Code (*Code de commerce*). However, we specify that at its March 20, 2018 meeting, the Supervisory Board provided for compliance with performance conditions and justified the commitment as follows. This agreement has enabled to strengthen Valneva's management team with international leaders recognized in their field, who will be able to support the Group's growth in accordance with its strategy.

Commitments authorized in relation to M Wolfgang BENDER, member of the Management Board and Chief Medical Officer, regarding compensation and benefits to be paid by Valneva SE in the event of termination of his contract or change of position



- Nature and purpose : this Management Agreement authorized by the Supervisory Board on August 1, 2017, specifies the compensation and benefits to be received by Mr. Wolfgang BENDER from Valneva SE in the event of termination of his contract or change of position
- Terms and conditions :
 1. In the event of Mr. Bener's incapacity to work due to illness or accident Valneva SE shall pay the difference between the health insurance allowance and the corporate officer's fixed remuneration, so that he receives an aggregate amount equal to 100% of the compensation outlined in Section 6.1 of the Management Agreement for a period of three months, and to 49% for an additional maximum period of three months.
The limit for a period of 24 consecutive months is 100% compensation up to a maximum of six months, and 49% for a further maximum of six months.
In all cases, payments shall cease upon termination of the Management Agreement.
 2. In the event of termination of the management agreement pursuant to :
(i) removal of the corporate officer by Valneva SE without good cause (juste motif); or (ii) resignation of the corporate officer justified by circumstances entailing a reduction in law or in fact of his or her responsibilities in Valneva SE or Valneva Austria GmbH, payment until termination of the Management Agreement (or until the date of the Annual General Meeting of Valneva SE called for the purpose of approving the financial statements for fiscal year 2018, and no later than June 30, 2019) of an amount equal to the fixed compensation provided for in Section 6.1 of the Management Agreement and payment of the bonus defined in Section 6.3 of the Management Agreement, on a pro rata basis and for the duration set forth in the Management Agreement (depending on the case, until termination of the Management Agreement or until the end of the applicable notice period), it being understood that this bonus may not exceed 50% of the gross annual compensation defined in Section 6.1 of the Management Agreement. Indemnities above are paid on condition that (i) the corporate officer fulfills the performance criteria defined, as applicable, by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code, and (ii) the Annual General Meeting approves such indemnities.
 3. In the event of termination of the management agreement pursuant to: (i) removal of the corporate officer by Valneva SE with good cause (juste motif); or, (ii) resignation of the corporate officer unjustified by circumstances entailing in law or in fact a reduction in his or her responsibilities in Valneva Austria GmbH, discontinuation of payment of any compensation, bonuses and benefits in kind as from the date of effect of the termination of the corporate office. This date is immediate in the case of a removal for good cause. It takes effect after a two-month notice period (end of month) in the event of resignation. No severance benefits are payable to the corporate officer, without prejudice, however to the possible application of the non-compete provisions mentioned below in (4).
 4. Application of the non-compete clause: the Management Agreement contains a post-contractual non-compete clause. This clause applies (i) automatically, except where expressly waived by Valneva SE, in the event of dismissal by Valneva SE for good cause (juste motif) or resignation of



the corporate office not justified by circumstances entailing a reduction in responsibilities in right or in law in Valneva SE or Valneva Austria SE GmbH, and (ii) upon the express declaration by Valneva SE, in other cases of termination (removal by Valneva SE without good cause, resignation of the corporate officer justified by the circumstances defined above). When the non-compete clause applies, this results, in all circumstances other than removal for good cause (*juste motif*), in the payment of financial consideration equal to the amount of compensation defined by Section 6.1 of the Management Agreement and the bonus defined by Section 6.3 of the Management Agreement, on a pro rata basis, for the duration of the non-compete obligation (i.e. 1 year from the date of the Management Agreement's termination), subject to (i) the corporate officer having fulfilled the performance criteria defined, as applicable, by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code, and (ii) the Annual General Meeting approval on such indemnities. This payment shall not be payable in combination with the continued payment of compensation mentioned above in paragraphs (2) and (3).

5. Indemnities set for events (2) to (4) shall exclude any other indemnity, compensation or benefit, to the extent permitted by law.
6. Relations between Valneva SE and Mr. Wolfgang Bender, in his capacity as a member of the Company's Management Board and CFO, are governed by French law and regulations, the Company's articles of association, the provisions of the Management Agreement and the decisions of Valneva SE's Supervisory Board.

Pursuant to the law, we inform you that the prior authorization given by the Supervisory Board on August 1, 2017 did not provide for compliance with performance conditions and as a result did not include reasons justifying the interest of the commitment in the company's interest as required by Article L. 225-86 of the French Commercial Code (*Code de commerce*). However, we specify that at its March 20, 2018 meeting, the Supervisory Board provided for compliance with performance conditions and justified the commitment as follows. This agreement has enabled to strengthen Valneva's management team with international leaders recognized in their field, who will be able to support the Group's growth in accordance with its strategy.

Commitments authorized in relation to M Wolfgang BENDER, member of the Management Board and Chief Medical Officer, regarding compensation and benefits to be paid by Valneva Austria GmbH in the event of termination of his contract or change of position

- Nature and purpose: this Management Agreement authorized by the Supervisory Board on August 1, 2017, specifies the compensation and benefits to be received by Mr. Wolfgang Bender from Valneva GmbH in the event of termination of his contract or change of position.
- Terms and conditions :
 1. In the event of Mr. Bender's incapacity to work due to illness or accident: Valneva GmbH shall pay the difference between the health insurance allowance and the corporate officer's fixed remuneration, so that he receives an aggregate amount equal to 100% of the compensation outlined in Section 6.1 of the Management Agreement for a period of three months, and to 49% for an additional maximum period of three months. The limit for a period of 24 consecutive months is 100% compensation up to a



maximum of six months, and 49% for a further maximum of six months. In all cases, payments shall cease upon termination of the Management Agreement.

2. In the event of termination of the Management Agreement: (i) at the initiative of Valneva GmbH without good cause, or (ii) at the initiative of the corporate officer with good cause (in compliance with Section 26 of the Austrian White Collar Workers Act - Angestelltengesetz), including resignation justified by circumstances entailing a reduction in law or fact of his responsibilities in Valneva SE, payment until the termination of the Management Agreement (or until the date of the Annual General Meeting of Valneva SE called for the purpose of approving the financial statements of the 2018 fiscal year, and no later than June 30, 2019), of an amount equal to the fixed compensation provided for in Section 6.1 of the Management Agreement and of the bonus mentioned in Section 6.3 of the Management Agreement, on a pro rata basis and for the duration set forth in the Management Agreement (depending on the case, until termination of the Management Agreement - after possible deduction of the amount saved by the corporate officer as a result of services not rendered or any amount earned for any other type of work performed, or intentional loss of earnings (Section 29 of the Austrian White Collar Workers Act - Angestelltengesetz) - or until the end of the applicable notice period), in being understood that the bonus cannot exceed 50% of the gross annual salary defined in Section 6.1 of the Management Agreement.
3. In the event of termination of the Management Agreement: (i) at the initiative of Valneva GmbH with good cause (under Section 27 of the Austrian White Collar Workers Act - Angestelltengesetz), or (ii) at the initiative of the corporate officer without good cause (including resignation not justified by circumstances entailing a reduction in fact or in right of his responsibilities in Valneva SE), discontinuation of payment of any compensation, bonuses and benefits in kind as from the date of effect of the termination of the corporate office. This date is immediate in the case of a removal for good cause. It takes effect after a two-month notice period (end of month) in the event of resignation. No severance benefits are payable to the corporate officer, without prejudice, however to the possible application of the non-compete provisions mentioned below in (4).
4. Application of the non-compete clause: the Management Agreement contains a post-contractual non-compete clause. This applies (i) automatically, except where expressly waived by Valneva GmbH, in the event of dismissal by Valneva GmbH for good cause (Section 27 of the Austrian White Collar Workers Act - Angestelltengesetz), or the early and unjustified resignation at the initiative of the corporate officer (Section 26 of the Austrian White Collar Workers Act - Angestelltengesetz), or resignation without cause at the initiative of the corporate officer and (ii) upon the express declaration by Valneva Austria GmbH in the case of termination by Valneva GmbH without good cause. When the non-compete clause applies, this results, in all circumstances other than termination for good cause, in the payment of financial consideration equal to the amount of compensation defined by Section 6.1 of the Management Agreement (as adjusted) and the bonus defined by Section 6.3 of the Management Agreement, on a pro rata basis, for the duration of the non-compete obligation (i.e. 1 year from the date of the Management Agreement's



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

5. Indemnities set for events (2) to (4) shall exclude any other indemnity, compensation or benefit, to the extent permitted by law. Any severance payments made to the corporate officer by the compensation fund upon termination of the Management Agreement, as well as prospective entitlements to the corporate officer to severance benefits (in case that the fund does not have to make a payment upon termination) shall be deducted from the indemnities set for events (2) to (4), to the extent permitted by law.
6. The contractual relationship between Valneva Austria GmbH and Mr. Lawrence is regulated by the provisions of its Management Agreement, the Austrian Act on Limited Liability Companies (GmbH-Gesetz), the Austrian White Collar Workers Act (Angestelltengesetz), the Articles of Associations of Valneva Austria GmbH and the binding resolutions of the General Assembly of Valneva Austria GmbH.

Pursuant to the law, we inform you that the prior authorization given by the Supervisory Board on August 1, 2017 did not provide for compliance with performance conditions and as a result did not include reasons justifying the interest of the commitment in the company's interest as required by Article L. 225-86 of the French Commercial Code (*Code de commerce*). However, we specify that at its March 20, 2018 meeting, the Supervisory Board provided for compliance with performance conditions and justified the commitment as follows. This agreement has enabled to strengthen Valneva's management team with international leaders recognized in their field, who will be able to support the Group's growth in accordance with its strategy.



Agreements and commitments authorized since the year-end closing

The following agreements and commitments, authorized since the year-end closing, and previously authorized by the Supervisory Board, have been brought to our attention.

Commitments authorized in relation to M Franck GRIMAUD, member of the Management Board and Deputy Chief Executive Officer, regarding compensation and benefits to be paid by Valneva SE in the event of termination of his contract or change of position

- Nature and purpose : this Management Agreement authorized by the Supervisory Board on June 25, 2015, specifies the compensation and benefits to be received by Mr. Franck Grimaud from Valneva SE in the event of termination of his contract or change of position from the end of the Annual General Meeting called in 2016
- Terms and conditions :
 1. In the event of Mr. Grimaud's incapacity to work due to illness or accident Valneva SE shall pay the difference between the health insurance allowance and the corporate officer's fixed remuneration, so that he receives an aggregate amount equal to 100% of the compensation outlined in Section 6.1 of the Management Agreement for a period of three months, and to 49% for an additional maximum period of three months.
The limit for a period of 24 consecutive months is 100% compensation up to a maximum of six months, and 49% for a further maximum of six months.
In all cases, payments shall cease upon termination of the Management Agreement.
 2. In the event of termination of the management agreement pursuant to :
(i) removal of the corporate officer by Valneva SE without good cause (juste motif); or (ii) resignation of the corporate officer justified by circumstances entailing a reduction in law or in fact of his or her responsibilities in Valneva SE, payment until termination of the Management Agreement (or until the date of the Annual General Meeting of Valneva SE called for the purpose of approving the financial statements for fiscal year 2018, and no later than June 30, 2019) of an amount equal to the fixed compensation provided for in Section 6.1 of the Management Agreement (as adjusted) and of the bonus defined in Section 6.3 of the Management Agreement, on a pro rata basis and for the duration set forth in the Management Agreement (depending on the case, until termination of the Management Agreement or until the end of the applicable notice period), it being understood that this bonus may not exceed 50% of the gross annual compensation defined in Section 6.1 of the Management Agreement. Indemnities above are paid on condition that (i) the corporate officer fulfills the performance criteria defined, as applicable, by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code. From the amount of compensation payable in accordance with the above, shall be deducted unemployment insurance benefits received under the private policy covering company managers and officers (GSC - Garantie Sociale des Chefs et dirigeants d'entreprise) during the benefit payment period.
 3. In the event of termination of the management agreement pursuant to: (i) removal of the corporate officer by Valneva SE with good cause (juste motif); or, (ii) resignation of the corporate officer unjustified by circumstances entailing in law or in fact a reduction in his or her



responsibilities in Valneva Austria GmbH, discontinuation of payment of any compensation, bonuses and benefits in kind as from the date of effect of the termination of the corporate office. This date is immediate in the case of a removal for good cause. It takes effect after a two-month notice period (end of month) in the event of resignation. No severance benefits are payable to the corporate officer, without prejudice, however to the possible application of the non-compete provisions mentioned below in (4).

4. Application of the non-compete clause: the Management Agreement contains a post-contractual non-compete clause. This clause applies (i) automatically, except where expressly waived by Valneva SE, in the event of dismissal by Valneva SE for good cause (juste motif) or resignation of the corporate officer not justified by circumstances entailing a reduction in responsibilities in right or in law in Valneva SE or Valneva Austria SE GmbH, and (ii) upon the express declaration by Valneva SE, in other cases of termination (removal by Valneva SE without good cause, resignation of the corporate officer justified by the circumstances defined above). When the non-compete clause applies, this results, in all circumstances other than removal for good cause (juste motif), in the payment of financial consideration equal to the amount of compensation defined by Section 6.1 of the Management Agreement (as adjusted) and the bonus defined by Section 6.3 of the Management Agreement, on a pro rata basis, for the duration of the non-compete obligation (i.e. 1 year from the date of the Management Agreement's termination), subject to (i) the corporate officer having fulfilled the performance criteria defined, as applicable, by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code. This payment shall not be payable in combination with the continued payment of compensation mentioned above in paragraphs (2) and (3).
 5. Indemnities set for events (2) to (4) shall exclude any other indemnity, compensation or benefit, to the extent permitted by law.
 6. Relations between Valneva SE and Mr. Franck Grimaud, in his capacity as a member of the Company's Management Board and Managing Director, are governed by French law and regulations, the Company's articles of association, the provisions of the Management Agreement and the decisions of Valneva SE's Supervisory Board.
- Reason provided by the Company: the Management Agreements ensured that the Company would be managed by recognized international leaders with diverse education, experience and skills who would be able to support the Company's growth in accordance with its strategy

This commitment cancels and replaces the commitment approved by your Shareholders' Meeting of June 29, 2017.

Commitments authorized in relation to M Thomas LINGELBACH, Chairman of the Management Board, regarding compensation and benefits to be paid by Valneva Austria GmbH in the event of termination of his contract or change of position

- Nature and purpose : this Management Agreement authorized by the Supervisory Board on June 25, 2015, specifies the compensation and benefits to be received by Mr. Thomas Lingelbach from Valneva Austria GmbH in the event of termination of his contract or change of position
- Terms and conditions :
 1. In the event of Mr. Lingelbach's incapacity to work due to illness or accident: Valneva GmbH shall pay the difference between the health insurance allowance and the corporate officer's fixed remuneration, so that he receives an aggregate amount equal to 100% of the compensation outlined in Section 6.1 of the Management Agreement for a period of three months, and to 49% for an additional maximum period of three months. The limit for a period of 24 consecutive months is 100% compensation up to a maximum of six months, and 49% for a further maximum of six months. In all cases, payments shall cease upon termination of the Management Agreement.
 2. In the event of termination of the Management Agreement: (i) at the initiative of Valneva GmbH without good cause, or (ii) at the initiative of the corporate officer with good cause (in compliance with Section 26 of the Austrian White Collar Workers Act - Angestelltengesetz), including resignation justified by circumstances entailing a reduction in law or fact of his responsibilities in Valneva SE, payment until the termination of the Management Agreement (or until the date of the Annual General Meeting of Valneva SE called for the purpose of approving the financial statements of the 2018 fiscal year, and no later than June 30, 2019), of an amount equal to the fixed compensation provided for in Section 6.1 of the Management Agreement (as adjusted) and of the bonus mentioned in Section 6.3 of the Management Agreement, on a pro rata basis and for the duration set forth in the Management Agreement (depending on the case, until termination of the Management Agreement - after possible deduction of the amount saved by the corporate officer as a result of services not rendered or any amount earned for any other type of work performed, or intentional loss of earnings (Section 29 of the Austrian White Collar Workers Act - Angestelltengesetz) - or until the end of the applicable notice period), in being understood that the bonus cannot exceed 60% of the gross annual salary defined in Section 6.1 of the Management Agreement (as adjusted).
 3. In the event of termination of the Management Agreement: (i) at the initiative of Valneva GmbH with good cause (under Section 27 of the Austrian White Collar Workers Act - Angestelltengesetz), or (ii) at the initiative of the corporate officer without good cause (including resignation not justified by circumstances entailing a reduction in fact or in right of his responsibilities in Valneva SE), discontinuation of payment of any compensation, bonuses and benefits in kind as from the date of effect of the termination of the corporate office. This date is immediate in the case of a removal for good cause. It takes effect after a two-month notice period (end of month) in the event of resignation. No severance benefits



are payable to the corporate officer, without prejudice, however to the possible application of the non-compete provisions mentioned below in (4).

4. Application of the non-compete clause: the Management Agreement contains a post-contractual non-compete clause. This applies (i) automatically, except where expressly waived by Valneva GmbH, in the event of dismissal by Valneva GmbH for good cause (Section 27 of the Austrian White Collar Workers Act - Angestelltengesetz), or the early and unjustified resignation at the initiative of the corporate officer (Section 26 of the Austrian White Collar Workers Act - Angestelltengesetz), or resignation without cause at the initiative of the corporate officer and (ii) upon the express declaration by Valneva Austria GmbH in the case of termination by Valneva GmbH without good cause. When the non-compete clause applies, this results, in all circumstances other than termination for good cause, in the payment of financial consideration equal to the amount of compensation defined by Section 6.1 of the Management Agreement and the bonus defined by Section 6.3 of the Management Agreement, on a pro rata basis, for the duration of the non-compete obligation (i.e. 1 year from the date of the Management Agreement's termination). This payment shall not be payable in combination with the continued payment of compensation mentioned above in paragraphs (2) and (3).
 5. Indemnities set for events (2) to (4) shall exclude any other indemnity, compensation or benefit, to the extent permitted by law. Any severance payments made to the corporate officer by the compensation fund upon termination of the Management Agreement, as well as prospective entitlements to the corporate officer to severance benefits (in case that the fund does not have to make a payment upon termination) shall be deducted from the indemnities set for events (2) to (4), to the extent permitted by law.
 6. The contractual relationship between Valneva Austria GmbH and Mr. Lawrence is regulated by the provisions of its Management Agreement, the Austrian Act on Limited Liability Companies (GmbH-Gesetz), the Austrian White Collar Workers Act (Angestelltengesetz), the Articles of Associations of Valneva Austria GmbH and the binding resolutions of the General Assembly of Valneva Austria GmbH.
- Reason provided by the Company: the Management Agreements ensured that the Company would be managed by recognized international leaders with diverse education, experience and skills who would be able to support the Company's growth in accordance with its strategy

This commitment cancels and replaces the commitment approved by your Shareholders' Meeting of June 29, 2017.

Agreements and commitments approved in previous years

In accordance with article R.225-57 of the French Commercial Code, we were informed that the following agreements and commitments, approved by the Annual General Meeting in previous years, remained in force during the year ended 31 December 2017.

Agreement with Franck Grimaud, member of the Management Board and Deputy Chief Executive Officer

- Nature and purpose: the Management Agreement, authorized by the Supervisory Board on June 25, 2015 specifies the compensation and benefits to be received by Mr. Franck Grimaud from the end of the Annual General Meeting called in 2016.
- Terms and conditions: the expense recognized in 2017 by your company in relation to this agreement amounts to € 579,016.46 and the amount paid to €605,261.22.

Commitments authorized in relation to M Reinhard KANDERA, member of the Management Board, regarding compensation and benefits to be paid by Valneva Austria GmbH in the event of termination of his contract or change of position

- Nature and purpose: this Management Agreement authorized by the Supervisory Board on June 25, 2015, specifies the compensation and benefits to be received by Mr. Reinhard Kandra from Valneva Austria GmbH in the event of termination of his contract or change of position. Agreement terminated on April 30, 2017 following Mr. Kandra's departure from the Group.
- Terms and conditions :
 1. In the event of Mr. Kandra's incapacity to work due to illness or accident: Valneva GmbH shall pay the difference between the health insurance allowance and the corporate officer's fixed remuneration, so that he receives an aggregate amount equal to 100% of the compensation outlined in Section 6.1 of the Management Agreement for a period of three months, and to 49% for an additional maximum period of three months. The limit for a period of 24 consecutive months is 100% compensation up to a maximum of six months, and 49% for a further maximum of six months. In all cases, payments shall cease upon termination of the Management Agreement.
 2. In the event of termination of the Management Agreement: (i) at the initiative of Valneva GmbH without good cause (under Section 20 of the Austrian White Collar Workers Act - Angestelltengesetz), or (ii) at the initiative of the corporate officer with good cause (in compliance with Section 26 of the Austrian White Collar Workers Act - Angestelltengesetz), including resignation justified by circumstances entailing a reduction in law or fact of his responsibilities in Valneva SE, payment until the termination of the Management Agreement (or until the date of the Annual General Meeting of Valneva SE called for the purpose of approving the financial statements of the 2018 fiscal year, and no later than June 30, 2019), of an amount equal to the fixed compensation provided for in Section 6.1 of the Management Agreement and of the bonus mentioned in Section 6.3 of the Management Agreement, on a pro rata basis after possible deduction of the amount saved by the corporate officer as a result of services not



rendered or any amount earned for any other type of work performed, or intentional loss of earnings (Section 29 of the Austrian White Collar Workers Act - Angestelltengesetz).

3. In the event of termination of the Management Agreement: (i) at the initiative of Valneva GmbH with good cause (under Section 27 of the Austrian White Collar Workers Act - Angestelltengesetz), or (ii) at the initiative of the corporate officer without good cause (including resignation not justified by circumstances entailing a reduction in fact or in right of his responsibilities in Valneva SE), discontinuation of payment of any compensation, bonuses and benefits in kind as from the date of effect of the termination of the corporate office. This date is immediate in the case of a removal for good cause. It takes effect after a two-month notice period (end of month) in the event of resignation. No severance benefits are payable to the corporate officer, without prejudice, however to the possible application of the non-compete provisions mentioned below in (4).
4. Application of the non-compete clause: the Management Agreement contains a post-contractual non-compete clause. This applies (i) automatically, except where expressly waived by Valneva GmbH, in the event of dismissal by Valneva GmbH for good cause (Section 27 of the Austrian White Collar Workers Act - Angestelltengesetz), or the early and unjustified resignation at the initiative of the corporate officer (Section 26 of the Austrian White Collar Workers Act - Angestelltengesetz), or resignation without cause at the initiative of the corporate officer and (ii) upon the express declaration by Valneva Austria GmbH in the case of termination by Valneva GmbH without good cause. When the non-compete clause applies, this results, in all circumstances other than termination for good cause, in the payment of financial consideration equal to the amount of compensation defined by Section 6.1 of the Management Agreement (as adjusted) and the bonus defined by Section 6.3 of the Management Agreement, on a pro rata basis, for the duration of the non-compete obligation (i.e. 1 year from the date of the Management Agreement's termination). This payment shall not be payable in combination with the continued payment of compensation mentioned above in paragraphs (2) and (3).
5. Indemnities set for events (2) to (4) shall exclude any other indemnity, compensation or benefit, to the extent permitted by law. Any severance payments made to the corporate officer by the compensation fund upon termination of the Management Agreement, as well as prospective entitlements to the corporate officer to severance benefits (in case that the fund does not have to make a payment upon termination) shall be deducted from the indemnities set for events (2) to (4), to the extent permitted by law.
6. The contractual relationship between Valneva Austria GmbH and Mr. Reinhard Kandra is regulated by the provisions of its Management Agreement, the Austrian Act on Limited Liability Companies (GmbH-Gesetz), the Austrian White Collar Workers Act (Angestelltengesetz), the Articles of Associations of Valneva Austria GmbH and the binding resolutions of the General Assembly of Valneva Austria GmbH.



Agreements with Groupe Grimaud La Corbière SA, a shareholder with more than 10% of the voting rights

- Person concerned: Frédéric Grimaud, Chairman of the Supervisory Board, and Chairman of the Management Board of Groupe Grimaud La Corbière SA
- Terms and conditions:
 1. The guarantee provided by Groupe Grimaud La Corbière for the loan taken out by your company for a total of €500,000 with Caisse d'Épargne Pays de Loire remains in force. The expense recognized in 2017 by your company with respect to this guarantee totalled €242.72 and the amount paid €242.72.
 2. The guarantee provided by Groupe Grimaud La Corbière for the loans taken out by your company for a total of €1,500,000 with Crédit Mutuel and LCL remains in force. The rate of remuneration for the guarantee provided by Groupe Grimaud La Corbière is 0.75% of outstanding amounts. The expense recognized in 2017 by your company with respect to this guarantee is €291.84 and the amount paid €291.84.

Neuilly-sur-Seine and Marseille, 21 March 2018

The Statutory Auditors

PricewaterhouseCoopers Audit

Deloitte & Associés

French original signed by
Thierry CHARRON

French original signed by
Vincent GROS

**E.6.3. Related-party transactions**

Please refer to information provided pursuant to IAS 24 on related party disclosures, in the Notes to the Group's consolidated financial statements for the fiscal year 2017²³⁵.

E.6.4. Agreements entered into between a corporate officer or a shareholder holding more than 10% of the voting rights of the Company, and a subsidiary (excluding ordinary agreements)

For a description of these agreements, please refer to the Report by the Supervisory Board on the Corporate Governance for the fiscal year 2017²³⁶.

²³⁵ See Note 5.30, in Section D.1 of this Registration Document.

²³⁶ See Section 5, in Section B of this Registration Document.



E.7. Employees

E.7.1. Percentage of Company stock held by employees

At December 31, 2017, total employee stock ownership (shares in registered form, excluding corporate officers) amounted to 106,777 Valneva SE shares (or 0.14%²³⁷ of the Company's share capital), as follows:

- + 106,571 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each;
- + 10 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15; and
- + 196 convertible preferred shares (ISIN XFCS00X0I9M1) with a nominal value of €0.15 each.

For a detailed description, as of December 31, 2017, of the stock option plans and of the free share plans to which employees are beneficiaries, please refer to the Report by the Supervisory Board on the Corporate Governance for the fiscal year 2017²³⁸.

(a) Options to subscribe for or purchase shares

Options to subscribe for or purchase shares granted by the Company in 2017 to non-officer employees of the Valneva Group

Stock option plan 2017 ("ESOP 2017")

General Meeting date	June 30, 2016
Date of the Management Board	December 7, 2017
Number of stock options granted	1,269,500
Strike price (in euros)	Each new Valneva SE ordinary share will be issued at a strike price of €2.85 per unit.
Beneficiaries	The options have been proposed to all employees of the Company (that are not corporate officers) and its subsidiaries « Valneva Austria GmbH », « Valneva Canada Inc. », « Valneva Scotland Ltd. », « Valneva Sweden AB » and « Valneva UK Ltd. », other than Executive Committee members and Manufacturing site Heads.
Exercise window	Until December 7, 2027 50% of the stock options can be exercised from December 7, 2019, and the remaining 50% from December 7, 2021.

Options to subscribe for or purchase shares exercised by non-officer employees of the Valneva Group in 2017

None of non-officer employees of the Valneva Group exercised stock options to subscribe for or purchase shares in the fiscal year 2017.

²³⁷ This rate is calculated in reference to a share capital totaling 78,773,618 Valneva SE shares, divided into (a) 77,583,714 ordinary shares (ISIN FR0004056851) with a nominal value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a nominal value of €0.01 each, written down to a nominal value of €0.15, and (c) 789 convertible preferred shares (ISIN XFCS00X0I9M1), with a nominal value of €0.15 each.

²³⁸ See Section 6.2.1 (c), in Section B of this Registration Document.

*Information relating to the 10 non-officer employees of the Group*

Options to subscribe for or purchase shares granted in 2017 by the Company to the 10 non-officer employees of the Group having then being granted the highest number of options	Total number of granted options	Weighted average price (in euros)
	208,000 ²³⁹	2.85
Options to subscribe for or purchase shares exercised in 2017 by the 10 non-officer employees of the Group having then exercised the highest number of options	Total number of exercised options	Weighted average price (in euros)
	0	n.a.

(b) Free shares (ordinary shares or convertible preferred shares)**Valneva SE ordinary shares***Free ordinary shares granted in 2017 to non-officer employees*

There was no Valneva SE free ordinary share granted to non-officer employees of the Valneva Group in the fiscal year 2017, either by the Company or by affiliated companies in the meaning of article L. 225-197-2 of the French Commercial code.

Free ordinary shares transferred to non-officer employees in the fiscal year 2017

In the fiscal year 2017, for all Company plans combined, 1,000 free ordinary shares were in the process of vesting by their beneficiaries. These shares have been transferred to them on July 24, 2017, as new Valneva SE ordinary shares.

Reference and date of the plan	Date on which the free ordinary shares were transferred	Number of free ordinary shares transferred	Share price of Valneva SE ordinary shares on the transfer date (in euros)
Plan n°3 - Tranche 1, dated July 24, 2013	Decision of the Management Board dated July 24, 2017	1,000	3.01
TOTAL		1 000	

Information relating to the 10 non-officer employees of the Group

Free ordinary shares granted in 2017 by the Company to the 10 non-officer employees of the Group having then being granted the highest number of Free ordinary shares	Total number of free ordinary shares granted	Weighted average price (in euros)
	0	n.a.
Free ordinary shares transferred in 2017 to the 10 non-officer employees of the Group having then being transferred the highest number of Free ordinary shares ²⁴⁰	Total number of free ordinary shares transferred	Weighted average price (in euros)
	1,000	3.01

Valneva SE convertible preferred shares*Free convertible preferred shares granted in 2017 to non-officer employees*

During the fiscal year 2017, 9,817 free convertible preferred shares were granted by the Company to the Executive Committee members and Manufacturing site Heads.

	Number of FCPS granted during the fiscal year	Share price of Valneva SE ordinary shares on the grant date (in euros)
Free Convertible Preferred Share Plan 2017-2021, dated December 15, 2017	9,817	2.77

²³⁹ The minimum number of stock options to be taken into account for each employee for calculating this value is 9,000. Twenty employees having been also granted 9,000 stock options each are not included in this value.

²⁴⁰ The minimum number of stock options to be taken into account for each employee for calculating this value is 500.



For a detailed description of the Free Convertible Preferred Share Plan 2017-2021, please refer to the Report by the Supervisory Board on the Corporate Governance for the fiscal year 2017²⁴¹.

Free convertible preferred shares transferred to non-officer employees in the fiscal year 2017

There was no free convertible preferred share transferred to non-officer employees during the fiscal year 2017.

Information relating to the 10 non-officer employees of the Group

FCPS granted in 2017 by the Company to the 10 non-officer employees of the Group having then being granted the highest number of FCPS ²⁴²	Total number of FCPS granted	Weighted average price (in euros)
	9,817	2.77
FCPS transferred in 2017 to the 10 non-officer employees of the Group having then being transferred the highest number of FCPS	Total number of FCPS transferred	Weighted average price (in euros)
	0	n.a.

E.7.2. Description of any arrangements providing for employees' participation in the share capital of the Company

No agreement providing for employees' participation in the share capital of the Company has been set up so far.

E.7.3. Agreements providing for financial compensation to the benefit of the employees, in case of resignation, dismissal without real and serious grounds or if termination is due to a public offering

There is no agreement providing for financial compensation to the benefit of non-officer employees, in case of resignation, dismissal without real and serious grounds or if termination is due to a public offering.

Regarding the indemnities or benefits granted to the corporate officers in case of appointment, termination or change of their duties please refer to the Report by the Supervisory Board on the Corporate Governance for the fiscal year 2017²⁴³.

²⁴¹ See Section 6.2.1 (c), in Section B of this Registration Document.

²⁴² The minimum number of free convertible preferred shares to be taken into account for each employee for calculating this value is 1,157.

²⁴³ See Section 6.2.1 (d), in Section B of this Registration Document.



F. ADDITIONAL INFORMATION

F.1. Person responsible

F.1.1. Responsibility statement for the French version of the Registration Document

"We hereby declare that, after having taken all reasonable care to that purpose, to the best of our knowledge, the information contained in this Registration Document is in accordance with the facts and contains no omission likely to affect its import.

We hereby declare that, to the best of our knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and present a fair view of the assets, liabilities, financial position and results of the Company and all the other companies included in the scope of consolidation, and that the Annual Management Report, for which a table of cross-references is presented in Section F.4 of this Registration Document, provides a fair presentation of the business developments, results and financial position of the Company and all the other companies included in the scope of consolidation, as well as a description of the main risks and contingencies to which they might be exposed.

We obtained a letter from the Company's Statutory Auditors certifying that they have verified the financial and accounting information provided in this Registration Document, and that they have read the Registration Document as a whole."

Thomas Lingelbach

Chairman of the Management Board

Franck Grimaud

President & CBO

**F.1.2. Person responsible for financial information****Mr. David Lawrence**

CFO

Valneva SE

World Trade Center Lyon - Tour Oxygène

10-12 boulevard Marius Vivier Merle

69003 Lyon - France

T +33 (0) 2 28 07 37 10

F +33 (0) 2 28 07 37 11

investors@valneva.com**F.1.3. Person responsible for account audit and fees****(a) Statutory Auditors***Principal statutory auditors***▪ Deloitte & Associés**

Represented by Mr. Vincent Gros

185 avenue Charles de Gaulle

B.P. 136

92524 Neuilly-sur-Seine Cedex - France

Deloitte & Associés was first appointed as principal Statutory Auditor by the Ordinary General Meeting held on January 22, 2007. This appointment was renewed by the Ordinary General Meeting held on June 28, 2013 for a term of six years that will expire at the close of the General Meeting called to rule on the financial statements for the fiscal year ending on December 31, 2018.

▪ PricewaterhouseCoopers Audit

Represented by Mr. Thierry Charron

63 rue de Villiers

92200 Neuilly sur Seine - France

Pricewaterhouse Coopers Audit was first appointed as principal Statutory Auditor by the Ordinary General Meeting held on June 28, 2013. This appointment was renewed by the Ordinary General Meeting held on June 29, 2017 for a term of six years that will expire at the close of the General Meeting called to rule on the financial statements for the fiscal year ending on December 31, 2022.

PricewaterhouseCoopers Audit is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles*.

*Alternate statutory auditors***▪ BEAS**

7-9 Villa Houssay

92200 Neuilly sur Seine - France

BEAS was first appointed as alternate Statutory Auditor by the Ordinary General Meeting held on January 22, 2007. This appointment was renewed by the Ordinary General Meeting held on June 28, 2013, for a term of six years that will expire at the close of the General Meeting called to rule on the financial statements for the fiscal year ending on December 31, 2018.



Note: Ms. Chaumartin's appointment in her capacity as alternate Statutory Auditor expired at the end of the General Meeting called to rule on the financial statements for the fiscal year ending on December 31, 2016. Its renewal has not been proposed to the shareholders.

(b) Fees paid by the Group to the Statutory Auditors and members of their networks

Please refer to the Notes of the consolidated financial statements for the fiscal year 2017²⁴⁴.

F.2. Third party information, statements by experts and declaration of interests

None.

F.3. Consultation of legal documents

During the validity period of the present Registration Document, the Articles of Association, the Statutory Auditors' reports, the annual financial statements of the past three years, as well as any reports, letters or other documents and historical financial information of the Company and its subsidiaries over the past three years, and valuations and statements made by experts, where such documents are provided for by law and any other document provided for by law, may be consulted at the Company's registered office.

Copies of the present Registration Document are available free of charge at the Company's facilities located at 6 rue Alain Bombard, 44800 Saint-Herblain - France (Tel: +33 (0) 2 28 07 37 10), as well as on Valneva's website (www.valneva.com) and on the AMF's website (www.amf-france.org).

²⁴⁴ See Note 5.6, in Section D.1 of this Registration Document.



F.4. Tables of cross-references

F.4.1. Cross-references with the Registration Document

For the convenience of readers of this Registration Document, the following table provides cross-references with the main information headings provided for by Appendix 1 of Commission Regulation (EC) No. 809/2004 (Prospectus Directive) of 29 April 2014.

Required disclosures		Section(s) of the Registration Document
1.	RESPONSIBLE PERSONS	
1.1.	Persons responsible for information given in the Registration Document.	F.1
1.2.	Responsibility statement.	F.1.1
2.	STATUTORY AUDITORS	
2.1.	Names and addresses of the issuer's auditors.	F.1.3
2.2.	Changes in auditors.	F.1.3
3.	SELECTED FINANCIAL INFORMATION	
3.1.	Selected historical financial information regarding the issuer, presented for each financial year in the same currency as the financial information.	A.1.1
3.2.	Selected historical financial information for interim periods.	n.a.
4.	RISK FACTORS	A.5
	Prominent disclosure of risk factors that are specific to the issuer or its industry.	
5.	INFORMATION ABOUT THE ISSUER	
5.1.	History and development of the Company	
5.1.1.	Legal and commercial name of the issuer.	E.4
5.1.2.	Place of registration of the issuer and its registration number;	E.4
5.1.3.	Date of incorporation and length of life of the issuer.	E.4
5.1.4.	Domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, and the address and telephone number of its registered office (or principal place of business if different from its registered office).	E.4
5.1.5.	Significant events in the development of the Group's business.	A.1.2 A.1.3 A.2.1 (b) E.4
5.2. Investments		
5.2.1.	Description, (including the amount) of the issuer's principal investments for each financial year for the period covered by the historical financial information up to the date of the Registration Document.	A.3.4 (a), (b) and (c)
5.2.2.	Description of the issuer's principal investments that are in progress, including the geographic distribution of these investments (home and abroad) and the method of financing (internal or external).	A.3.4 (d)



Required disclosures		Section(s) of the Registration Document
5.2.3.	Information concerning the issuer's principal future investments on which its management bodies have already made firm commitments.	A.3.4 (d)
6. BUSINESS OVERVIEW		
6.1. Principal activities		
6.1.1.	A description of, and key factors relating to, the nature of the issuer's operations and its principal activities, stating the main categories of products sold and/or services performed for each financial year for the period covered by the historical financial information.	A.3.1
6.1.2.	An indication of any significant new products and/or services that have been introduced and, to the extent the development of new products or services has been publicly disclosed, give the status of development.	A.1.2 (d) and (e) A.3.1
6.2.	Principal markets Principal markets in which the issuer competes, including a breakdown of total revenues by category of activity and geographic market for each financial year for the period covered by the historical financial information.	A.3.2 (a)
6.3.	Exceptional events with respect to 6.1 and 6.2.	A.1.2 A.1.3 A.2.1 (b) E.4
6.4.	Information, in summary form, on the extent to which the issuer is dependent, on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes.	A.3.3 (c)
6.5.	The basis for any statements made by the issuer regarding its competitive position.	A.3.2 (a)
7. ORGANIZATIONAL STRUCTURE		
7.1.	Summarized description of the Group.	A.2.2
7.2.	Significant subsidiaries.	A.2.2 (b) E.5
8. PROPERTY, PLANT AND EQUIPMENT		
8.1.	Material tangible fixed assets and any major encumbrances thereon.	A.2.3
8.2.	Environmental issues that may affect the issuer's utilization of tangible fixed assets.	C
9. OPERATING AND FINANCIAL REVIEW		
9.1.	Financial condition Description of the issuer's financial condition, changes in financial condition and results for each year and interim period, for which historical financial information is required, including the causes of material changes from year to year in the financial information to the extent necessary for an understanding of the issuer's business as a whole.	A.4.1 A.4.3



Required disclosures		Section(s) of the Registration Document
9.2. Operating profit/(loss)		
9.2.1.	Information regarding significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's income from operations, indicating the extent to which income was so affected.	A.4.1 A.4.3
9.2.2.	Explanations of changes in financial statements.	A.4.1 A.4.3
9.2.3.	Information regarding any governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations.	A.4.1 A.4.3
10. CAPITAL RESOURCES		
10.1.	Information concerning the issuer's capital resources (both short and long term).	A.4.5 (a)
10.2.	Explanation of the sources and amounts of and a narrative description of the issuer's cash flows.	A.4.5 (b)
10.3.	Information on the borrowing requirements and funding structure of the issuer.	A.4.5 (a) and (c)
10.4.	Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the issuer's operations.	A.4.5 (a)
10.5.	Information regarding the anticipated sources of funds needed to fulfill commitments referred to in items 5.2.3. and 8.1.	A.4.5 (c)
11. RESEARCH & DEVELOPMENT, PATENTS AND LICENSES		A.3.3
Description of the Research & Development policies applied by the issuer.		
12. INFORMATION ON TRENDS		
12.1.	The most significant recent trends since the end of the last financial year to the date of the Registration Document.	A.4.4 (c)
12.2.	Information on any known trends that are reasonably likely to have a material effect on the issuer's prospects for at least the current financial year.	A.4.4 (c)
13. PROFIT FORECASTS OR ESTIMATES		
13.1.	The principal assumptions upon which the issuer has based its forecast, or estimate.	n.a.
13.2.	Statutory Auditors' report.	n.a.
14. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND SENIOR MANAGEMENT		
14.1.	Names, business addresses and functions in the Issuer of members of the Management Board or Supervisory Board.	B (then Section 1 of the Report by the Supervisory Board on the Corporate Governance)



Required disclosures		Section(s) of the Registration Document
14.2.	<p>Conflicts of interests involving the members of the Management Board, Supervisory Board and other Executive Management</p> <p>Potential conflicts of interests between any duties to the issuer, of the persons referred to in item 14.1., and their private interests and or other duties must be clearly stated. In the event that there are no such conflicts, a statement to that effect must be made.</p> <p>Any arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any person referred to item 14.1 was selected as a member of the administrative, management or supervisory bodies or member of senior management.</p> <p>Details of any restrictions agreed by the persons referred to in item 14.1 on the disposal within a certain period of time of their holdings in the issuer's securities.</p>	B (then Section 1.4 of the Report by the Supervisory Board on the Corporate Governance)
15. REMUNERATION AND BENEFITS PAID TO MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS		
15.1.	The amount of remuneration paid (including any contingent or deferred compensation), and benefits in kind granted to such persons by the issuer and its subsidiaries for services in all capacities to the issuer and its subsidiaries by any person.	B (then Section 6.2 of the Report by the Supervisory Board on the Corporate Governance)
15.2.	The total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits.	B (then Section 6.2.1 (b) of the Report by the Supervisory Board on the Corporate Governance)
16. BOARD PRACTICES		
16.1.	Date of expiration of current terms of office.	B (then Section 1 of the Report by the Supervisory Board on the Corporate Governance)
16.2.	Information about members of the administrative, management or supervisory bodies' service contracts with the issuer or any of its subsidiaries providing for benefits upon termination of employment, or an appropriate negative statement.	B (then Section 1.3 (c) of the Report by the Supervisory Board on the Corporate Governance)
16.3.	Information about the issuer's special committees (including the names of committee members and a summary of the terms of reference under which the committee operates).	<p>B (then Section 2.5 of the Report by the Supervisory Board on the Corporate Governance)</p> <p>B.3 (subsection 2.2 of the Report by the Chairman of the Supervisory Board)</p>
16.4.	Statement of compliance with the applicable incorporation corporate governance regime.	B (Introduction)



Required disclosures		Section(s) of the Registration Document
17. EMPLOYEES		
17.1.	Number of employees at the end of the period for the periods covered by the historical financial information.	A.2.2 (b) C (Table of employment-related performance indicators included in the CSR Report)
17.2.	Shareholdings and stock options.	B (then Section 6.2.1 (c) of the Report by the Supervisory Board on the Corporate Governance) E.7.1
17.3.	Description of any arrangement involving the employees in the capital of the issuer.	E.7.2
18. MAJOR SHAREHOLDERS		
18.1.	Capital ownership structure.	E.2.1
18.2.	Persons other than a member of management or supervisory bodies who, directly or indirectly, has an interest in the issuer's capital or voting rights.	E.2.1 E.2.2 E.2.3
18.3.	Whether the issuer's major shareholders have different voting rights.	E.2.1
18.4.	To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control and the measures in place to ensure that such control is not abused.	E.2.5
18.5.	Description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer.	E.2.6 E.3.6
19. RELATED PARTY TRANSACTIONS		E.6
20. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES		
20.1.	Historical financial information.	D.1 D.3
20.2.	Pro forma financial information.	D.5 (Only with respect to the fiscal year 2015 - No other pro forma information to be reported at the filing date of this Registration Document)
20.3.	Financial statements.	D.1 D.3
20.4.	Auditing of historical annual financial information.	D.2 D.4



Required disclosures		Section(s) of the Registration Document
20.5.	Age of latest financial information.	D
20.6.	Interim and other financial information.	n.a.
20.7.	Description of the issuer's policy on dividend distributions and restrictions thereon.	n.a. (see Section A.4.9)
20.7.1.	Dividend per share.	n.a. (see Section A.4.9)
20.8.	Information on any governmental, legal or arbitration proceedings.	A.5.4
20.9.	A description of any significant change in the financial or trading position of the Group which has occurred since the end of the last financial period.	A.1.3 A.4.4 (a) Note 5.31 to the consolidated financial statements for the fiscal year 2017 (see Section D.1) Note 5.6 to the separate financial statements for the fiscal year 2017 (see Section D.3)
21. ADDITIONAL INFORMATION		
21.1. Share capital		E.1 E.2.1
21.1.1.	The amount of issued capital, and for each class of share capital.	E.1.1
21.1.2.	Indication if there are shares not representing capital, their number and main characteristics of such shares.	E.1.2
21.1.3.	The number, book value and face value of shares in the issuer held by or on behalf of the issuer itself or by subsidiaries of the issuer.	E.1.3
21.1.4.	The amount of any convertible securities, exchangeable securities or securities with warrants, with an indication of the conditions governing and the procedures for conversion, exchange or subscription.	B (then Section 6.2.1 (c) of the Report by the Supervisory Board on the Corporate Governance) E.1.4
21.1.5.	Information about and terms of any acquisition rights and/or obligations over authorized but unissued capital or an undertaking to increase the capital.	B (then Section 6.2.1 (c) of the Report by the Supervisory Board on the Corporate Governance) E.1.4 E.1.5
21.1.6.	Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option and details of such options including the identity of those persons to whom such options relate.	B (then Section 6.2.1 (c) of the Report by the Supervisory Board on the Corporate Governance) E.1.4 (a)



Required disclosures		Section(s) of the Registration Document
21.1.7.	A history of share capital, highlighting information about any changes, for the period covered by the historical financial information.	E.1.6
21.1.8.	Share capital subject to pledges.	E.1.7
21.2. Memorandum and Articles of Association		
21.2.1.	Description of the issuer's corporate purpose.	E.3.1
21.2.2.	A summary of any provisions of the issuer's articles of association, statutes, charter or bylaws with respect to the members of the management and supervisory bodies.	B (then Section 6.2.1 (c) of the Report by the Supervisory Board on the Corporate Governance) E.3.2
21.2.3.	A description of the rights, preferences and restrictions attaching to each class of the existing shares.	E.3.3
21.2.4.	A description of what action is necessary to change the rights of holders of the shares.	E.3.4
21.2.5.	A description of the conditions governing the manner in which annual general meetings and extraordinary general meetings of shareholders are called.	E.3.5
21.2.6.	A brief description of any provision of the issuer's articles of association, statutes, charter or bylaws that would have an effect of delaying, deferring or preventing a change in control of the issuer.	E.3.6
21.2.7.	Description of all provisions of the articles of association, statutes, charter or bylaw provisions governing the ownership threshold above which shareholder ownership must be disclosed.	E.3.7
21.2.8.	A description of the conditions imposed by the memorandum and articles of association statutes, charter or bylaw governing changes in the capital, where such conditions are more stringent than the law.	E.3.8
22. MATERIAL CONTRACTS		A.4.2
23. INFORMATION PROVIDED BY THIRD PARTIES, STATEMENTS FROM EXPERTS AND DECLARATIONS OF SPECIAL INTERESTS		
23.1.	Statement or report attributed to a person as an expert is included in the Registration Document.	F.2
23.2.	Statement confirming that this information has been accurately reproduced in the Document Reference.	F.1.1
24. DOCUMENTS ON DISPLAY		F.3
25. INFORMATION ON HOLDINGS		A.2.2 (c) E.2.2 E.5

F.4.2. Table of cross-references with the Annual Financial Report and the Management Report issued in accordance with the French Commercial Code

For the convenience of readers of the Annual Financial Report (“AFR”) and the Management Report issued pursuant to the French Commercial code, the following table of subjects identifies in this Registration Document the main statutory information.

Headings	Information for	Section(s) of the Registration Document
1. Parent company financial statements	AFR	D.3
2. Consolidated financial statements	AFR	D.1
3. Management discussion and analysis		
3.1. Information on the Company's business		
<ul style="list-style-type: none"> Presentation of the business (in particular progress achieved and difficulties encountered) and results of the Company, of each subsidiary and the Group. <i>Art. L. 232-1, L. 233-6, R.225-102 and/or L. 233-6, L. 233-26 of the French Commercial code</i> 		A.4.1 A.4.3
<ul style="list-style-type: none"> Analysis of business development, results and financial position and in particular debt of the Company and Group. <i>Art. L. 233-26, L. 225-100, subsection 3, L. 225-100-1 and/or, L. 225-100-2 of the French Commercial code</i> 	AFR	A.4.1 A.4.3
<ul style="list-style-type: none"> Outlook of the Company and the Group. <i>Art. L. 232-1, R. 225-102 and/or L. 233-26, R. 225-102 of the French Commercial code</i> 		A.4.4 (b) and (c)
<ul style="list-style-type: none"> Key financial and non-financial indicators of the Company and Group. <i>Art. L. 233-26, L. 225-100, subsection 3 and 5, L. 225-100-1, L. 223-26 and/or L. 225-100-2 of the French Commercial code</i> 	AFR	A.1.1 A.4.1 A.4.3
<ul style="list-style-type: none"> Post-closing events of the Company and the Group. <i>Art. L. 232-1 and/or L. 233-26 of the French Commercial code</i> 		A.1.3 A.4.4 (a) Note 5.31 to the consolidated financial statements for the fiscal year 2017 (see Section D.1) Note 5.6 to the separate financial statements for the fiscal year 2017 (see Section D.3)
<ul style="list-style-type: none"> Information on the use of financial instruments including financial risks and exposure to price, credit, liquidity and cash flow risks of the Company and the Group. <i>Art. L. 225-100, subsection 6, L. 225-100-1 and/or L. 225-100-2, L. 223-26 of the French Commercial code</i> 	AFR	A.5.2 (a) and (c)
<ul style="list-style-type: none"> Principal risks and uncertainties incurred by the company and Group. <i>L. 225-100, subsection 4 and 6, L. 225-100-1 and/or L. 225-100-2 subsection 2 and 4 of the French Commercial code</i> 	AFR	A.5.1 A.5.2
<ul style="list-style-type: none"> Information on R&D of the Company and the Group. <i>Art. L. 232-1 and/or L. 233-26 of the French Commercial code</i> 		A.3.3



Headings	Information for	Section(s) of the Registration Document
3.2. Legal, financial and tax information on the Company		
<ul style="list-style-type: none"> Choice made on one of the two methods for exercising executive management in the event of a modification. <i>Art. R. 225-102 of the French Commercial code</i> 		n.a
<ul style="list-style-type: none"> Shareholder structure and changes thereto. Names of company controlled participating in indirect control in the company and the share of the capital they hold. <i>Art. L. 233-13 of the French Commercial code</i> 		<ul style="list-style-type: none"> E.2.1 and E.2.3 n.a.
<ul style="list-style-type: none"> Material holdings in companies having their registered office in France. <i>Art. L. 233-6, subsection 1 of the French Commercial code</i> 		n.a. - No material holdings was taken during the fiscal year 2017
<ul style="list-style-type: none"> Notice of holding more than 10% in the capital of other joint stock companies; transfer of cross-holdings. <i>Art. L. 233-29, L. 233-30 and R. 233-19 of the French Commercial code</i> 		n.a.
<ul style="list-style-type: none"> Purchase and disposal by the company of own shares (share buybacks). <i>Art. L.225-211 of the French Commercial code</i> 	AFR	E.1.3
<ul style="list-style-type: none"> Employee stock ownership plans. <i>Art. L. 233-26, L. 225-102, subsection 1, L. 225-180 of the French Commercial code</i> 		B (then Section 6.2.1 (c) of the Report by the Supervisory Board on the Corporate Governance) E.7.1
<ul style="list-style-type: none"> Items having a potential impact in the event of public offerings: <i>Art. L225-100-3 of the French Commercial code</i> <ul style="list-style-type: none"> (i) Capital structure of the Company; (ii) Restrictions under the articles of association on the exercise of voting rights or the transfer of shares disclosed in accordance with article L.233-11 of the French Commercial code; (iii) Direct or indirect holdings in the share capital of the Company of which it is informed under articles L233-7 and L233-12 of the French Commercial code; (iv) Holders of any securities conferring special rights of control and descriptions thereof; (v) Control mechanisms provided for in a potential employee stock ownership system where control rights are not exercised by the latter; (vi) Shareholders' agreements known to the Company and which may result in share transfer and voting rights restrictions; (vii) Rules and regulations pertaining to the appointment and replacement of Management Board members and modifications to the articles of association of the Company; (viii) Powers of the Management Board for the issuance and buyback of shares (ix) Agreements concluded by the Company that may be modified or terminated in the event of a change in control of the Company, except if such disclosure, excluding the case where legally required, materially adversely affect its interest; (x) Agreements providing for severance payments for Management Board members or employees in the event of resignation, dismissal without just and sufficient cause or termination of employment resulting from a public offering. 	AFR	<ul style="list-style-type: none"> (i) E.1.1 and E.2.1 (ii) E.2.1 and E.2.6 (iii) E.2.2 (iv) E.2.7 (v) E.2.8 (vi) E.2.4 (vii) E.3.2 (a) and E.3.8 (viii) E.1.3 (a) and E.1.5 (ix) E.2.6 (x) B (then Section 6.2.1 (d) of the Report by the Supervisory Board on the Corporate Governance) and E.7.3



Headings	Information for	Section(s) of the Registration Document
<ul style="list-style-type: none"> Summary of powers in progress granted by the General Meeting for capital increases. <i>Art. L.233-26, L.225-100, subsection 7 of the French Commercial code</i> 	AFR	E.1.5
<ul style="list-style-type: none"> Reference to possible adjustments : <ul style="list-style-type: none"> + for securities giving access to the capital and stock options in the case of share buybacks;; + for securities giving access to the share capital in the case of corporate actions. <i>Art. R.228-90, R.225-138 and R.228-91 of the French Commercial code</i> 		E.1.8
<ul style="list-style-type: none"> Disclosure of dividends distributed for the past three financial periods. <i>Art. 243 bis of the French general tax code</i> 		A.4.9
<ul style="list-style-type: none"> Amount of expenses and charges not deductible from taxable income. <i>Art. 223 quater of the French general tax code</i> 		A.4.7
<ul style="list-style-type: none"> Aged trial balance information for trade payables and receivables by maturity date. <i>Art. L.441-6-1, D.441-4 of the French Commercial code</i> 		A.4.8
<ul style="list-style-type: none"> Injunctions or fines for anticompetitive practices. <i>Art. L.464-2 I subsection 5 of the French Commercial code</i> 		n.a.
<ul style="list-style-type: none"> Agreements entered into between a director and/or officer or a shareholder holding more than 10% of the voting rights and a subsidiary of the Company (excluding ordinary agreements). <i>Art. L.225-102-1 subsection 13 of the French Commercial code</i> 		E.6.4
3.3 Information concerning officers		
<ul style="list-style-type: none"> List of offices and responsibilities exercised in any company by each executive officer during the year. <i>Art. L.225-102-1, subsection 4 of the French Commercial code</i> 		B (then Section 1 of the Report by the Supervisory Board on the Corporate Governance)
<ul style="list-style-type: none"> Compensation and benefits of any kind paid during the period to each executive officer by the Company, companies that it controls and the company controlling it. <i>Art. L.225-102-1, subsection 1, 2 and 3 of the French Commercial code</i> 		B (then Section 6.2 of the Report by the Supervisory Board on the Corporate Governance)
<ul style="list-style-type: none"> Undertakings linked to assuming, terminating or changing functions. <i>Art. L.225-102-1, subsection 3 of the French Commercial code</i> 		B (then Section 6.2.1 (d) of the Report by the Supervisory Board on the Corporate Governance)
<ul style="list-style-type: none"> In the case of stock option grants, reference to information on which the Supervisory Board's decision was made to: <ul style="list-style-type: none"> + either prohibit executive managers from exercising their options prior to ceasing to exercise their functions; + or to impose lockout obligations to registered holders until they cease to occupy their functions on all or part of the shares resulting from options already exercised (by specifying accordingly the portion that was set). <i>Art. L.233-26, L.225-185, subsection 4 of the French Commercial code</i> 		n.a.
<ul style="list-style-type: none"> Summary of dealings in own shares of the Company by executives and related parties. <i>Art. L.621-18-2, R.621-43-1 French of the French monetary and financial code;</i> <i>Art. 223-26 of the AMF General Regulation</i> 		B (then Section 6.3.2 of the Report by the Supervisory Board on the Corporate Governance)



Headings	Information for	Section(s) of the Registration Document
<ul style="list-style-type: none"> ▪ In the case of stock option grants, reference to information according to which the Board of Directors' decision was made to: <ul style="list-style-type: none"> + either prohibit executive manager from disposing of the restricted stock units freely granted to them prior to ceasing to exercise their functions; + or to impose lockout obligations to registered holders for the shares until they cease to occupy their functions (by specifying accordingly the portion to be covered by these provisions). <p><i>Art. L.225-197-1-II, subsection 4 of the French Commercial code</i></p>		n.a.
3.4. CSR information of the company		
<ul style="list-style-type: none"> ▪ Consideration of the employment-related and environmental consequences of the business and social commitments in favor of sustainable development, preventing discrimination and promoting diversity. <p><i>Art. L.225-102-1, subsection 5-8, R.225-104, R.225-105 and R.225-105-2-II of the French Commercial code</i></p>		C
<ul style="list-style-type: none"> ▪ Information on dangerous activities. <p><i>Art. L.225-102-2 of the French Commercial code</i></p>		C
4. Statement of natural persons assuming responsibility for the Annual Financial Report	AFR	F.1.1
5. Statutory Auditors' report on the separate parent company financial statements	AFR	D.4
6. Statutory Auditors' report on the consolidated financial statements	AFR	D.2



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