Valneva

Registration Document

Including the Annual Financial Report 2013

European Company with a Management Board and a Supervisory Board
Registered Office: 70, Rue Saint-Jean de Dieu, 69007 Lyon
Lyon Companies Register (RCS) 422 497 560

The French version of the Registration document was filed with the French financial markets authority (Autorité des marchés financiers – AMF) on April 30, 2014 under n° D.14 - 0444 in accordance with article 212-13 of the AMF's General Regulations. This document may be used in support of a financial transaction if it is accom-panied by an offering circular (note d'opération) approved by the AMF. This document was drawn up by the issu-er and its signatories assume responsibility for its content. This is a free translation of the French original docu-ment. In the event of any discrepancy between the French version and the English translation the French version shall prevail in all cases.

In accordance with the provisions of article 28 of Commission Regulation (EC) No. 809/2004 of 29 April 2004, for certain information the reader is referred to previous registration documents:

- For fiscal year 2012: the historical consolidated and statutory accounts, the Auditors' reports, the management report and financial highlights included in Vivalis' registration document filed with the French financial market authority (*Autorité des Marchés Financiers* or AMF) on 30 April 2013 (No. D.13-0479).
- For fiscal year 2011: the historical consolidated and statutory accounts, the Auditors' reports, the management report and financial highlights included in Vivalis' registration document filed with the French financial market authority (*Autorité des Marchés Financiers* or AMF) on 25 April 2012 (No. D.12-0412).

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GENERAL INTRODUCTORY COMMENTS

In this registration document, unless stated otherwise, the terms “Company” and “ Valneva” refer to Valneva SE, while the term “Group” refers to Valneva SE and its subsidiaries.

This registration document contains forward-looking statements about the Group’s targets and forecasts, especially in Chapter 1.5.2. Such statements may in certain cases be identified by the use of the future or conditional tense or by forward-looking words including but not limited to “believes”, “targets”, “anticipates”, “intends”, “should”, “aims”, “estimates”, “considers”, “wishes” and “may”. These statements are based on data, assumptions and estimates that the Company considers to be reasonable.

They are subject to change or adjustment owing to uncertainties arising from the vagaries inherent in all research and development activities, as well as in the economic, financial, competitive, regulatory and climatic environment. In addition, the Group’s business activities and its ability to meet its targets and forecasts may be affected if certain of the risk factors described in Chapter 1.1.2 – “Risk factors” of this registration document arise.

In addition, attainment of the targets and forecasts implies the success of the strategy presented in section 1.1.1.3 – “Strategy” of this registration document. The Company makes no undertaking and gives no guarantee as to attainment of the targets and forecasts shown in this registration document.

Investors are urged to pay careful attention to the risk factors described in paragraphs 1.1.2.1, 1.1.2.2, 1.1.2.3, 1.1.2.4, 1.1.2.5 and 1.1.2.6 of this registration document (presented in decreasing order of importance among paragraphs 1.1.2.1, 1.1.2.2, 1.1.2.3, 1.1.2.4 and 1.1.2.5) before making their investment decision. One or more of these risks may have an adverse effect on the Group’s activities, condition, the results of its operations or on its targets and forecasts. Furthermore, other risks not yet identified or considered as significant by the Group could have the same adverse effects, and investors may lose all or part of their investment.

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

Forward-looking statements, targets and forecasts shown in this registration document may be affected by risks, either known or unknown uncertainties and other factors that may lead to the Group’s future results of operations, performance and achievements differing significantly from the stated or implied targets and forecasts. These factors may include changes

in economic or trading conditions and regulations, as well as the factors set forth in Chapter 1.1.2 – “Risk factors” of this registration document.

INDICATIVE FINANCIAL REPORTING TIMETABLE

Q4 / Full Year Sales

February 27, 2014

Annual Results 2013

March 24, 2014

Q1 2014 Results

May 13, 2014

Annual Shareholders Meeting, Lyon

June 26, 2014

Ex-dividend Day

July 1, 2014

Dividend Payout Date

July 4, 2014

H1 2014 Results

August 8, 2014

Q3 2014 Results

November 6, 2014

**This financial calendar is for indicative purposes only and the Group could change its publication dates should it deem it necessary. The ex-dividend and dividend pay-out dates are only given to comply with the requirements of financial market authorities and do not guarantee the payment of a dividend by the Company.*

INTRODUCTION: GENERAL PRESENTATION

Valneva is a European biotech company focused on vaccine development and antibody discovery. It was formed in 2013 through the merger between Intercell AG and Vivalis SA.

Valneva's mission is to excel in both antibody discovery, and vaccine development and commercialization, either through in-house programs or in collaboration with industrial partners using innovative technologies developed by the company.

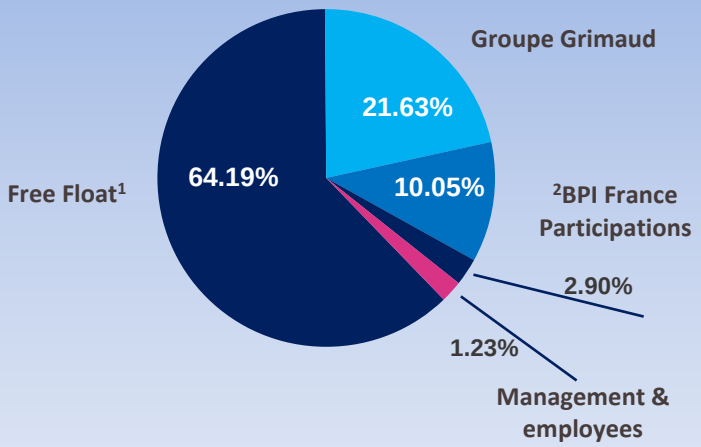
Valneva generates diversified revenue from both its marketed product, a vaccine for the prevention of Japanese encephalitis (IXIARO®), commercial partnerships around a portfolio of product candidates (in-house and partnered), and licensed technology platforms (EB66® cell line, VIVA|Screen® antibody discovery technology, and the IC31® adjuvant) developed by Valneva that are becoming widely adopted by the biopharmaceutical industry worldwide.

Headquartered in Lyon, France, the company employs approximately 300 people in France, Austria, Scotland, the United States, and Japan.

The internationally experienced management team has a proven track-record across research, development, manufacturing, and commercialization.

Valneva's shares are traded on segment B of Euronext Paris (stock code: VLA.PA, ISIN code: FR0004056851) and eligible to the "Service de Règlement Différé" ("SRD"). The Group is part of the SBF 120 index. Valneva's shares are also traded on the Prime Market of the Vienna Stock Exchange (stock code: VALNEVA SE ST, ISIN code: FR0004056851)

Ownership of the Company's share capital at Dec 31, 2013



[1] Shareholders holding less than 5%, including Novartis
[2] BPI France Participations SA (formerly FSI) / Caisse des Dépots et Consignations

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1. PRESENTATION OF VALNEVA AND ITS ACTIVITY

1.1 GROUP'S OVERVIEW AND ACTIVITY

1.1.1 History, Development and Strategy of the Group

1.1.1.1 Overview of the Legal Entity

Registered name

Registered name: Valneva

Registration details

The Company is registered in the Trade and Companies Registry in Lyon under registration number 422 497 560.

Date of incorporation and term

The Company's business sector N.A.F. code is 7211Z – Administration of companies.

The Company was incorporated on April 7, 1999 for a fixed period, except in the case of early dissolution or extension, of ninety-nine years from its registration in the Register of Commerce and Companies, i.e. until April 6, 2098.

Registered office, legal form and applicable law

Registered office: Gerland Plaza Techsud – 70, rue Saint Jean de Dieu, 69007 Lyon, France

Telephone: +33 (0) 4 78 76 61 01

Valneva is a limited liability Company incorporated under French law with a Supervisory Board governed by the provisions of Book II of the French Commercial Code.

1.1.1.2 Group Overview

Valneva is a European biotechnology Company focused on vaccine development and antibody discovery, which was formed in 2013 through the merger between Intercell AG and Vivalis SA. The Company, which manufactures its own vaccine for the prevention of Japanese encephalitis (IXIARO®), recorded revenues of EUR 36.0 million in 2013. During the year 2013, the Group had an average of 193 employees, compared to 106 in 2012 and 107 in 2011.

Its portfolio comprises in-house vaccines candidates, the leading two programs being against hospital acquired infections, as well as partnered programs on its licensed technology platforms (EB66® cell line, VIVA|Screen® antibody discovery technology, and the IC31® adjuvant).

At Valneva, about 125 people are dedicated to the development of innovative vaccines and to the discovery of new antibodies. In 2013, R&D spending reached EUR 21.4 million, representing 59.5% of the Company's total revenues and grants.

The Group's marketed product: IXIARO®/JESPECT®

Valneva's product is the only vaccine against Japanese Encephalitis licensed in Europe and the only available licensed vaccine in the United States. It is manufactured and supplied to countries all over the world.

IXIARO®/JESPECT® is a purified, inactivated vaccine indicated for active immunization for the prevention of disease caused by the Japanese Encephalitis virus. Manufactured at Valneva's wholly-owned cGMP facility in Livingston, Scotland, the product is derived from vero-cell cultures, contains no gelatin or stabilizers and is provided as a sterile, adjuvanted (aluminum hydroxide), liquid formulation in ready-to-use prefilled syringes.

The vaccine offers protection against JE for adults, children and infants who travel to, or live in, endemic areas, and is administered in a convenient two-dose schedule.

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

The Group's vision and mission

In a context marked by growth ambitions, Valneva has been consolidating key activities and processes across the two previous operations, refocusing the Group's activities and strengthening the employees' sense of belonging to a single Company.

Our vision: Immunization for people's health

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

Our mission:

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

The Group's competitive edge

Valneva believes that it has the following competitive advantages:

- The only approved vaccine against Japanese encephalitis in Europe and in the US, along with a 7 years orphan drug market exclusivity period for the pediatric indication in the US.
- A broad portfolio of vaccines candidates targeting unmet medical needs
- Three validated and commercialised technology platforms for vaccine development and antibody discovery:
  - EB66® cell line vaccine production platform
  - IC31® adjuvant for both prophylactic and therapeutic vaccines
  - Fully-human antibody discovery platform VIVA|Screen®
- Strong partnerships with the world's leading pharmaceutical companies such as Novartis, GSK, Sanofi etc.
- Diversified sources of revenues coming on the one hand from the JE vaccine and on the other hand from the licensing of its proprietary technologies.
- Skills and Capabilities to operate across the whole value chain from discovery to clinical development, to GMP manufacturing and sales & marketing.
- A complementary management team boasting strong experience in leading pharmaceutical companies and financial institutions.

1.1.1.3 Group's strategy

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

Valneva's stand-alone strategy is to grow revenues through marketed products as well as existing and future technologies and product partnering licenses and deals, and to invest in vaccine development and antibody discovery. Valneva expects to achieve financial self-sustainability by:

- Maximizing the value of its Japanese Encephalitis vaccine, IXIARO® (also known as JESPECT® in certain territories)
- Developing in-house clinical candidates to their next value inflection points
- Leveraging the potential of its main technology platforms (EB66® cells, VIVA|Screen® antibody discovery, IC31® adjuvant) internally or through commercial collaborations
- Improving Valneva's financial performance by focusing on development activities and optimizing the use of resources, with a view to reaching profitability for each business activity

In addition the Company's strategy includes exploring opportunities to expand its value proposition.

1.1.1.4 Significant Milestones in the development of the Group's business

+ Valneva SE was formed in May 2013 through the merger between Austrian biotech company Intercell AG and French biotech company Vivalis SA. The merger was announced in December 2012 and approved in February/March 2013 by the Extraordinary Shareholders' Meetings of Intercell and Vivalis. The aim of the merger was to create a fully integrated company specialized in vaccine development and antibody discovery with complementary skills and capabilities as well as diversified sources of revenues (marketed products and partnerships). Intercell had been created in 1998 as a spin-off of the Research Institute of Molecular Pathology (IMP) in Vienna and was listed on the Vienna Stock Exchange since February 28, 2005. Intercell was manufacturing, marketing and distributing its own Japanese Encephalitis vaccine, had further vaccine candidates in clinical development, and proprietary platforms such as the IC31® adjuvant. Vivalis had been created in 1999 as a spin-off of Groupe Grimaud, one of the world's leaders in animal genetic selection, and was listed on the Paris Stock Exchange since June 2007. The Nantes-based company had two proprietary technologies, the EB66® cell line – a novel vaccine production platform it was licensing to the world's leading pharmaceutical companies (GSK, Sanofi, Boehringer Ingelheim, etc) - and VIVA|Screen®, a microarray-based single cell screening platform allowing rapid analysis and discovery of fully human monoclonal antibodies.
+ Following the merger in May 2013, Valneva's new management team, Thomas Lingelbach (President & CEO), Franck Grimaud (President & CBO), Reinhard Kandera (CFO) and Majid Mehtali (CSO) started to implement the group's strategy to become a European leader in vaccine development and antibody discovery:
    - » In early June 2013, Valneva announced the sale of its Clinical Manufacturing Operations (CMO) in France to Biological E, a leading Indian biopharmaceutical company, as part of the Company's strategy to realize cost synergies of EUR 5 to 6 million annually. The sale was completed in December 2013.
    - » At the end of June 2013, Valneva launched a fully underwritten EUR 40 million capital increase with preferential subscription rights to strengthen the Company's financial profile and flexibility. The capital increase was oversubscribed by 146% and the final gross proceeds amounted to EUR 40.2 million with the issuance of around 15.2 million new shares.
    - » In August 2013, Valneva had to announce the passing of its Management Board member and Chief Scientific Officier Majid Mehtali at the age of 51. His

passing was a great loss for the Company but the strong research team built by Majid Mehtali continued his work according to plan.

» In December 2013, Valneva announced it had secured a USD 30 million financing from an investment fund managed by Pharmakon Advisors for its Austrian subsidiary Valneva Austria GmbH to support the sales growth of the Group's Japanese encephalitis vaccine IXIARO®/JESPECT® and to advance the company's pipeline of clinical candidates.

» In February 2014, Valneva announced the amendment of its Marketing and Distribution Agreement (MDA) with its main distribution partner to secure continued sales growth of its Japanese encephalitis vaccine in the coming years. The Company also transferred to its distribution partner the sales and marketing responsibility of IXIARO® to the U.S. military, allowing the Company to reduce its own marketing and sales activities for the product in the U.S. Transitioning of the U.S. military business will lead to Valneva recognizing two-thirds of the related net sales Valneva expects to compensate the lower revenue share with savings in marketing and sales expenses at its US office compared to 2013 and thanks to a decrease in the level of royalties it was granting to its distribution partner.

1.1.2 Risk factors

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

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

The risk factors described below are also set out in the management report (section 3.1.5 of this registration document) but have been updated, in particular in the paragraphs "Risk of

failure or delay in development of the EB66 cell line", "Risk of dependence vis-à-vis current and future strategic partners"; "Risks related to the quality and availability of products and services delivered by suppliers" and "Disputes", so that they reflect the risk situation as accurately as possible as at the filing of this registration document.

There is an inherent risk of failure in biotechnological innovation, and the Group is thus exposed to specific industrial risks. Valneva is exposed to an additional risk as a result of the marketing of its first product, a vaccine against Japanese encephalitis, which has thus far not generated sufficient revenues to ensure the Group's sustainable development. Moreover, the Group, which has suffered significant losses since its inception, is exposed to liquidity risk and the risk of never achieving sustained profitability.

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

1.1.2.1 Risks associated with the Group's activity

Risk associated with dependence on a single product

To date, the Group only has one marketed product, namely its Japanese encephalitis (JE) vaccine, and is dependent on the sales results of this product. Future revenues from this product may be affected by a number of factors, including (i) the level of performance of the distributor that provides most of these revenues, (ii) serious adverse events linked or suspected to be linked to the product, or (iii) public distrust of vaccines or adjuvants.

Risk of marketing failure

The Group needs its first commercial product, the Japanese encephalitis (JE) vaccine, to see greater recognition on the market, in order to recover the significant development costs incurred. The Group may fail to reach sales targets for this vaccine and may not be able to develop and market product candidates as planned. The ability to market product candidates will depend on the degree of acceptance by the market, and in particular by the Group's main clients, the clients of the Group's strategic partners, and the medical community. Products' degree of market acceptance will depend on a number of factors, including the recommendations of local and international health organisations, reimbursement by health authorities and health insurance providers, legislative efforts to control or reduce healthcare spending, reforms to modify social security programmes, and the ability of customers to pay or be reimbursed for the cost of medical treatments. Demand for Valneva's Japanese encephalitis vaccine could also be affected by international or local events or circumstances,

especially those prompting consumers and businesses to restrict travel, such as security issues subsequent to terrorist threats or attacks, war or economic crises.

Risks associated with production of the Japanese encephalitis vaccine

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

The Group's production facility in Livingston, Scotland, is the sole producer of the Japanese encephalitis vaccine. Destruction of the site by fire or for any other reason could lead to considerable losses. The Group's activity requires the use of hazardous materials, thereby increasing the Group's exposure to dangerous and costly accidents that could bring about accidental contamination, personal injury, or environmental impacts. The Company is subject to strict environmental and safety standards, in addition to other laws and regulations, which could generate compliance-related costs that may affect the performance of the Company and its financial position.

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

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

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

To mitigate this risk, the Group has already contacted American and European regulatory authorities to verify its qualification policy of this cell line. Lastly, at the request of its clients, the Group can participate in formal or informal meetings on the regulatory qualification strategy for products manufactured by Group clients. Any failure or delay in development of the EB66® cell line could have a material adverse effect on the Group's activity, earnings, financial situation and prospects.

Development risks of Group licensee products

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

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

Development risks of Group products

a) Antibodies in oncology

Since 2013, the Group has carried out antibody research in the field of oncology, using its Viva|Screen platform. This research process is made up of several long, costly and uncertain phases.

Failure of this research program or delays in its execution would have a significant impact on the medium- and long-term potential of the Viva|Screen platform and thus on the Group's activity, earnings and prospects.

b) Vaccines

The Group's Research and Development (R&D) activities, and especially its programmes in the final clinical trial phase, are costly and time-consuming (please refer to section 1.2.2.1 of this document for a description of these activities). The results of R&D are inherently uncertain, and the Group may experience delays or failures in clinical trials. To continue to develop and market its product candidates, the Group will have to obtain authorisations from authori-

ties such as the US Food and Drug Administration (FDA), the European Medicines Agency (EMA) and other health organisations. These authorisations may be delayed or denied if the Group is not able to meet regulatory requirements, particularly those concerning the safety and effectiveness of its product candidates. Changes in regulatory requirements, adverse effects or ineffectiveness in clinical trials may force the Group to halt development of its product candidates, prevent regulatory approval of its product candidates, or have an adverse effect on existing products and activities.

Risk of dependence vis-à-vis current and future strategic partners

To develop and market its products, the Group has entered and will enter into collaboration agreements, research licenses and commercial licenses with biopharmaceutical and pharmaceutical companies and, less frequently, with academic institutions (please refer to section 1.4 of this document for a description of the main agreements). These agreements are necessary for the research, development, manufacture and marketing of the Group's products. The Group may fail to keep these agreements in force or to establish new agreements on acceptable terms, which could significantly limit or delay its ability to develop and market its discoveries and inventions, and thus to reap the benefits of its R&D programmes and technologies. The success of strategic partnerships depends in part on the performance of the strategic partners, over which the Group has little or no control. Partners may postpone or terminate one or more of these strategic partnerships, develop alternative products independently or in collaboration with a third party, and thus compete with the Group's product candidates or technologies. They may also fail to commit sufficient resources to the development or marketing of Group product candidates that depend on partnerships or collaborations, or may not live up to the Group's expectations. Although the Group believes that the recently announced transaction between Novartis and GSK carries more opportunities than risks, the Group cannot rule out the possibility that this transaction or the related transition period (a) delays or adversely affects the development of the Pseudomonas or C. Difficile programs under the Strategic Alliance Agreement with Novartis (please refer to section 1.4.1 of this document) and/or (b) jeopardizes the commercial performance of the Group's Japanese encephalitis vaccine. If one of these risks were to occur, the development of certain products could be stopped and/or the marketing of certain products prevented or delayed, which would have a material adverse effect on the Group's activities, financial situation or operating results.

Risks associated with the need to maintain, attract and retain key employees

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

The Group will also need to recruit new management executives and qualified personnel to develop its activities. The Group competes with other companies and organisations to recruit and retain highly qualified individuals. This competition is extremely intense, and the Group may not be able to attract or retain key talent on terms that are acceptable from an economic standpoint.

The inability of the Group to maintain, attract and retain these key personnel could prevent it from achieving its overall objectives and have a material adverse effect on its activity, earnings, financial situation and prospects.

Valneva's Austrian subsidiary has taken out "key person" insurance (a permanent disability / death insurance policy in which the Group is the beneficiary) in connection with two members of the Company's Management Board, Mr. Thomas Lingelbach and Mr. Reinhard Kandera (please refer to section 1.1.2.5 of this document).

Risks associated with internal and external growth

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

Risks associated with the 2013 merger

Although most risks associated with the Vivalis-Intercell merger have been overcome to date, the following risks remain: (a) risks associated with litigation against former Intercell shareholders as described in the "Disputes" paragraph of the legal risk section below; and (b) a residual risk that the Group fails to deliver all savings associated with the planned synergies, as explained below.

When the merger was announced, the parties envisaged that the new company would be able to realize synergies. A combination of scale savings on overhead costs, rationalization of R&D platforms, disposal of Intercell antibodies discovery platform, and disposal of Vivalis manufacturing for third parties business would allow Valneva to complete savings for an estimated amount of €5 to 6 million per year over two years following closure of the transac-

tion. Already in the first seven months, Valneva was able to progress its integration process and implement changes, allowing it to achieve a number of the synergies sought. The sale of the CMO facility to Biological E was announced in June and completed in November 2013. This initiative alone will generate savings of up to EUR 3m.

However, the businesses coming from Vivalis and Intercell are very complementary. While this was one of the drivers of the merger, allowing Valneva to become a diversified company with several value propositions from R&D platforms to a commercial product, all synergies and resulting savings have not been implemented across all functions yet. Further harmonization is planned throughout 2014, and although the Company remains committed to achieving or even over-achieving its defined goal of €5 to 6 million annual savings, it will not be automatic: a residual risk remains that the organization will not be able to implement all changes required to reach this goal.

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

As part of its research and development, licensing and manufacturing, the Group relies on materials, equipment and services produced or provided by other companies. The quality and availability of these goods or services are key to the Group´s sustainability.

The Group is a client of these suppliers. If a supplier, for commercial, strategic or other reasons, were no longer to offer a given material, product or service or no longer to produce or provide it in sufficient quantities or to a standard of quality required by the Group, manufacturing and sale of the Group's products, including product candidates, could be prevented, limited or delayed. This in turn would have a material adverse effect on the Group's activities, financial situation and earnings.

For example, fetal bovine serum, a critical and scarce raw material used in the manufacturing of the Japanese encephalitis vaccine, may not be available in the required quantities in the future.

Risks related to competition

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

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

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

In case of non-compliance with regulations or of failure to obtain / withdrawal of required approvals, the Group would be subject to fines and could be forced to suspend all or part of its R&D activities. Compliance with environmental, health and safety regulations entails considerable costs, and the Group could be required to incur significant costs to comply with future laws and regulations.

While the Group considers that the security procedures it implements are in compliance with applicable regulations, the risk of accident or accidental contamination cannot be completely eliminated. In the event of accident or contamination, the Group's liability may be incurred. This would oblige it to incur potentially significant costs to compensate victims and repair damage, and could have a negative impact on its results and financial position.

1.1.2.2 Financial Risks

Historical operating losses - Risks related to expected future losses

At 31 December 2013, cumulative net losses for the Group (retained earnings) under IFRS amounted to € 62.4 million including a loss of € 24.1 million for the fiscal year ended 31 December 2013.

+ The Group could sustain higher than expected operating losses over the coming years as its research and development and marketing activities continue, particularly due to: the transition of some of its products to preclinical or clinical development stages; the development of its proprietary product business, which consumes significant research and development resources; increased regulatory requirements for product manufacture and testing; the growth of its portfolio of products through acquisition of new products or via licenses; and the development of its research and development activities and the purchase of new technologies, products or licenses.

An increase in these expenses, particularly in case of disruption or reduction of one or more sources of income, could have an adverse material effect on the Group's activities, earnings, financial situation and prospects.

Uncertainty of additional funding and future capital requirements

In 2013, the Group raised €38 million through a capital increase and obtained a USD 30 million loan. However, it still expects to require more capital in the near future to continue its research and development and develop its portfolio of new and existing products. The Group may be unable to finance its growth itself, which would lead it to seek other sources of financing, particularly through new capital increases. Inability to meet the expectations of its investors and/or unfavourable economic conditions or credit markets could affect the Group's ability to obtain financing.

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

- higher costs and slower progress than expected in its research and development programmes; cost of preparing, filing, defending and maintaining patents and other intellectual property rights;
- costs of responding to technological and market developments, concluding collaboration agreements within the necessary timeframe and keeping them in force to ensure effective production and marketing of its products;
- new opportunities to develop promising new products or to acquire technologies, products or companies; and higher costs and longer than expected wait time to obtain regulatory approvals, including time taken to prepare applications for regulatory authorities.

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

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

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

If one or more of these risks were to materialise, they could have a material adverse effect on the Group's activity, earnings, financial situation and prospects, as well as on the situation of its shareholders.

Liquidity Risk

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

The Group is exposed to liquidity risk due to (a) the maturity of its financial liabilities and the fluctuations of its operating cash-flow (please refer to Note 3.1(c) of the consolidated financial statements in section 2.1.5 of this registration document and to the maturity table included therein), and (b) the potential implementation of early repayment clauses in loan or grant agreements, especially regarding the USD 30 million loan referred to in section 1.4.6 of this document. Early repayment of this loan may be required in various situations, particularly in the event of a sharp decline in operating margins on sales of the Japanese encephalitis vaccine, default, sentence to pay damages of over €10 million not covered by insurance, or an event that has a material adverse effect on sales of the vaccine.

Dilution risk

Under its incentive policy for corporate officers, employees and consultants, the Company has, since its inception, regularly granted or issued stock options, free shares and warrants. In the future, the Company may grant or issue new instruments giving access to capital. The Company was also authorised by the General Meeting of Shareholders of 28 June 2013 to carry out capital increases via private placement representing up to 20% of the capital.

The exercise of instruments giving access to outstanding capital, any award or new issue of such instruments, or capital increase via private placement would result in significant dilution of shareholders' interests.

Risk of not collecting funds promised under subsidised research programmes

If the Group fails to comply with the terms of subsidy agreements or chooses to discontinue supported or subsidised research programmes, it may not receive the anticipated funding. Organisations providing subsidies may also suspend or terminate a programme based on the interim results obtained by the programme or some of its members.

These situations could affect the Group's ability to fund its research and development.

Risk of impairment of intangible assets

Impairment of intangible assets could lead to substantial losses in the Group's accounts. The Group's balance sheet includes significant intangible assets from projects and technologies under development and which were acquired during business combinations (please refer to Note 13 to the consolidated financial statements in section 2.1.5 of this registration document). If the Group is unable to successfully develop these projects and technologies and to

generate future cash flows from them, it may never have the opportunity to recover the sums invested to acquire these assets, thereby compromising their value. Such impairment of intangible assets would result in substantial losses in the Group's accounts.

Risk of losing tax deficits

In the future, the Group may not be able to use its tax-loss carryforwards and may therefore be obliged to pay higher taxes than expected and/or to reimburse tax credits. Please refer to note 10.2 to the consolidated financial statements in section 2.1.5 of this registration document.

1.1.2.3 Legal Risks

Risks related to patents

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

The success of the Group's business depends on its ability to obtain, maintain and enforce its patents and intellectual property rights in Europe, the United States and other countries. However, it cannot be ruled out the possibility that:

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

Granting of a patent does not guarantee its validity or application. Actions in court or at the relevant offices may be necessary to enforce the Group's intellectual property rights, protect its trade secrets or determine the validity or scope of its intellectual property rights. Litigation could entail substantial costs, reduce the Group's profits, and fail to provide the desired protection. The Group's competitors may successfully challenge the validity or scope of these patents. In addition, patents may be successfully infringed or bypassed. As a result, the rights of the Group to issue patents may not provide the expected protection against competition.

The issue of patents in the field of biology is highly complex and involves a range of legal, scientific and factual issues. General trends in the three major patent organisations in the United States, Europe and Japan tend to standardise the approach to the patentability of inventions in the field of cells and their uses. Nevertheless, uncertainties remain, especially with regards to the interpretation of the scope of claims which may be granted, a question that is still governed by national law.

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

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

Dependence on third parties and access to certain technologies

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

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

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

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

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

As the biotechnology industry grows, new patents on technologies and products are granted. The likelihood that the Group’s technologies and products may infringe the patents of third parties is thus increasing, especially for patents covering new techniques of producing viral vaccines or recombinant proteins, specific components of these techniques or use of the platform for screening compounds of interest, especially for therapeutic purposes.

Legal action could thus be brought against the Group or its partners, which could entail substantial costs.

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

Any action against the Group for damages, preventing it from manufacturing or marketing infringing products or processes, or requiring it to obtain a license from a third party to con-

tinue its activities could negatively impact the Group's finances and prospects. There is no guarantee that the Group could successfully defend its position or obtain a license under economically acceptable terms.

Many lawsuits for infringement of intellectual property rights have been filed in the pharmaceutical and biotechnology industry. In addition to proceedings brought directly against the Group, the latter could be party to litigation such as opposition proceedings before the European Patent Office (EPO) or interference proceedings at the U.S. Patent and Trade mark Office (USPTO) relating to the intellectual property rights for its products and technologies.

Even in the event of a favourable ruling, defence costs could be substantial. Some Valneva competitors have much greater resources and could more easily bear the costs of complex litigation. Such proceedings could also be very time consuming for Group management. The uncertainty surrounding how to proceed in the event of a dispute could have a material adverse effect on the Group's competitiveness.

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

The Group may not be able to generate revenue from products based on its technology or from its own products if a third party does not grant to the Group or its licensees the licenses necessary, or if it offers such a license on unacceptable terms. The Group may then have to modify its potential technologies and products, or avoid/stop certain activities. The Group's licensees could experience similar problems.

If one or more of these risks were to materialise, they could have a material adverse effect on the Group's activity, earnings, financial situation and prospects.

Risks related to the Group's trademarks

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

Risks related to potential conflicts with licensees, partners and distributors

The Group has granted licenses to use its EB66® platforms and Viva|Screen, as well as rights to distribute its Japanese encephalitis vaccine; it co-finances the development of several products with Novartis under the Strategic Alliance Agreement (see section 1.4.1 of this document). The Group may have difficulties collecting the amounts owed by its licensees,

distributors and partners. The Group may have to spend large sums to recover these amounts due or may not be able to recover them at all.

Risks of failure to protect the confidentiality of information on the Group and its know-how

The Group regularly provides information and biological samples to public and private entities for the purpose of conducting tests for research or signing off on commercial projects. In both cases, the Group uses confidentiality agreements. Its business also depends on technologies, processes, know-how and unpatented own data that the Group considers trade secrets and that it protects in part though confidentiality agreements with employees, consultants and certain partners and subcontractors. These agreements or other means of protecting trade secrets may not provide the desired protection or may be violated. Moreover, the Group may have no appropriate solution to counter a violation, and trade secrets may be disclosed to competitors or be developed independently by the latter.

If one or more of these risks were to materialise, they could have a material adverse effect on the Group's activity, earnings, financial situation and prospects.

Product liability risk

The Group is exposed to risk of claims and potential liability for defective products in clinical trials on product candidates and in the marketing and sale of its vaccines. The Group's product and clinical trial liability insurance may not be sufficient, and the Group may be held liable for the use of these product candidates in clinical trials or the sale of current or future products. This could pose a serious threat to its activities, earnings, financial situation and prospects. In the future, this type of insurance might also cease to be available at a reasonable cost. Please refer to section 1.1.2.5 of this registration document for information on the Group's insurance policies.

Disputes

Following the merger between Vivalis and Intercell, some former Intercell shareholders initiated legal proceedings before the Commercial Court of Vienna to revise the amount of compensation offered to exiting shareholders and the exchange ratio between Intercell and Valneva shares. If the court decides to increase the financial compensation, every former Intercell shareholder who opted for financial compensation instead of exchange would be entitled to an increase, even if he or she was not a party to the dispute. If the court decides to revise the exchange ratio, there is legal uncertainty as to whether the court could extend this revision to all former Intercell shareholders who exchanged their shares, even if they were not party to the dispute. There is therefore a risk that Valneva will be forced to com-

pensate all shareholders following the reevaluation of the exchange ratio. If so, these payments could have a material adverse effect on Valneva's activities, earnings and prospects.

The arbitral litigation referred to in section 3 of the management report (section 3.1.5 of this document) and involving the supplier of an ingredient for the Japanese encephalitis vaccine was settled out-of-court on April 8, 2014 for an amount that does not exceed the amount of the reserves set aside for this purpose in the 2013 financial statements.

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

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

Successfully marketing Group technologies and products depends in part on the market's acceptance of these technologies and products for the prevention or treatment of human or animal diseases. The use of genetic technologies and materials of animal origin could raise ethical, legal or social concerns and thus could affect the successful marketing of the Group's technologies and products.

If one or more of these risks were to materialise, they could have a material adverse effect on the Group's activity, earnings, financial situation and prospects.

Risks associated with concentration of ownership

The two largest shareholders of the Company, namely Groupe Grimaud and Bpifrance Participations, hold a significant percentage of the share capital and the voting rights (21.63% and 10.05%, respectively, when this document is filed). Such concentration may have a significant adverse effect on the Company's share price.

1.1.2.4 Market risk

Currency risk

The Group, through its marketing & distribution partners, conducts some sales and manufactures its products outside the euro zone and is therefore exposed to currency risk, particularly with respect to the U.S. dollar and the British pound. The Group has not entered into a hedging agreement to date, and its operating results could be affected if effective hedging arrangements are not made in the future. Please refer to Note 3.1(a) to the consolidated financial statements in section 2.1.5 of this registration document for more on currency risk.

Interest rate risk and credit risk

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

Please refer to Note 3.1(a) to the consolidated financial statements in section 2.1.5 of this document for more on interest rate risk.

Regarding credit risk, please refer to Note 3.1(b) to the consolidated financial statements in section 2.1.5 of this document.

Price risk

The Company is not exposed to a risk on the price of its own shares except (i) with respect to the treasury shares resulting from the merger process (please see section 3.2.2.6 of this document), and (ii) under the liquidity contract with Natixis. The conditions under which the contract was carried out over the period are described in the management report (section 3.1.5 of this Registration Document).

1.1.2.5 Insurance and protection against risks

Upon May 28, 2013 Vivalis SA and Intercell AG merged to form Valneva SE. The insurance coverage of Valneva SE, excluding subsidiaries, remained unchanged until the end of 2013 (with the exception of the Directors & Officers insurance, for which a specific global D&O policy replaced a Groupe Grimaud policy upon the merger). At the beginning of 2014, the main insurance policies were combined to cover Valneva SE and its subsidiaries.

The Company has taken out policies covering the main insurable risks for values it deems compatible with the nature of its business. Charges paid by the Company and its subsidiaries for all insurance policies, in 2013 amounted to EUR 501.000 for the fiscal year ended 31 December 2013.

Pre-merger insurance policy

Insurances taken out for the full year 2013 by Vivalis SA:

Risks covered	Insurer	Term/ expiration
Company liability max EUR 30 million per claim	XL INSURANCE	Two years with tacit renewal and three months' prior notice
Company comprehensive insurance (Fire and associated risks) for the La Chauvinière facility at Saint-Herblain max. EUR 17 million	AXA	One year with tacit renewal and two months' prior notice

Company comprehensive insurance (Fire and associated risks) for the Lyon site max. EUR 623 thousand	AXA	One year with tacit renewal and two months' prior notice
D & O liability max. EUR 10 million (per claim, p. a.)	AIG	One year with tacit renewal and one month's prior notice
Building work damage max. final building cost	Groupama	10 years from acceptance of the building
Building work damage max. final building cost	AXA	10 years from acceptance of the building

These policies do not cover potential operating losses of the Company either pre nor post merger.

Insurances taken out for the year 2013 by Intercell AG for itself and its subsidiaries:

Former Intercell AG had (and Valneva Austria GmbH now has) the following main policies: a property and all-risk insurance, an industrial general insurance, including a product liability insurance (max cover EUR 20 million per claim per year), and an environmental liability insurance, a transport insurance, a collective accident insurance for two of its directors, a key person insurance for two of its directors (in case of fatality, the company would receive EUR 700,000), and a corporate travel insurance for its employees, a cold chain items insurance, a study accident insurance as well as a proband insurance for all the persons participating in its studies.

After-merger insurance policy

The policies previously described have been reviewed in the context of the merger of the company Vivalis SA with Intercell AG that led to the creation of Valneva SE.

Main new Valneva SE group policies

Risks covered	Insurer	Term/expiration
BU/ All-risk insurance max. coverage: EUR 25 million p.a.	Allianz Elementar Versicherungs AG	Renewed yearly unless terminated at three months' prior notice (earliest October 1st, 2015)
Transport insurance	HDI Versicherung	Renewed yearly unless terminated at three months' prior notice (earliest October 1st, 2014)
Product liability insurance max. coverage: EUR 20 million (per claim, p.a.)	Chubb Insurance Company of Europe SE	Renewed yearly unless terminated at three months' prior notice (earliest October 1st, 2014)

D&O[1]	XL Insurance Company Limited	valid for period: May 27th, 2013 – May 26th, 2014
Corporate travel insurance	Europaeische Reiseversicherungs AG	terminated at one month's prior notice (earliest January 1st, 2015)

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

All the insurance programs are issued by the highly rated insurers and are designed in such a way that the Company can integrate new businesses. The cover has been designed to reflect the risk profile and the capacity available on the insurance market. By centralizing the major programs, the Company can provide the best coverage and reduce costs.

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

Given the prospects of the Company, as described in Section 1.5 of this Registration Document, the Company anticipates that its insurance premiums will continue to rise, while remaining insignificant compared to the amounts it spends on research and development, its annual losses and the value of its assets.

1.1.3 Key Figures

In accordance with the provisions of article 28 of Commission Regulation (EC) No. 809/2004 of 29 April 2004, for certain information the reader is referred to previous registration documents:

+ For fiscal year 2012: the historical consolidated and statutory accounts, the Auditors' reports, the management report and financial highlights included in Vivalis' registration document filed with the French financial market authority (Autorité des Marchés Financiers or AMF) on 30 April 2013 (No. D.13-0479).
+ For fiscal year 2011: the historical consolidated and statutory accounts, the Auditors' reports, the management report and financial highlights included in Vivalis' registra-

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

tion document filed with the French financial market authority (Autorité des Marchés Financiers or AMF) on 25 April 2012 (No. D.12-0412).

Key Financial Information

The summary financial data set forth below were extracted from Valneva's annual consolidated financial statements and Valneva's unaudited condensed consolidated interim financial report.

Consolidated income statement

EUR in thousands (except per share amounts)	Year ended December 31,		
	2013	**2012**	**2011**
Product sales	23,239	-	-
Revenues from collaborations and licensing	7,206	3,431	10,263
Revenues	**30,445**	**3,431**	**10,263**
Grant income	5,546	2,478	2,292
Revenues and Grants	**35,991**	**5,909**	**12,555**
Cost of goods sold	(16,508)	-	-
Research and development expenses	(21,423)	(11,095)	(10,550)
General, selling and administrative expenses	(14,720)	(5,565)	(3,182)
Other income and expenses, net	1,157	(292)	(286)
Amortization of intangible assets	(5,353)	(1,790)	(1,615)
OPERATING LOSS	**(20,856)**	**(12,833)**	**(3,078)**
Finance income	200	477	
Finance expenses	(2,969)	(533)	
LOSS BEFORE INCOME TAX	**(23,625)**	**(12,889)**	**(3,020)**
Income tax	(348)	(96)	(26)
LOSS FROM CONTINUING OPERATIONS	**(23,973)**	**(12,985)**	**(3,046)**
Loss from discontinued operations	(137)	(1,856)	(1,373)
LOSS FOR THE YEAR	**(24,110)**	**(14,841)**	**(4,419)**
Losses per share for loss from continuing operations attributable to the equity holders of the Company, expressed in EUR per share (basic and diluted)	**(0.61)**	**(0.61)**	**(0.14)**

(Source: Audited annual consolidated financial statements of Valneva SE (prior Vivalis SA) as of and for the years ended December 31, 2011, 2012 and 2013)

Consolidated Balance sheet

EUR in thousands	At December 31,		
	2013	**2012**	**2011**
ASSETS			
Non-current assets	191,045	38,446	39,629
Current assets	63,346	15,083	33,455
Assets held for sale	-	137	-
TOTAL ASSETS	**254,391**	**53,667**	**73,083**
Equity	144,111	26,194	40,445
Non-current liabilities	82,181	17,664	19,299
Current liabilities	28,100	9,808	13,339
TOTAL EQUITY AND LIABILITIES	**254,391**	**53,667**	**73,083**

(Source: Audited annual consolidated financial statements of Valneva SE (prior Vivalis SA) as of and for the years ended December 31, 2011, 2012 and 2013)

Consolidated Cash Flow Statement

EUR in thousands	Year ended December 31,		
	2013	2012	2011
Net cash used in operating activities	(20,903)	(13,444)	(8,656)
Net cash generated from/(used in) investing activities	21,855	4,334	(5,458)
Net cash generated from/(used in) financing activities	34,689	172	(10,798)
Net change in cash and cash equivalents	35,641	(8,938)	(24,956)
Cash at end of the year	36,509	832	9,792
Cash, cash equivalents, and financial assets at end of the year	40,167	12,056	30,555

Pro forma income statement (unaudited)

EUR in thousands	Full year ended December 31,	
	2013	2012
Product sales	27,212	26,772
Revenues from collaborations and licensing	10,814	11,889
Revenues	**38,026**	**38,661**
Grant income	5,658	4,255
Revenues and Grants	**43,684**	**42,916**
Cost of goods sold	(20,003)	(19,730)
Research and development expenses	(30,786)	(30,865)
General, selling and administrative expenses	(20,790)	(18,610)
Other income and expenses, net	1,820	837
Amortization of intangible assets	(6,469)	(4,271)
OPERATING PROFIT/(LOSS)	**(32,543)**	**(29,722)**
Finance income	288	939
Finance expenses	(6,159)	(6,212)
PROFIT/(LOSS) BEFORE INCOME TAX	**(38,414)**	**(34,995)**
Income tax	(351)	(572)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	**(38,765)**	**(35,568)**
Loss from assets held for sale or discontinued operations	(137)	(1,856)
PROFIT/(LOSS) FOR THE PERIOD	**(38,902)**	**(37,424)**

1.2 GROUP'S ACTIVITY IN FY 2013 AND CORPORATE STRUCTURE

1.2.1 The Group's product and technologies and significant events during the year

Valneva manufactures a vaccine for the prevention of Japanese encephalitis (IXIARO®). In 2013, the Company's consolidated revenues and grants amounted to EUR 36.0 million, 64.6% of which were coming from IXIARO®/JESPECT® sales.

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

Product: IXIARO®/JESPECT®

Active substance and indications

Valneva's Japanese Encephalitis vaccine is a purified, inactivated vaccine, which is administered in a convenient two-dose schedule. Each dose of IXIARO®/JESPECT® contains approximately 6 mcg of JEV proteins and 250 mcg of aluminum hydroxide.

The vaccine offers protection against JE for adults, children and infants who travel to, or live in, endemic areas.

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

Research and Development

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

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

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

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

Marketing

In 2006, Valneva (formerly Intercell) granted Novartis worldwide marketing and distribution rights for IXIARO® with the exception of Australia, Korea, Japan and certain other Asian markets.

Valneva recently amended its Marketing and Distribution Agreement (MDA) with its partner to include miminum sales growth targets and secure planned levels of sales for the coming years. The Company also transferred to its partner the sales and marketing responsibility for IXIARO® to the U.S. military, allowing Valneva to reduce its own marketing and sales activities for the product in the U.S.

The MDA with Novartis is due to terminate in mid-2018.

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

Intellectual Property

(cf section 1.2.2.2.2 of document "Patent applications and patents for the main products, technologies and product candidates")

Technologies: EB66® cell line, VIVA|Screen® antibody discovery platform, IC31® adjuvant

EB66® cell line:

Technology

Valneva's EB66® cell line is a highly efficient platform for vaccine production. It is derived from duck embryonic stem cells and today represents a compelling alternative to the use of chicken eggs for large scale manufacturing of human and veterinary vaccines. To date, the Company has more than 35 research and commercial agreements with the world's largest pharmaceutical companies for the licensing of its EB66® technology. More than 20 different families of viruses have been shown to efficiently propagate in EB66® cells and more than 60 human and veterinary EB66®-based vaccines are currently being developed utilizing the technology in R&D and clinical phases.

Marketing

At the end of March 2014, the Chemo-Sero Therapeutic Research Institute (Kaketsuken), a co-development partner to GlaxoSmithKline (GSK), announced the marketing approval in Japan of a pandemic H5N1 influenza vaccine produced in Valneva's EB66® cell line. The

preventative vaccine was the first human vaccine produced in EB66® cells to be approved by any regulatory authority in the world.

In October 2012, the Group announced that the Chemo-SeroTherapeutic Research Institute (Kaketsuken) received market approval for a prophylactic veterinary vaccine produced in EB66® cells against Egg Drop Syndrome (EDS). It was the first vaccine produced in EB66® cells to be approved by any regulatory authority in the world.

To date, Valneva has received EUR 30 million in upfront, milestones and research fees. The Company could be eligible for additional milestones of up to EUR 80 million from existing licenses along with future royalties.

Intellectual Property

(cf section 1.2.2.2.2 of document "Patent applications and patents for the main products, technologies and product candidates")

VIVA|Screen® antibody discovery platform

Technology

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

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

In 2010, a strategic collaborative & commercial agreement was signed with Sanofi Pasteur, the vaccine division of Sanofi, to discover and develop fully human monoclonal antibodies against selected infectious diseases. Sanofi Pasteur will obtain worldwide exclusive development and commercialization rights for the discovered antibodies. Valneva may receive development milestone payments up to EUR 35 million per infectious disease, as well as royalty payments associated with product sales. In addition, Sanofi Pasteur finances collaborative research activities.

In 2013, Valneva successfully completed the antibody discovery work for Sanofi-Pasteur and delivered antibody candidates in three indications to Sanofi-Pasteur for further evaluations.

At the beginning of 2014, Sanofi-Pasteur decided to initiate a fourth antibody discovery program on Valneva's VIVA|Screen®platform.

Valneva also evaluates the validity and attractiveness of its platform for indications and respective antibody product candidates outside of infectious diseases to unlock additional partnering and licensing potential.

Intellectual Property

(cf section 1.2.2.2.2 of document “Patent applications and patents for the main products, technologies and product candidates“)

IC31® adjuvant

Technology

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

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

Under a strategic alliance agreement signed in 2007, Novartis received an exclusive license for the use of IC31® in selected new vaccines. Following clinical investigation of IC31® in influenza vaccines, Novartis initiated another Phase I clinical trial in 2011 combining an additional undisclosed vaccine candidate with the IC31® adjuvant.

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

In the field of tuberculosis (TB), Valneva is collaborating with the Statens Serum Institut (SSI). Three clinical vaccine candidates, all formulated with Valneva´s IC31® adjuvant, are currently being tested in Phase I and II clinical trials as part of the Company’s agreement with SSI and their partners, including Aeras and Sanofi Pasteur. In March 2014, Aeras announced the initiation of a Phase II randomized clinical trial for its tuberculosis (TB) vaccine candidate Aeras-404 using Valneva’s IC31® proprietary adjuvant.

Data from two of the trials are expected to be published by the fourth quarter of 2014.

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

Intellectual Property

(cf section 1.2.2.2.2 of document “Patent applications and patents for the main products, technologies and product candidates“)

1.2.2 Research and Development Activities

1.2.2.1 Research and Development

The Group’s Research and Development ambition is to respond to unmet medical needs by developing innovative vaccine candidates and discovering new antibodies for potential product development.

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

1.2.2.1.1 Research and Development Centres

Valneva has three main Research and Development centres:

- Vienna, Austria
- Nantes, France
- Lyon, France

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

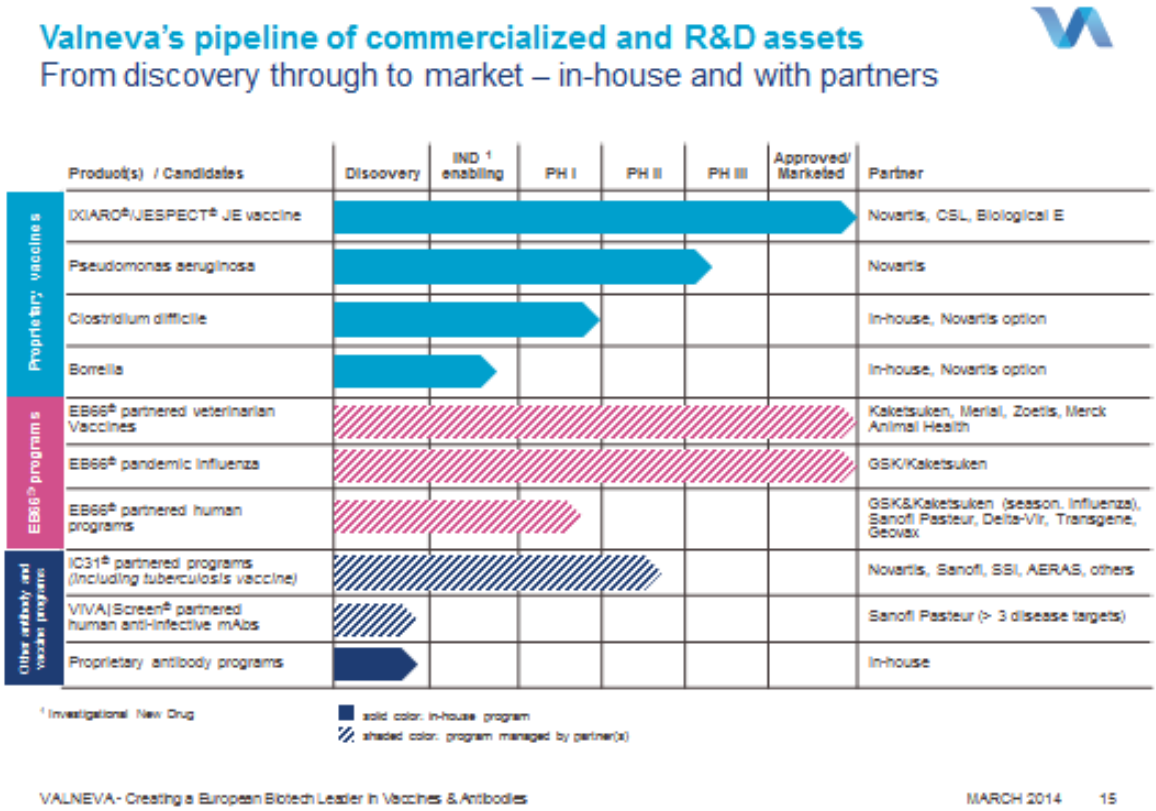
In Nantes, the R&D teams focus on cell technologies including further development of the EB66® cell line as well as vaccines research.

In Lyon, the R&D team focuses on Valneva’s antibody discovery programs based on the VIVA|Screen® platform.

1.2.2.1.2 Portfolio of Research and Development programs

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

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



Clinical trials

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

+ Phase I clinical trials are executed in a limited trial participant population as a first trial in human subjects to test for safety and immunogenicity (property of eliciting an immune response) in healthy individuals. There can also be subsequent clinical supportive Phase I trials in the intended patient populations.
+ Phase II clinical trials are conducted in a limited number of subjects in the intended population to evaluate safety and immunogenicity and to determine dosage tolerance and optimal dosage levels.
+ Phase III clinical trials are undertaken in large patient populations to provide statistically significant evidence of clinical efficacy, further safety data, clinical lot-to-lot consistency and other information – subject to specific regulatory advice.

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

Products in Development:

Pseudomonas aeruginosa vaccine candidate

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

Valneva expects to resume recruitment for the phase II/III trial in the second quarter of 2014. In addition to the 394 patients already enrolled in the study, the Company is initially planning to recruit another 400 ventilated intensive care patients in 40 different sites. Valneva is also considering the option to extend the study further if needed and justified. Preliminary results are expected at the end of 2015 / early 2016.

C. difficile vaccine candidate

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

Based on those findings including follow-up data and comparison to other vaccine candidates in development, Valneva is currently preparing the initiation of Phase II, expected for Q4/2014.

Borrelia (Lyme disease): Pre-clinical development nearing completion

Valneva has developed a multivalent, protein subunit based Vaccine candidate. This candidate is nearing completion of pre-clinical development and is expected to be ready for clinical entry towards the end of this year. However, a decision on the start of clinical development has not been taken yet. To date, there is currently no vaccine available to protect humans against Lyme disease. According to the Centers for Disease Control and Prevention (CDC) 300,000 Americans are diagnosed each year with Lyme disease and the disease spread keeps increasing.

1.2.2.2 Intellectual property

The Group's intellectual property strategy consists of

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

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

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

1.2.2.2.1 Patent and patent applications

The Group considers that protection of technologies and products by patents and patent applications is essential to the success of its businesses. On 27 January 2014, the Group held under its control 426 patents, 96 of which were issued in the big 5 EU countries, Germany, France, UK, Spain and Italy, and 53 in the United States. In 2013, 38 patents have been issued to the Group. At the same time, the Group had 191 patent applications pending including 36 pending European and 8 pending international patent applications.

The European and international patent applications by definition designate a large number of countries in which protection can be obtained later. In practice, many of these applications will result in the issuance of patents in the initially designated countries which are considered important by the Group. Consequently, the 36 applications in Europe and the 8 international patent applications ("PCT") are likely to lead to a significantly larger number than 44 national patents issued (i.e. the sum of the European and international patent applications pending).

In countries where the Group seeks legal protection through patents, the duration of legal protection of a particular product, method or use is generally 20 years from the filing date. This protection may be extended in some countries, particularly in the European Union, Japan, South Korea, Australia and the United States. The protection, which may also vary by country, depends on the type of patent and its scope. In most industrialised countries, any new active substance, formulation, indication or manufacturing process may be legally protected. The Group conducts ongoing checks to protect its inventions and to act against any infringement of its patents.

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

The estimated patent expiry date ranges of patents and patent applications currently held and licensed by the Group for its main products, candidates and technologies are provided below. The Group expects further new patent applications to be filed in particular for its product candidates and technologies

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

Valneva has also entered into a license agreement with Sanofi Pasteur S.A. under which it obtained a non-exclusive worldwide license for certain patent rights related to its JEV vaccine. The Group has not detected any additional patent applications or enforceable patent rights of third parties that would interfere with the development and commercialization of our JEV vaccine in Europe or the United States.

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

EB66® cell platform. In 1999, the *Institut National de la Recherche Agronomique* (National Institute of Agronomic Research – INRA), the *Centre National de la Recherche Scientifique* (National Centre of Scientific Research CNRS) and the *Ecole Normale Superieure de Lyon* granted Valneva an exclusive licence for their basic technology relating to culture media and methods of producing avian embryonic stem cells using these media.

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

In 2013, the Company also entered into 2 non-exclusive worldwide licenses for certain patent rights related to our EB66® technology.

VIVA|Screen® platform. In 2011, the University of Toyama (Japan) granted the Company an exclusive worldwide licence agreement for all applications except for "tailor-made medicine" and "foetus diagnosis activities" for patents covering the ISAAC high-throughput screening (HTS) technology for which the University of Toyama was a co-patent holder with SC World.

SC World sold its share as a co-patent holder to Valneva S.E. The Company has integrated the high-throughput screening (HTS) single-cell antibody discovery technology based on isolated B-lymphocytes into its VIVA|Screen® platform for the discovery of rare therapeutically relevant human antibodies.

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

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

Clostridium difficile. In 2009, the Company entered into a conditional intellectual property assignment from TechLab Therapeutics LLC for specific intellectual property rights relevant for the Company's C. difficile vaccine. TechLab may receive certain milestone payments and royalties on sales should this vaccines candidate progress towards licensure and later commercialization. The Group has furthermore filed a number of patent applications covering the active construct, the developed indication and formulation and its use of the active component.

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

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

Product, Product Candidate, Technology	Main aspects that are protected or planned to be protected by patents (own or in-licensed)	Estimated Patent Expiration Date Range (depending on country and use)	Commercial partners
Japanese Encephalitis Vaccine, IXIARO®, JESPECT®	Product, Formulation, Use, Manufacturing Process	2018 to 2032	Novartis, CLS, Biological E.
EB66® and partnered programs (only EB66® part)	Product, Use, Manufacturing Process	2023 to 2033	Kaketsuken, GSK, Sanofi Pasteur, Delta-Vir, Transgene, Geovax, Merial, Merck Animal Health and others
Pseudomonas aeruginosa	Product, Formulation, Use, Manufacturing Process	2031 to 2036	Novartis
IC31® partnered programs (only IC31® part)	Product, Formulation, Use, Manufacturing Process	2021 to 2031	Novartis, Sanofi, SSI, AERAS, and others
Clostridium difficile	Product, Formulation, Use, Manufacturing Process	2031 to 2036	In-house, Novartis option
Borrelia	Product, Formulation, Use, Manufacturing Process	2033 to 2039	In-house, Novartis option
VIVA|Screen® and partnered/proprietary programs (only VIVA|Screen® part)	Product, Use, Manufacturing Process	2032 to 2038	In-house, Sanofi Pasteur (> 3 disease targets)

1.2.2.2.3 Other protection mechanisms

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

The expiration of the patent for a product may result in significant competition due to the emergence of biosimilar products, and a strong reduction of product sales which benefited from patent protection. However, the vaccine field is largely protected from such substitutions as regulatory and manufacturing complexity have for now blocked the pathway in the developed markets for vaccine biosimilars. This of course may change in the future. Thus,

in many cases, the Group may still continue to reap commercial benefits from product manufacturing secrets, even when the patents for the product have expired.

1.2.2.2.4 Trademarks and Domain Names

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

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

The Group's key products, technologies and product candidates, namely JESPECT®, EB66®, IC31® and Viva|Screen®, and the number of trademarks held by the Group at 27 of January 2014 are shown in the table below.

Brands and trademarks Number of registrations

Trademarks	Number of registrations or applications
JESPECT®	43
EB66®	62
IC31®	32
VIVA|Screen®	32
Valneva logo	59

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

At 31 December 2013, the Group had 20 domain names (reserved or in the process of being reserved).

1.2.3 Main Markets

1.2.3.1 General data

The biotech industry is highly competitive and has experienced an increased level of horizontal and vertical concentration in recent years. Because of extremely high research and development costs mostly coupled with little revenue in the years of development, many biotech companies are being taken over by big pharmas or are part of further industry consolidation. In addition, significant changes in the sales and marketing of pharmaceutical products are currently occurring in the US and European pharmaceutical markets, including a decrease in the flexibility of pricing and a strengthening of cost control measures as health care cost management has now become a priority worldwide.

The Group's strategy is to focus its Research and Development program on the development of new products for unmet medical needs — making the health economic benefit intuitively obvious. However, for certain product candidates, the Group may have to compete with other pharmaceutical companies, which are developing similar products.

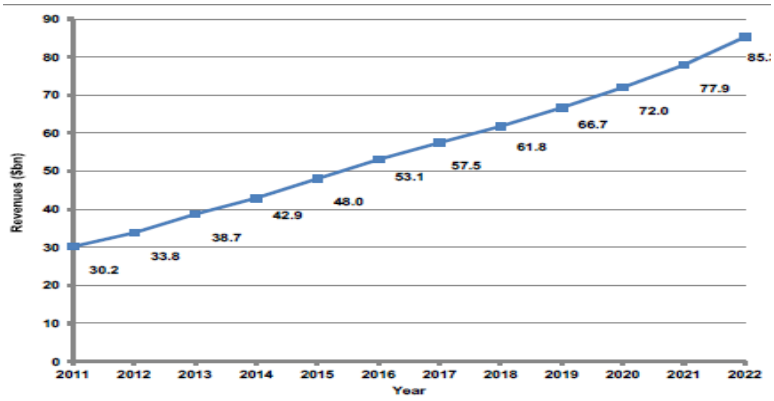
1.2.3.2 Competitive position

The human vaccines market

Industry and Market background:

Having re-emerged over the last decade as a growing business area within the life science sector, the global vaccine market offers significant opportunity for future growth.

It is expected to grow from approximately $30bn in revenues in 2012 to approximately $85bn by 2022, representing a CAGR of 9% between 2011 and 2022.

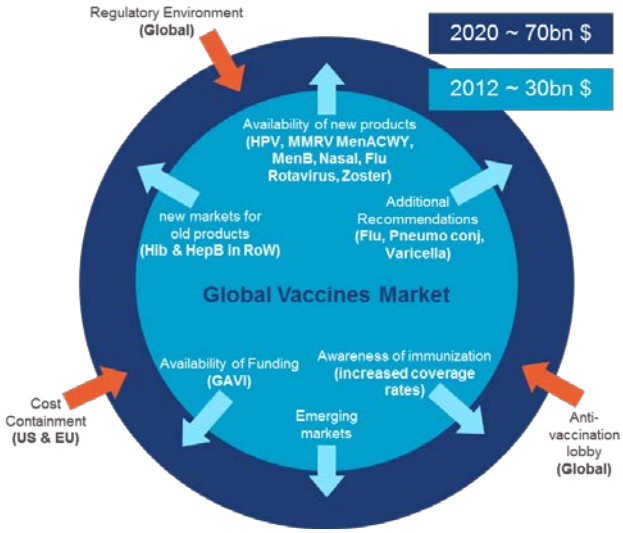


Source: World Vaccines Market 2012-2011, Visiongain 2011

+ Key growth drivers in the market are anticipated to be:
+ Favorable cost-benefit profile to governments and other healthcare providers
+ Limited risk from generic competition

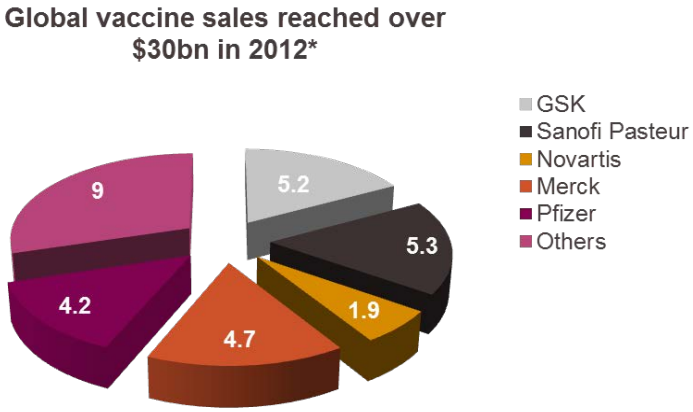
+ Additional recommendations and increased coverage rates
+ New therapeutic areas like hospital infections, allergy and cancer which are currently dominated by pharmaceutical treatments

The opportunities clearly outweigh the threats within this market:



Source: internal

The global vaccine market is dominated by five key players which account for 70-80% of total revenues.



Source: World Vaccines Market 2012-2011, Visiongain 2011

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

As described in section 1.2.1.1, the company´s JE-Vaccine is marketed and distributed by Novartis. The Pseudomonas vaccine candidate is under a co-development setting with Novartis who has also certain opt-in rights for the C. diff and Lyme/Borrelia programs

The most important exclusive EB66® license agreement has been entered into with GSK and its co-development Kaketsuken in the field of Influenza vaccines (cf. section(s) 1.2.1.1)

The veterinary vaccine market

In 2010, the veterinary vaccine market showed sales of about US$4.23 billion (Source: Dolcera Analysis), with an annual increase of around 10% a year between 2003 and 2006 (Source: industry).

It roughly breaks down as two thirds for inoculation of animals in the food industry and one third in the pet industry. The main players are Merial (a subsidiary of Merck and Sanofi Aventis), Intervet (a subsidiary of Schering Plough), Pfizer Animal Health (previously Fort Dodge, a subsidiary of Wyeth), Virbac and CEVA.

JEV/Travel

Valneva´s key revenue contributor is its vaccine to prevent Japanese Encephalitis.

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

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

The increase in revenues can be attributed to an increase in outbound travel, increased vaccination coverage in travelers and the launch of additional, second generation vaccines in the space. Higher incidence of Japanese encephalitis in the emerging economies like India and China will also play an important role in the growth of the market. According to the CDC, the local incidence rates range from 1-10 cases per 100,000 persons. It can reach 100 cases per 100,000 populations during outbreaks. A Japanese encephalitis outbreak occurred in Uttar Pradesh, India, in the year 2005, which accounted for 5,000 cases and 1,000 deaths.

The higher incidence and severity of disease symptoms will lead to an increase in vaccination coverage for vaccine preventable diseases in the future.

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

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

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

Source: GBI Research, CDC, UNWTO

Source: GBI Research: Travel Vaccines Market to 2017; April 2011

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

In the different endemic territories there are a number of locally manufactured and approved first generation, mouse-brain derived JE-Vaccines, In the meantime a few second generation JE vaccines got approved in certain territories (Biken (Japan) / Inactivated vero-cell based, Chengdu (China) / live-attenuated, Sanofi-Pasteur (Australia / some Asian territories) / Live-attenuated, chimeric YF backbone –based) but it is the Company's opinion that none of these is likely to be approved in the EU or the US in the foreseeable future. In Australia, which is the only country where the Company´s JE-Vaccine (Jespect®) is in direct competition, Valneva has approximately a 30% market share.

Pseudomonas aeroginosa

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

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

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

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

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

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

Clostridium Difficile (C. diff)

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

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

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

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

The Community prophylaxis (PX) market with age or risk-based vaccination strategies is estimated in the range of $43m - $415m/yr in 2020 (US, Canada, Australia, Major 5 EU, other EU for a three-dose vaccine launched in 2016) with the highest value obtained ($415m/yr) in case of vaccine recommendation for all persons aged 65yrs or older. The

commercial potential in other risk groups, such as residents of LTCF (Long-Term Care Facilities) is lower but the opportunity may be more realistic.

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

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

Valneva´s C.Diff vaccine candidate is the second most advanced vaccine candidate with a Phase II entry still expected in 2014. Sanofi-Pasteur has just initiated a Phase III clinical trial and Pfizer's vaccine candidate is in Phase I. Different monoclonal antibody approaches are in different clinical (up to and including Phase III) and pre-clinical stages. However those approaches are currently likely to not target primary prevention. Different novel antibiotics targeting C.Diff.are at different stages of development or have been licensed in the past years.

EB66®

The Company believes that its potential target market for its EB66® cell-line consists of all vaccines currently produced on embryonated chicken eggs.

It includes, in particular, in human medicine, large volume traditional vaccines such as vaccines for the flu, measles or mumps, yellow fever and smallpox, but also new-generation vaccines from the poxvirus or alphavirus family, currently being developed by companies such as Sanofi-Pasteur, Novartis Vaccines, Pfizer, Merck, Transgene, Bavarian Nordic or Virax, and numerous veterinary vaccines.

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

The flu vaccine market

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

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

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

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

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

The recombinant cancer vaccine market

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

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

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

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

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

The recombinant protein and monoclonal antibody market

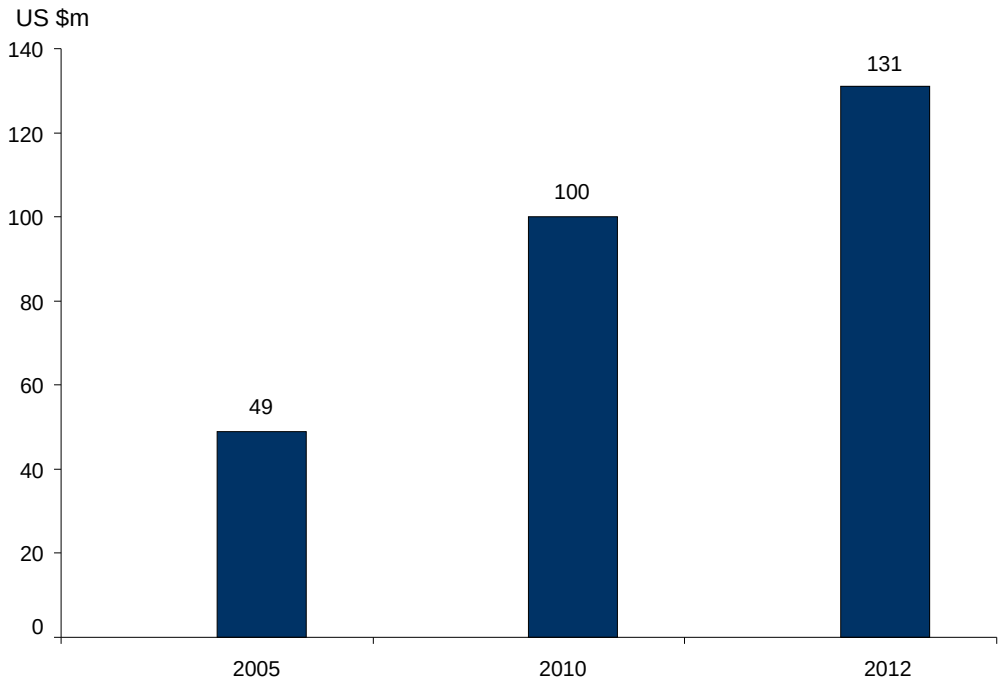
In 2010, the market, in human health for therapeutic recombinant proteins was worth US$108 billion, including US$51.9 billion (almost 50%) for the monoclonal antibody market (Source: Therapeutic Proteins, Dimitrov DS, Methods Mol Biol. 2012;899:1-26. doi: 10.1007/978-1-61779-921-1_1. Review).

Some analysts expect the market to virtually double in size by 2020, growing to around US$200 billion (Source: Pharm Vision 2009 Paul Evers: delivering New Biopharmaceutical Therapies: Challenges and Opportunities).

The pipeline of biotechnology companies in the field is significant with reference to 2,189 molecules (recombinant proteins and monoclonal antibodies) under clinical development and 3,588 in preclinical development, with 284 currently being marketed in the United States and 276 in Europe.

Source: 2006 Biopharm insights data (www.biopharminsights.com)

Anticipated growth in the global market for therapeutic proteins between 2005 and 2012 (anticipated sales achieved by pharmaceutical companies in US$ billions)



(Source: Biopharm Insight, France Biotech, LEEM, Arthur D. Little)

The therapeutic protein market represented US$49 billion in 2006, US$18 billion of which are represented by monoclonal antibodies. 30% of the 5,400 therapeutic proteins currently in the preclinical or clinical trial stage target cancers.

1.2.4 Analysis of Full Year Results

Financial information presented in this section concerns fiscal year 2013 for the period ended December 31, 2013. The 2013 consolidated financial statements presented herein include information relating to two fiscal years of 2012 and 2013.

In accordance with the provisions of article 28 of Commission Regulation (EC) No. 809/2004 of 29 April 2004, for certain information the reader is referred to previous registration documents:

- For fiscal year 2012: the historical consolidated and statutory accounts, the Auditors' reports, the management report and financial highlights included in Vivalis' registration document filed with the French financial market authority (Autorité des Marchés Financiers or AMF) on 30 April 2013 (No. D.13-0479).
- For fiscal year 2011: the historical consolidated and statutory accounts, the Auditors' reports, the management report and financial highlights included in Vivalis' registration document filed with the French financial market authority (Autorité des Marchés Financiers or AMF) on 25 April 2012 (No. D.12-0412).

Readers are invited to read the present analysis of the financial position and results of Valneva for fiscal years 2013 and 2012 with the consolidated financial statements of the Group and the related notes described in Section 2.1 “2013 Consolidated Financial Statements” of this Registration Document and any other financial information given herein. Information on performance, cash, future shareholder’s equity of the Group and any other financial information other than historical financial information given in this Section have to be considered as forecasts. The relevance of these forecasts depends on facts and circumstances which may or may not arise and particularly on risk factors that are described in more detail in Section 1.1.2 “Risk factors” of the Registration Document. The financial position and results of the Group could, as a result, significantly differ from those indicated or suggested in this section.

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

1.2.4.1 Comparison of consolidated revenues and grants for the full year of 2013 and 2012

1.2.4.1.1 Revenues and grants

The following table sets forth the major components of our revenues and grants for the years ended December 31, 2013 and 2012:

In EUR thousands	Year ended December 31,		Change	
	2013	2012	In value	In %
Product sales	23,239	-	23,239	n.a.
Revenues from collaborations and licensing	7,206	3,431	3,775	110.0%
Grant income	5,546	2,478	3,068	123.8%
Total revenues and Grants	**35,991**	**5,909**	**30,082**	**509.1%**

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

The Group's aggregate revenues and grants increased by EUR 30.1 million, or 509.1%, from EUR 5.9 million in the year ended December 31, 2012 to EUR 36.0 million in the year ended December 31, 2013. This increase was due to the contribution of ex-Intercell revenues of EUR 29.4 million to the business since the merger effective date. Revenues and grants excluding the ex-Intercell operations increased by 12.2% to EUR 6.6m in 2013.

1.2.4.1.2 Total revenues and grants by business sector

The following table sets forth the revenues and grants by business sector for the years ended December 31, 2012, and 2013:

In EUR thousands	Year ended December 31,		Change	
	2013	2012	In value	In %
EB66® cell line	3,668	3,455	213	6.2
VVIVAIScreen® technology	2,884	2,440	444	18.2
Ex-Intercell operations	29,362	-	29,362	n.a.
Income not attributed to an operating segment	77	14	63	450.0
Total revenues and grants	**35,991**	**5,909**	**30,082**	**509.1**

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

1.2.4.1.3 Product sales

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

As a percentage of total revenues and grants, our product sales represented zero % in the year ended December 31, 2012 compared to 64.6% in the year ended December 31, 2013.

The following table sets forth the geographical split of our product sales for the years ended December 31, 2013 and 2012:

In EUR thousands	Year ended December 31,		Change	
	2013	**2012**	**In value**	**In %**
France	612	-	612	n.a.
Europe excluding France	5,148	-	5,148	n.a.
North America*	17,372	-	17,372	n.a.
Other**	107	-	107	n.a.
Total Product sales	**23,239**	**-**	**23,239**	**n.a.**

(Source: Internal information of Valneva)

(*) North America refers to the United States of America and to Canada.
(**) The term "other" refers to Australia, Hong Kong, Singapore and Israel.

1.2.4.1.4 Revenues from collaborations and licensing

The Group's revenues from collaborations and licensing increased by EUR 3.8 million, or 110.0%, from EUR 3.4 million in the year ended December 31, 2012 to EUR 7.2 million in the year ended December 31, 2013. As a percentage of total revenues and grants, our revenues from collaborations and licensing were 58.1% in the year ended December 31, 2012, and 20.0% in the year ended December 31, 2013.

The increase in the year ended December 31, 2013 compared to the year ended December 31, 2012 of EUR 3.8 million were primarily due to additional Ex-Intercell revenues from collaborations and licensing since the merger date. The EB66®cell line revenues increased by EUR 0.7m, or 41.7%, from EUR 1.6 million in the year ended December 31, 2012 to EUR 2.3 million in the year ended December 31, 2013, whereas revenues from the Viva/Screen® technology decreased by EUR 0.9 million or 46.8% from EUR 1.8 million in the year ended December 31, 2012 to EUR 1.0 million in the year ended December 31, 2013

The following table sets forth the business segment split of our revenue from collaborations and licensing for the years ended December 31, 2012, and 2013:

In EUR thousands	Year ended December 31,		Change	
	2013	2012	In value	In %
EB66® cell line	2,284	1,612	672	41.7
VIVA/Screen® technology	967	1,819	-852	-46.8
Ex-Intercell operations	3,955	-	1,282	n.a.
Income not attributed to an operating segment	-	-	-	n.a.
Total revenues from collaborations and licensing	**7,206**	**3,431**	**3,775**	**110.0**

(Source: Internal information of Valneva)

The following table sets forth the geographical split of our revenue from collaborations and licensing for the years ended December 31, 2012, and 2013:

In EUR thousands	Year ended December 31,		Change	
	2013	2012	In value	In %
France	1,349	2,231	(882)	(39.5)
Europe excluding France	4,841	613	4,228	6.9
North America*	683	335	348	103.9
Other**	333	252	81	32.1
Total revenues from collaborations and licensing	**7,206**	**3,431**	**3,775**	**110.0**

(Source: Internal information of Valneva)

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

1.2.4.1.5 Grant income

The Group's grant income included grants from public agencies as well as research and development tax credits. Grant income increased by EUR 3.1 million, or 123.8%, from EUR 2.5 million in the year ended December 31, 2012 to EUR 5.5 million in the year ended December 31, 2013. As a percentage of total revenues and grants, our grant income was 41.9% in the year ended December 31, 2012, and 15.4% in the year ended December 31, 2013.

The increase in the year ended December 31, 2013 compared to the year ended December 31, 2012 of EUR 3.1 million were primarily due to additional EUR 2.2 million of Ex-Intercell grant income since the merger date.

The following table sets forth the business segment split of our grant income for the years ended December 31, 2012, and 2013.

In EUR thousands	Year ended December 31,		Change	
	2013	2012	In value	In %
EB66® cell line	1,384	1,843	-459	-24.9
VIVA/Screen® technology	1,916	621	1,295	208.5
Ex-Intercell operations	2,169	-	2,169	n.a.
Income not attributed to an operating segment	77	14	63	450.0
Total Grant income	**5,546**	**2,478**	**3,068**	**123.8**

(Source: Internal information of Valneva)

The following table sets forth the geographical split of our grant income for the years ended December 31, 2012, and 2013.

In EUR thousands	Year ended December 31,		Change	
	2013	2012	In value	In %
France	3,377	2,478	899	36.3
Europe excluding France	2,169	-	2,169	n.a.
North America*	-	-	-	n.a.
Other**	-	-	-	n.a.
Total Grant income	**5,546**	**2,478**	**3,068**	**123.8**

(Source: Internal information of Valneva)

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

1.2.4.2 Comparison of consolidated income statement for the full year of 2013 and 2012

	Year ended December 31, 2013		Year ended December 31, 2012		
	In EUR thousands	% of revenues and grants	In EUR thousands	% of revenues and grants	% change
Product sales	23,239	64.6	-	-	n.a.
Revenues from collaborations and licensing	7,206	20.0	3,431	58.1	110.0
Revenues	**30,445**	**84.6**	**3,431**	**58.1**	**787.4**
Grant income	5,546	15.4	2,478	41.9	123.8
Revenues and Grants	**35,991**	**100.0**	**5,909**	**100.0**	**509.1**
Cost of goods sold	(16,508)	-45.9	-	-	n.a.
Research and development expenses	(21,423)	-59.5	(11,095)	-187.8	93.1
General, selling and administrative expenses	(14,720)	-40.9	(5,565)	-94.2	164.5
Other income and expenses, net	1,157	3.2	(292)	-4.9	-496.2
Amortization of intangible assets	(5,353)	-14.9	(1,790)	-30.3	199.1
Operating Loss	**(20,856)**	**-57.9**	**(12,833)**	**-217.2**	**62.5**
Finance income	200	0.6	477	8.1	-58.1
Finance expenses	(2,969)	-8.2	(533)	-9.0	457.0
Loss before income tax	**(23,625)**	**-65.6**	**(12,889)**	**-218.1**	**83.3**
Income Tax	(348)	-1.0	(96)	-1.6	262.5
Loss from continuing operations	**(23,973)**	**-66.6**	**(12,985)**	**-219.7**	**84.6**
Loss from discontinued operations	(137)	-0.4	(1,856)	-31.4	-92.6
Loss for the year	**(24,110)**	**-67.0**	**(14,841)**	**-251.2**	**62.5**

(Source: Audited annual consolidated financial statements of Valneva SE as of and for the years ended December 31, 2012, and 2013 and internal information of Valneva)

1.2.4.2.1 Cost of goods sold

Cost of goods sold resulted solely from sales of the marketed JEV-Vaccine IXIARO®/JESPECT® from the ex-Intercell business and are included in the Valneva numbers for the period following the merger closing, ie from from June to December 2013.

Cost of goods sold amounted to EUR 16.5 million. Costs of EUR 12.8 million were directly attributable to vaccine sales, and an amount of EUR 3.7 million was due to write offs of unfinished and finished products.

1.2.4.2.2 Research and development expenses

The Group's research and development expenses increased by EUR 10.3 million, or 93.1 %, from EUR 11.1 million in year ended December 31, 2012 to EUR 21.4 million in the year ended December 31, 2013. As a percentage of total revenues and grants, our research and development expenses were 187.8 % in the year ended December 31, 2012 and 59.5 % in the year ended December 2013. The increase in research and development expenses for the year ended December 31, 2013 compared to year ended December 31, 2012 was primarily due to the additional ex-Intercell research and development pipeline expenses of EUR 11.4 million which were included since the merger in May 2013.

The following table sets forth the major components of the research and development expenses for the years ended December 31, 2012, and 2013. Due to the fact that research and development expenses and manufacturing expenses are partially incurred in the same organizational units, manufacturing expenses are included in the below presentation of cost components and then deducted as "capitalization of inventory" at the end:

In EUR thousands	Year ended December 31,		Change	
	2013	**2012**	**In value**	**In %**
Employee benefit expense	(9,746)	(5,329)	(4,417)	82.9
Consulting and other purchased services	(7,691)	(1,951)	(5,740)	294.2
Raw materials and consumables used	(3,292)	(2,201)	(1,091)	49.6
Depreciation and amortization	(2,481)	(1,583)	(898)	56.7
License fees	(431)	-	(431)	n.a.
Other expenses	(5,855)	(31)	(5,824)	18,787.1
Less: amounts capitalized as development costs and inventory	7,937	-	7,937	n.a.
Total Research and Development expenses	**(21,560)**	**(11,095)**	**(10,465)**	**94.3**

(Source: Internal information of Valneva)

1.2.4.2.3 General, selling and administrative expenses

The Group's general, selling and administrative expenses increased by EUR 10.4 million, or 186.9%, from EUR 5.6 million in the year ended December 31, 2012 to EUR 14.8 million in the year ended December 31, 2013. As a percentage of total revenues and grants the general, selling and administrative expenses were 94.2 % in the year ended December 31, 2012, and 40.9 percent in the year ended December 31, 2013.

The ex-Intercell business contributed EUR 10.0m to this increase. Without giving effect to the ex-Intercell contribution, the year-on-year decrease in SG&A expenses was EUR 0.9 million or 15.5 %. In the years ended December 31, 2012 and December 31, 2013,

SG&A exepenses included merger-related costs of EUR 1.4 million and EUR 0.2 million respectively.

The following table sets forth the major components of general, selling and administrative expenses for the years ended December 31, 2013 and 2012:

In EUR thousands	Year ended December 31,		Change	
	2013	2012	In value	In %
Employee benefit expense	(6,372)	(1.690)	(4,682)	277.0
Consulting and other purchased services..	(3,347)	(3,542)	195	-5.5
Marketing and Advertising	(3,174)	-	(3.174)	n.a.
Depreciation and amortization	(86)	(200)	114	-57.0
Other expenses	(1,741)	(133)	(1,608)	1,209.0
Total General, Administrative and Selling expenses	**(14,720)**	**(5,565)**	**(9,155)**	**164.5**

(Source: Internal information of Valneva)

1.2.4.2.4 Other income and expenses, net.

The Group's other income and expenses, net, changed by EUR 1.5 million, from net other expenses of EUR 0.3 million in the year ended December 31, 2013 to net other income of EUR 1.2 million in the year ended December 31, 2013. In the year ended December 31, 2013 other income included a gain from the sale of the Company's CMO business in Nantes of EUR1.3 million.

The following table sets forth the major components of the Group's other income and expenses, net for the years ended December 31, 2012, and 2013:

In EUR thousands	Year ended December 31,		Change	
	2013	2012	In value	In %
Taxes, duties, fees, charges, other than income tax	(282)	(292)	10	(3.4)
Gains/losses on sale of fixed assets and assets for held for sale, net	1,260	-	1,260	n.a.
Other income/expenses	180	-	180	n.a.
other income and expenses, net	**1,157**	**(292)**	**1,449**	**(496.2)**

(Source: Internal information of Valneva)

1.2.4.2.5 Amortization of intangible assets

Amortization of intangible assets increased by EUR 3.6 million from EUR 1.8 million in the year ended December 31, 2012 to EUR 5.4 million in the year ended December 31, 2013. This change was primarily due to the intangible assets, acquired through the merger and recorded at fair value as of the merger's effective date.

1.2.4.2.6 Finance income/(expense), net

The following table sets forth the major components of financial income/(expenses), net for the years ended December 31, 2012, and 2013:

In EUR thousands	Year ended December 31,		Change	
	2013	**2012**	**In value**	**In %**
Finance income				
Interest income from bank deposits and other	191	435	(244)	-56.1
Interest income on available-for-sale financial assets	1	-	1	n.a.
Realized gains from the sale of available-for-sale financial assets	9	29	(20)	-69.0
Change in fair value of financial assets and liabilities	-	-	-	n.a.
	200	464	(263)	-56.7
Finance expense				
Interest expense to banks and government agencies	(433)	(152)	(281)	184.9
Interest expense to other	(779)	(16)	(763)	4,768.8
Change in fair value of financial assets and liabilities	(50)	(251)	201	-80.1
Net foreign exchange loss	(1,707)	(101)	1,606	1,590.1
	(2,969)	(520)	(2,449)	471.0
Total finance income/(expense), net	**(2,769)**	**(56)**	**(2,713)**	**4,844.6**

(Source: internal information of Valneva)

Net Finance expenses increased by EUR 2.7 million from EUR 0.1 million in the year ended December 31, 2012 to EUR 2.8 million in the year ended December 31, 2013. This change was primarily due to increased net foreign exchange reflecting the Forex exposure from the ex-Intercell business and interest expenses in connection with a loan which was repaid in August 2013 and additional interest expenses due to an increase in loans.

1.2.4.2.7 Income tax income/(expense)

Income tax expenses increased by EUR 0.3 million, from EUR 0.1 million in the year ended December 31, 2012 to EUR 0.3 million in the year ended December 31, 2013.

1.2.4.2.8 Loss from discontinued operations

The loss from discontinued operations amounted to EUR 1.8 million in the year ended December 31, 2012 and was EUR 0.1 million in the year ended December 31, 2013. In 2012

the Group decided to sell and then subsequently discontinue its drug discovery business, which was impaired to zero in the year 2013.

1.2.4.3 Comparison of Pro forma income statement for the full year of 2013 and 2012

EUR in thousands	Full year ended December 31,	
	2013	**2012**
Product sales	27,212	26,772
Revenues from collaborations and licensing	10,814	11,889
Revenues	**38,026**	**38,661**
Grant income	5,658	4,255
Revenues and Grants	**43,684**	**42,916**
Cost of goods sold	(20,003)	(19,730)
Research and development expenses	(30,786)	(30,865)
General, selling and administrative expenses	(20,790)	(18,610)
Other income and expenses, net	1,820	837
Amortization of intangible assets	(6,469)	(4,271)
OPERATING PROFIT/(LOSS)	**(32,543)**	**(29,722)**
Finance income	288	939
Finance expenses	(6,159)	(6,212)
PROFIT/(LOSS) BEFORE INCOME TAX	**(38,414)**	**(34,995)**
Income tax	(351)	(572)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	**(38,765)**	(35,**568**)
Loss from assets held for sale or discontinued operations	(137)	(1,856)
PROFIT/(LOSS) FOR THE PERIOD	**(38,902)**	**(37,424)**

1.2.4.3.1 Pro Forma Revenues and Grants

On a pro forma basis the product sales increased by 1.6% from EUR 26.8 million in 2012 to EUR 27.2 million in 2013, whereas the revenues from collaborations and licensing decreased by 9.0% from EUR 11.8 million in 2012 to EUR 10.8 million in 2013, which was related to lower revenues from collaborations and licensing of the Ex-Intercell business. Grant income increased by 33.0% from EUR 4.3 million in 2012 to EUR 5.7 million.

1.2.4.3.2 Pro Forma Operating Expenses

On a pro forma basis the operating expenses (Cost of goods sold, R&D, SG&A, other income/expense/amortization) increased slightly by 4.9% or EUR 3.6 million from EUR 72.6 million in 2012 to EUR 76.2 million in 2013. Thereof EUR 1.0 million was related to a one-time payment to the Management board to buy Valneva shares.

1.2.4.3.3 Pro Forma Net result

On a pro forma basis the loss for the period increased by 3.9% from EUR 37.4 million in 2012 to EUR 38.9 million in 2013.

1.2.5 Liquidity and Capital Resources

At December 31, 2013, the Group had liquid funds of EUR 40.2 million, of which EUR 36.5 million were cash and EUR 3.7 million were short-term deposits. The Groups net financial indebtedness was EUR 28.3 million. Currently, the Group does not have any significant short-term working capital lines or other unused sources of liquidity.

1.2.5.1 Capital resources

The Group funds its operations primarily through equity and secured debt. In the year 2013, gross proceeds of EUR 40.2 million were raised through a capital increase completed in July. For additional information regarding the Group's equity securities, see Note 21 to the Consolidated Financial Statements.

At December 31, 2013 the Group's borrowings were EUR 71.3 million, of which EUR 8.9 million were bank borrowings, EUR 31 million were finance lease liabilities and EUR 31.4 million were other liabilities. EUR 64.9 million of the Group's borrowings had a maturity of more than one year, including EUR 29.0 million that had a maturity of more than five years.

Other loans include a USD 30 million loan financing which the Group's Austrian subsidiary secured in December 2013. The loan extends over a five year period and carries a fixed interest rate of 9.5%. In addition, Valneva will pay a 2.6% royalty to the lender on its IXIARO®/JESPECT® sales during the term of the loan. The loan is guaranteed by Valneva SE and secured by a security interest on the incoming funds from Valneva's marketing partner relating to IXIARO®/JESPECT® and on the shares of the Group's Austrian and Scottish subsidiaries, which hold the key IXIARO®/JESPECT® assets. The loan agreement includes customary covenants for the Groups'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 obligations. For more information regarding the Group's borrowings, see Note 24 to the Consolidated Financial Statements.

1.2.5.2 Cash flow

The following table sets forth the Group's condensed cash flow information for the years ended December 31, 2012 and 2013.

EUR in thousands	Year ended December 31,	
	2013	2012
Net cash used in operating activities	**(20,903)**	**(13,444)**
Net cash generated from investing activities	**21,855**	**4,334**
Proceeds from issuance of common stock, net of costs of equity transactions and purchase of treasury shares	37.621	133
Purchase of treasury shares	(684)	-
Proceeds from borrowings	27,646	1,500
Repayment of borrowings	(29,893)	(1,461)
Net cash generated from financing activities	**34,689**	**172**
Cash at end of the year	**36,509**	**832**
Cash, cash equivalents, and financial assets at end of the year	**40,167**	**12,056**

Net cash used in operating activities in 2013 amounted to EUR 20.9 million and resulted primarily from the operating loss in connection with the Group's R&D activities and from an increase in working capital.

Cash in-flows from investing activities reached EUR 21.9 million in 2013, including EUR 13.6 million of cash acquired through the stock-for-stock merger with Intercell AG. The remaining in-flow originated mainly from financial asset disposals and the sale of the Company's CMO facility in Nantes.

Cash flows from financing activities amounted to EUR 34.7 million, resulting primarily from the net proceeds of EUR 38.8 million of a capital increase completed in July 2013, the proceeds from an asset-based secured loan of USD 30 million secured in December 2013 and from the monetization of the Company's CIR (Research Tax Credit - Crédit Impôt Recherche) for the years 2010 to 2012 through a EUR 6.3 million credit line, repayable upon collection of the respective tax credits. Cash inflows from financing activities were partly offset by the repayment of borrowings including the repayment of debt in connection with the merger with Intercell AG.

1.2.5.3 Funding requirements and anticipated financing sources.

For the foreseeable future, the Group's funding requirements will primarily consist of research and development and manufacturing expenses relating to the development and commercialization of its core technologies and product candidates currently in the product pipeline. The Group expects to make substantial investments in research and development

in order to realize the value of its technologies and product candidates. These investments will require a substantial portion of any profits that the Group may receive from the sales of its commercial JEV vaccine and from partnering of its EB66® technology. The Group intends to fund its future investment needs from its current liquid reserves and from proceeds of equity and debt financing activities, as reasonable.

1.2.6 Investments

1.2.6.1. Mergers and Acquisitions

On May 28, 2013, the Company completed its merger with Intercell AG. Intercell AG, with its fully owned subsidiaries Intercell Austria AG, Intercell Biomedical Ltd, Intercell USA, Inc. and Elatos GmbH (together "Intercell") was a biotechnology company engaged in the research, development and commercialization of vaccines and monoclonal antibodies against a variety of infectious diseases to tackle high unmet medical needs and reduce suffering across the world.

1.2.6.2. Research and Development Expenses

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

The following table sets forth our research and development expenses for our JEV vaccine and the major product candidates for the years ended December 31, 2011, 2012 and 2013.

	Year ended December 31,		
EUR in thousands	**2011 unaudited**	**2012 unaudited**	**2013 unaudited**
JEV vaccine	-	-	1,508
EB66®	7,364	7,293	4,545
VIVA|Screen®	3,186	3,802	5,467
Other research projects			9,903
Total	**10,550**	**11,095**	**21,423**

(source: internal information of Valneva)

1.2.6.3 Additions to Intangible Assets

Additions to intangible assets in the year ended December 31, 2013 were EUR 113.6 million, of which EUR 111.8 million were directly attributable to the acquisition of the Intercell business in May 2013. The remaining EUR 1.8 million was attributable to research and development of the JEV vaccine.

1.2.6.4 Main current and planned investments

At a constant consolidation scope, the 2014 budget only covers intangible assets of around €1.7 million intended for acquiring research equipment and renewing manufacturing equipment. These investments will be financed by grants and own funds.

1.2.7 Legal structure of the Group

On December 16, 2012, the Company (then "Vivalis SA") announced its plan to merge with Intercell AG to become Valneva SE, thereby creating a leader in the European market for vaccines and monoclonal antibodies in the fields of oncology and infectious diseases. Following a favourable vote from the shareholders of both companies involved in the project, the merger was successfully completed on 28 May 2013, thereby profoundly changing the Group's legal structure.

1.2.7.1 – Flowchart

+ The Company, which also carries out its own economic activity, held two wholly owned subsidiaries at the filing date of this Registration Document.
+ Valneva Austria GmbH: a research subsidiary working in the fields of vaccination, product development (technical/clinical), quality control, management of regulatory affairs, and general and administrative services. At March 31, 2014, the team had 132 employees.
+ Vivalis Toyama Japan K.K.: a subsidiary established on 18 April 2011 as part of the asset acquisition from the Japanese company SC World, Vivalis Toyama Japan K.K. is a *Kabushiki Kaisha* with capital of ¥5,660,000. This subsidiary, whose R&D activities have been stopped in December 2013, worked closely with Valneva SE's Lyon site to develop the VIVA|SCREEN® technology platform for the discovery of new antibodies. At March 31, 2014, the team had 2 employees, including one responsible for most of its business activities.

In 2013, the Company had a third wholly owned subsidiary, SMOL THERAPEUTICS, a French simplified corporation (société par actions simplifiée) with a capital of €1,000, created

on 18 March 2011. However, given this entity's lack of activity, its sole shareholder, Valneva SE, resolved to dissolve the subsidiary without liquidation via a universal transfer of its assets (TUP) to the Company, on 30 December 2013. Removal of SMOL THERAPEUTICS from the Trade and Companies Registry was effective on 23 January 2014.

The subsidiary Valneva Austria GmbH currently holds three wholly owned subsidiaries:

+ Intercell USA, Inc.: this subsidiary is responsible for marketing and sales of the vaccine against Japanese encephalitis to the U.S. army and the private market, as well as international sales through distribution partners. At March 31, 2014, the team had 4 employees.
+ Valneva Scotland Ltd.: this subsidiary is primarily involved in the production of the IXIARO®/JESPECT® vaccine against Japanese encephalitis. At March 31, 2014, the team had 86 employees.
+ ELATOS GmbH: this subsidiary has been created in January 2013. Its activities were originally related to the proprietary platform eMAB®, which contributes to the discovery of monoclonal antibodies. At March 31, 2014, there were no more employees in the team.

Main items in subsidiaries' financial statements at 31 December 2013

	Equity	Operating income	Results	Total balance sheet
Valneva Austria GmbH*	n.a.	n.a.	n.a.	n.a.
Vivalis Toyama Japan KK	¥8,045,488	¥102,882,260	¥ - 23,690,252	¥110,150,994
Intercell USA, Inc.*	n.a.	n.a.	n.a.	n.a.
Valneva Scotland Ltd.*	n.a.	n.a.	n.a.	n.a.

**Data not available at the time of this Registration Document filing.*

1.2.7.2 – Information on holdings

Company holdings include only Group companies. Their financial impacts are included in the notes to the consolidated financial statements in Section 2, "Financial information concerning the Company's assets and liabilities, financial position, and profit & losses" of this Registration Document.

1.3 GROUP'S EMPLOYEES AND ENVIRONMENTAL MATTERS

1.3.1 Summary of the 2013 CSR Report

SUMMARY OF THE 2013 CSR REPORT

DISCLAIMER: This document is a summary and does not include all information required by French legislation with respect to corporate social responsibility. Please refer to the French version of this Registration Document for a comprehensive CSR report.

Valneva SE Profile	CSR Report
• Valneva SE was created from the merger of Vivalis (France) and Intercell (Austria, Scotland) in May 2013 • Activities: R&D, manufacture and marketing of vaccines and antibodies • Head office in Lyon, France • 279 employees at 31/12/2013 • Main sites: - Vienna, Austria - Livingston, Scotland - Nantes and Lyon, France - Presence in the United States and Japan • Revenue: €36 million in 2013	As a listed company, SE Valneva must produce a yearly report on **Corporate Social Responsibility (CSR)** in accordance with Decree no. 2012-557 of 24 April 2012. **The scope** that was adopted for the 2013 **CSR report** covers all sites except for subsidiaries located in the United States and Japan, due to limited local activities and downsizing.

In 2013, Valneva SE was in a transition phase to harmonise the various practices and procedures used within the Group. The entities that make up the Group operate under different models that are less a product of differing activities than of divergent cultural and regulatory environments. Lack of data centralisation at the Group level and of common references for all sites, coupled with regulatory factors and procedures that vary from one country to another complicated the construction of the first CSR report. However, in 2014, Valneva SE would like to define priority areas for action that are suited to the size of the new Group.

CSR at Valneva

The new Group's societal responsibility strategy was not yet formalised in 2013. The actions and best practices identified are presented in the following three themes: social commitment, environmental commitment and commitment towards people.

✓ Social commitment

The Group's activity presents a number of risks for employees. The company is thus strongly committed to controlling these risks through its occupational health and safety policy.

The Group attaches great importance to talent management, allows employees to access positions of greater responsibility, and strives to maintain a high level of diversity and gender equality.

EMPLOYMENT AND SOCIAL RELATIONS

At 31 December 2013, the Group had 279 employees. The overall workforce declined over the year, especially due to the sale of its bio-production activity (CMO) in Nantes and the transfer of 22 employees.
An International Works Council was established when Valneva was created in May 2013. The Council gives employees the chance to be better informed, participate and be consulted with regard to Valneva SE's cross-border operations.
In each country, working time arrangements have been proposed and signed with employees.

OCCUPATIONAL SAFETY, SECURITY AND WELFARE

Preventative measures have been taken at each site to eliminate or minimise risks to occupational safety and security. Some of these precautions were made pursuant to legal requirements: directives, labour code, public health code, etc.

SKILL DEVELOPMENT

Needs are assessed and all employees have equal access to training and development prospects, without discrimination that would violate the equal opportunity policy. Employees who would like to advance in their careers within the company are encouraged to do so.

EQUALITY AND DIVERSITY

The company considers all forms of discrimination unacceptable in the workplace. Its policy seeks to promote equal opportunity for all employees with regard to employment, compensation, recruitment, training and promotion (anti-discrimination policy in the employee handbook in Austria and Scotland, professional equality action plan in France, etc.).

✓ Environmental commitment

Valneva developed a policy of environmental risk management that focuses primarily on pollution prevention and waste management. These represent major areas of concern for the biotechnology industry.

OVERALL ENVIRONMENTAL POLICY

Valneva SE has adopted a set of internal procedures that it assesses regularly. A risk management procedure was established at the Group level to harmonise operations and control procedures at all sites.

POLLUTION PREVENTION AND WASTE MANAGEMENT

The company is subject to very strict regulations on waste (DASRI, ICPE, SEPA). The waste management policy is based on recycling and economising raw materials at the source.

ENERGY AND CARBON FOOTPRINT

The reduction of greenhouse gas emissions is treated differently depending on the site but is generally centred on reducing energy consumption. The company has set up means to monitor consumption.

RESOURCES AND BIODIVERSITY

Measures have been adopted to reduce the consumption of raw materials, optimise use of resources, and improve the efficiency of production processes.

✓ Commitment towards people

Valneva SE has a policy of controlling health risks to consumers and future users of its products. The company invests in the areas in which it operates, participates in trade fairs and ensures oversight of its products.

R&D ETHICS IN BIOTECHNOLOGIES

- The Valneva Group has established a pharmacovigilance procedure for all of its products pursuant to regulatory requirements.

PURCHASING POLICY AND SUPPLIER RELATIONS

The Valneva Group has established a procedure for evaluating its suppliers that includes traceability and quality of incoming products.
Valneva has drawn up a Code of Conduct to promote ethical business relations in compliance with laws and regulations in force.

PARTNERSHIPS AND SPONSORING

The Group has partnerships with a number of research laboratories (public and private). Valneva Austria is an active member of the biotechnology community and supports employees looking to create their own biotechnology company.

1.3.2 Report of the independent verifier on the social, environmental and societal information consolidated presented in the management report issued for the year ended December 31, 2013.

Please, refer to the French version of this Registration Document for the report of the independant verifier on the CSR report.

1.3.3 Property, Plant and Equipment

As at the filing of this registration document, the Group owned the following facilities:

- a 3,178b m² building located at 6, rue Alain Bombard in Saint Herblain, close to CHU Nord in Nantes, and used as laboratories and offices;
- a 35,607-square feet manufacturing facility in Livingston, Scotland, United Kingdom. This plant is used to manufacture the Group's Japanese encephalitis vaccine and has a maximum theoretical capacity of 45 lots for this product. The utilization rate was 37% of maximum capacity in 2013.

As at the filing of this registration document, the Group leased the following facilities:

- a 14,321 m² building at Campus Vienna Biocenter 3, Vienna, Austria, used as laboratories and offices;
- 717 m² in the Gerland district of Lyon, France, used as laboratories and offices for antibody research and as the registered office of the Company;
- office space comprising 3,789 square feet in Gaithersburg, Maryland, United States.

1.4 MAJOR AGREEMENTS AND PARTNERSHIPS

Valneva markets and distributes its Japanese encephalitis vaccine mainly through Novartis Vaccines & Diagnostics.

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

This partnership strategy helps the Group to finance development of its own product candidates.

1.4.1 Strategic Alliance Agreement with Novartis

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

Valneva also granted Novartis an exclusive license for the development of the Group's IC31® adjuvant in novel influenza vaccines with milestones up to approx. EUR 100 million during the development period and double-digit royalty rates tied to sales performance. In addition, Valneva would receive EUR 30 to EUR 60 million during the development period in upfront and milestones plus up to high single-digit royalties, tied to sales performance for each future license for IC31® in selected areas.

1.4.2 Agreements for Japanese Encephalitis Vaccine

In June 2006, Valneva Austria GMBH AG (formerly Intercell) announced it had agreed on a Marketing and Distribution Agreement (MDA) with Novartis for its Japanese Encephalitis Vaccine IXIARO®. The deal covered the travellers market in the United States and Europe, and certain other markets in Asia and Latin America where the product was not partnered. Valneva retained the marketing rights for the US military for an initial period.

In January 2014, Valneva amended its Marketing and Distribution Agreement with Novartis to include miminum sales growth targets and secure planned levels of sales for the coming years. The Company also transferred to its partner the sales and marketing responsibility for IXIARO® to the U.S. military, allowing Valneva to reduce its own marketing and sales activities for the product in the U.S. The MDA with Novartis is due to terminate in mid-2018.

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

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

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

Financial terms of the agreement were not disclosed.

1.4.3 Agreements and partnerships on EB66® cell line

To date, Valneva has more than 35 research and commercial agreements with the world's largest pharmaceutical companies including GSK, Sanofi, Zoetis and others for the licensing

of its EB66® technology, among which are 7 commercial licenses for human vaccines and 9 commercial licenses for veterinary vaccines.

At the end of March 2014, Valneva announced the first ever marketing approval for a human vaccine produced in EB66® cell line. The approval was granted in Japan to the Chemo-Sero Therapeutic Research Institute (Kaketsuken), a co-development partner to GlaxoSmithKline (GSK) for a pandemic H5N1 influenza vaccine.

In October 2012, the first veterinary vaccine produced in EB66® cells received marketing approval in Japan to treat Egg Drop Syndrome (EDS).

1.4.4 Agreement on Viva|Screen®

In June 2010, Valneva signed an agreement with Sanofi Pasteur, the vaccine division of Sanofi, granting Sanofi Pasteur and its affiliates exclusive access to Valneva's Viva|Screen® technology for the discovery of six human monoclonal antibodies targeting significant infectious diseases. Sanofi Pasteur will obtain worldwide exclusive development and commercialization rights for the discovered antibodies while Valneva may receive development milestone payments up to EUR 35 million per infectious disease, as well as royalty payments associated with product sales. In addition, Sanofi Pasteur finances collaborative research activities.

1.4.5 Agreement on IC31®

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

1.4.6 Financial agreement

In December 2013, Valneva announced that it had secured a USD 30 million financing from an investment fund managed by Pharmakon Advisors for its Austrian subsidiary Valneva Austria GmbH. The new loan will be used primarily to support the sales growth of Valneva's Japanese encephalitis vaccine IXIARO®/JESPECT® and to advance the company's pipeline of clinical candidates.

1.5 RECENT DEVELOPMENT AND OUTLOOK

1.5.1 Recent Developments and Outlook

Significant events and transactions occurred between December 31, 2013 and the visa date of this Registration Document by the French market authority (AMF):

- At the beginning of April 2014, Valneva announced that it had granted vaccine manufacturer Adimmune Corporation certain exclusive rights to its Japanese encephalitis (JE) vaccine in Taiwan. Adimmune will be entitled to register and commercialize Valneva´s JE vaccine under a local trade name and to develop, manufacture and commercialize the vaccine from bulk product delivered by Valneva.
  Financial terms of the agreement were not disclosed.
- At the end of March 2014, Valneva announced that the Chemo-Sero Therapeutic Research Institute (Kaketsuken), a co-development partner to GlaxoSmithKline (GSK), received the marketing authorization in Japan for a pandemic H5N1 influenza vaccine produced in Valneva's EB66® cell line. The preventative vaccine was the first human vaccine produced in EB66® cells to be approved by any regulatory authority in the world.
- At the end of March 2014, Valneva also announced the continuation of the current phase II/III clinical trial of its Pseudomonas aeruginosa vaccine candidate IC43. Valneva and its co-development partner (Novartis) decided to continue the trial following different assessments including analyses conducted by a Data Monitoring Committee (DMC) and consultation with two European regulatory agencies and experts. Valneva expects to resume recruitment for the phase II/III trial in the second quarter of 2014 and to get preliminary results at the end of 2015 / early 2016.
- Mid March, Valneva distributed a press release issued by Aeras about the initiation of a Phase II randomized clinical trial for their tuberculosis (TB) vaccine candidate Aeras-404 using Valneva's IC31® proprietary adjuvant.
- At the beginning of March 2014, Valneva announced that it has signed a new research license agreement and transferred an existing commercial agreement to Emergent BioSolutions Inc. (NYSE:EBS), to develop new vaccines using Valneva's EB66® cell line.
- At the end of February 2014, Valneva announced the initiation of a fourth monoclonal antibody discovery program for Sanofi Pasteur, the vaccines division of Sanofi (Euronext: SAN and NYSE: SNY), on its proprietary single-cell screening platform VIVAScreen®. As part of the agreement signed with Sanofi Pasteur in June 2010, Sanofi Pasteur will obtain worldwide exclusive development and commercialization rights

for the discovered antibodies while Valneva may receive development milestone payments of up to EUR 35 million per infectious disease, as well as royalty payments associated with product sales. In addition, Sanofi Pasteur finances collaborative research activities.

+ At the end of February, Valneva also announced, along with its full-year sales, that the Company amended its Marketing and Distribution Agreement with Novartis to include minimum sales growth targets and secure planned levels of sales for the coming years. The Company also transferred to its partner the sales and marketing responsibility for IXIARO® to the U.S. military, allowing Valneva to reduce its own marketing and sales activities for the product in the U.S.

1.5.2 Group's Objectives

As part of the management of its business activities, the Group prepares operational and financial targets for the current and subsequent financial years. When preparing its objectives, the Group's management used the same accounting rules it adopted for its IFRS-compliant financial statements. Based on information currently available, the Group has set the following financial targets for 2014:

+ For the year 2014, Valneva's financial strategy is to continue to support the company's focused spending in research and development in order to create long-term value through innovation. The company therefore plans to record losses in 2014.
+ The company expects 2014 overall IFRS revenue to grow to EUR 40 – 45 million and anticipates continued growth of in-market sales of IXIARO®/JESPECT® leading to a significant increase in the profitability of its JEV vaccine.
+ Valneva expects a significant improvement of its operational results (excluding any non-cash amortization and impairment charges) in 2014 compared to pro-forma financial performance of the two businesses combined in 2013. This improvement will be mainly due to EUR 5 – 6 million merger synergies and savings in sales expenses following the recent amendment of the Company's main distribution contract for IXIARO®

The objectives described above have been set on the basis of forward-looking data and are therefore subject to many uncertainties. The outcome of the Group's strategy and action plan and the revenues and financial standing of the Group could be different from the objectives set out above, for example if one of the risks described in the Risk Factors section (section 1.1.2 of this document) or another risk presently not foreseen would materialize.

1.5.3 Trends

The year 2013 was characterized by the Vivalis-Intercell merger. In 2014, the Group expects to benefit from merger synergies. Also, an important step in the development of the EB66® technology was reached when a partner company in March 2014 obtained a marketing authorization in Japan for a human H5N1 pandemic vaccine made in EB66® cells. Regarding the IXIARO/JESPECT vaccine, the Group expects that in-market sales will grow in 2014, as explained in section 1.5.2 above.

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2. FINANCIAL INFORMATION CONCERNING THE COMPANY'S ASSETS AND LIABILITIES, FINANCIAL POSITION, AND PROFIT & LOSSES

2.1 CONSOLIDATED FINANCIAL STATEMENT

2.1.1 Consolidated income statement and Statement of comprehensive income

Consolidated income statement

EUR in thousands (except per share amounts)	note	Year ended December 31,	
		2013	**2012**
Product sales	5	23,239	-
Revenues from collaborations and licensing	5	7,206	3,431
Revenues		**30,445**	**3,431**
Grant income		5,546	2,478
Revenues and Grants		**35,991**	**5,909**
Cost of goods sold	6/7	(16,508)	-
Research and development expenses	6/7	(21,423)	(11,095)
General, selling and administrative expenses	6/7	(14,720)	(5,565)
Other income and expenses, net	8	1,157	(292)
Amortization of intangible assets	6/7	(5,353)	(1,790)
OPERATING LOSS		**(20,856)**	**(12,833)**
Finance income	9	200	477
Finance expenses	9	(2,969)	(533)
LOSS BEFORE INCOME TAX		**(23,625)**	**(12,889)**
Income tax	10	(348)	(96)
LOSS FROM CONTINUING OPERATIONS		**(23,973)**	**(12,985)**
Loss from discontinued operations	20	(137)	(1,856)
LOSS FOR THE YEAR		**(24,110)**	**(14,841)**
Losses per share for loss from continuing operations attributable to the equity holders of the Company, expressed in EUR per share (basic and diluted)	11	**(0.61)**	**(0.61)**

Consolidated statement of comprehensive income

EUR in thousands	note	Year ended December 31,	
		2013	2012
Loss for the year		**(24,110)**	**(14,841)**
Other comprehensive income/(loss)			
Items that are or may be reclassified subsequently to profit or loss			
Currency translation differences	22	1,636	(22)
Total items that are or may be reclassified subsequently to profit or loss		1,636	(22)
Other comprehensive income/(loss) for the year, net of tax		**1,636**	**(22)**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		**(22,474)**	**(14,863)**

2.1.2 Consolidated balance sheet

EUR in thousands	note	At December 31, 2013	At December 31, 2012
ASSETS			
Non-current assets		**191,045**	**38,446**
Intangible assets and Goodwill	13	125,403	17,371
Property, plant and equipment	12	45,067	12,091
Other non-current assets	18	**20,575**	**8,984**
Current assets		**63,346**	**15,083**
Inventories	0	4,819	-
Trade receivables	0	7,570	1,047
Other current assets	18	10,791	1,979
Current financial assets	15	3,658	11,225
Cash and cash equivalents	19	36,509	832
Assets held for sale		-	137
Total assets		**254,391**	**53,667**
EQUITY			
Capital and reserves attributable to the Company's equity holders		**144,111**	**26,194**
Share capital	21	8,206	3,219
Share premium and other regulated reserves	21	198,322	62,414
Retained earnings and other reserves	22	(38,308)	(24,598)
Net result for the period		(24,110)	(14,841)
LIABILITIES			
Non-current liabilities		**82,181**	**17,664**
Borrowings	24	64,902	5,073
Other non-current liabilities and provisions	27	17,279	12,592
Current liabilities		**28,100**	**9,808**
Borrowings	24	6,381	1,641
Trade payables and accruals	25	11,388	1,896
Tax and employee-related liabilities	26	5,096	1,786
Other current liabilities and provisions	27	5,235	4,485
Total liabilities		**110,280**	**27,472**
Total equity and liabilities		**254,391**	**53,667**

2.1.3 Consolidated cash flow statements

EUR in thousands	note	Year ended December 31,	
		2013	2012
Cash flows from operating activities			
Loss for the year		(24,110)	(14,841)
Depreciation and amortization	12/13	9,056	4,784
Impairment fixed assets/intangibles	12/13	92	-
Share-based payments	21	179	234
Income tax	10	348	-
Other adjustments for reconciliation to cash used in operations	28	(1,739)	(3,430)
Changes in working capital	28	(3,311)	(144)
Cash used in operations	28	**(19,485)**	**(13,397)**
Interest paid	9	(1,121)	-
Income tax paid	10	(296)	(47)
Net cash used in operating activities		**(20,903)**	**(13,444)**
Cash flows from investing activities			
Acquisition of other businesses, net cash acquired	30	11,615	(2,761)
Purchases of property, plant and equipment	12/28	(1,375)	(2,485)
Proceeds from sale of property, plant and equipment	28	3,144	6
Purchases of intangible assets	13	(1,899)	(13)
Proceeds from sale of financial assets	15	10,037	9,423
Purchases of financial assets		-	(60)
Interest received		332	224
Net cash generated from investing activities		**21,855**	**4,334**
Cash flows from financing activities			
Proceeds from issuance of common stock, net of costs of equity transactions	21	37,621	133
Purchase of treasury shares		(684)	-
Proceeds from borrowings	24	27,646	1,500
Repayment of borrowings	24	(29,893)	(1,461)
Net cash generated from financing activities		**34,689**	**172**
Net change in cash and cash equivalents		**35,641**	**(8,938)**
Cash at beginning of the year		832	9,792
Exchange gains/(losses) on cash		36	(23)
Cash at end of the year	19	**36,509**	**832**
Cash, cash equivalents, and financial assets at end of the year		**40,167**	**12,056**

2.1.4 Consolidated statement of changes in equity

EUR in thousands	Note	Share capital	Share premium and other regulated reserves	Retained earnings and other reserves	Net result	Total equity
Balance as of January 1, 2012		**3,168**	**62,117**	**(20,420)**	**(4,419)**	**40,446**
Total comprehensive loss		-	-	(22)	(14,841)	(14,863)
Income appropriation		-	-	(4,419)	4,419	-
Employee share option plan:						
- value of employee services	21/ 23	-	-	234	-	234
- exercise of share options	21/ 23	51	297	-	-	348
Treasury shares	22	-	-	29	-	29
		51	297	(4,178)	(10,422)	(14,252)
Balance as of December 31, 2012		**3,219**	**62,414**	**(24,598)**	**(14,841)**	**26,194**
Balance at January 1, 2013		**3,219**	**62,414**	**(24,598)**	**(14,841)**	**26,194**
Total comprehensive loss		-	-	1,636	(24,110)	(22,474)
Income appropriation		-	-	(14,841)	14,841	-
Employee share option plan:						
- value of employee services	21/ 23	-	-	179	-	179
- exercise of share options	21/ 23	37	307	-	-	343
Treasury shares	22			(684)	-	(684)
Issuance of common stock (merger with Intercell see note 30, May 2013)	21	2,676	100,599	-	-	103,275
Issuance of common stock, July 2013	21	2,275	37,913	-	-	40,188
Cost of equity transactions, net of tax	21	-	(2,910)	-	-	(2,910)
		4,987	135,909	(13,710)	(9,269)	117,917
Balance as of December 31, 2013		**8,206**	**198,322**	**(38,308)**	**(24,110)**	**144,111**

2.1.5 Notes to the consolidated financial statements

Note 1 General information

Valneva SE – together with its subsidiaries – (hereafter named “Group” or “Company”) is a European biotech company focused on vaccine development and antibody discovery. It was created in 2013 through the merger between Intercell AG and Vivalis SA. Valneva’s mission is to excel in both antibody discovery, and vaccine development and commercialization, either through in-house programs or in collaboration with industrial partners using innovative technologies developed by the Company.

Valneva generates diversified revenue from both its marketed product, a vaccine for the prevention of Japanese encephalitis (IXIARO®/JESPECT®), commercial partnerships around a portfolio of product candidates (in-house and partnered), and licensed technology platforms (EB66® cell line, VIVA|Screen™ antibody discovery technology, and the IC31® adjuvant) developed by Valneva.

The Company’s vaccine to prevent Japanese Encephalitis (JE) – IXIARO®/JESPECT® is the Company’s first product on the market. This is a next-generation vaccine against most common forms of vaccine-preventable cause of encephalitis in Asia licensed in more than thirty countries. A comparable vaccine for endemic markets based on Intercell’s technology was launched in 2012 by Biological E. Ltd. under the trade name JEEV® in India and is currently under review for WHO prequalification.

Related business activities include product research and development, regulatory and clinical activities, manufacturing of commercial product and advanced clinical product candidates, as well as administrative, corporate development, and marketing and sales activities.

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

Valneva SE directly or indirectly holds interests in the following subsidiaries:

Name	Country of incorporation	Interest held at December 31,	
		2013	2012
Smol Therapeutics SAS	FR	100%	100%
Vivalis Toyama Japan KK	JP	100%	100%
Valneva Austria GmbH	AT	100%	-
Valneva Scotland Ltd.	UK	100%	-
Intercell USA, Inc.	USA	100%	-
Elatos GmbH	AT	100%	-

The closing date for the consolidated financial statements is December 31 of each year. As Valneva Austria GmbH (former Intercell AG), Valneva Scotland Ltd. (former Intercell Biomedical, Ldt), Intercell USA and Elatos have been acquired by the end of May, these companies started to be included in the consolidated financial statements 2013 on June 1, 2013.

The Company's headquarters in Lyon is also its core center for its antibody discovery programs. The Valneva SE site in Nantes includes both general and administrative functions and R&D facilities which are used for the development of the EB66® cell line and the vaccine programs as well as antibody discovery based on the VIVAIScreen® platform. Valneva Austria GmbH, Vienna, Austria, focuses on vaccines and pre-clinical and clinical development activities. Valneva Scotland Ltd., Livingston, United Kingdom, operates a dedicated biologics manufacturing facility used for prduction of the Company's Japanese Encephalitis vaccine. The workforce of Intercell USA, Inc. focuses on maximizing the value of IXIARO®/JESPECT®. Elatos GmbH, Vienna, Austria, performs research on the antibody platform eMAB. Vivalis Toyama Japan KK, Toyam, Japan, performs research on the antibody platform VIVA|Screen®.

These consolidated financial statements have been approved and authorized for issue by the Management Board on March 20, 2014.

Note 2 Summary of significant accounting policies

On May 28, 2013, the Company completed its merger with Intercell AG. As a result of the merger, Intercell's business has been included in the Group's full year consolidated financial statements under IFRS from the merger closing date. Therefore, 2012 and 2013 results under IFRS are not fully comparable. While the results of Vivalis SA (now Valneva SE) were fully included in the income statement of the full year 2013 and the comparator period in 2012, the results from the ex-Intercell operations were only included starting from June 2013 and are not part of the results for the comparator period of the previous year.

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

Note 2.1 Basis of presentation

These 2013 Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), which comprise IFRS (International Financial Reporting Standards), IAS (International Accounting Standard), and their interpretations, SIC (Standards Interpretations Committee) and IFRIC (International financial Reporting Interpretations Committee) as adopted by the European Union.

These consolidated financial statements have been prepared using the historical cost convention, as modified by the fair value valuation of available-for-sale financial assets.

The preparation of financial statements in conformity with IFRS as adopted by the European Union requires the use of certain critical accounting estimates. It also requires the Company's management to exercise its judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

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

Note 2.2 Impact of new, revised or amended Standards and Interpretations

a) New and amended standards adopted by the Company

There are no IFRSs or IFRIC interpretations effective for the first time for the financial year beginning on or after January 1, 2013 that would be expected to have a material impact on the Company.

IAS 1, (Amendment), Financial statement presentation; Requirement for entities to group items presented in "other comprehensive income" on the basis of whether they are potentially re-classifiable to profit or loss subsequently (effective on January 1, 2013). The Group applied this standard since January 1, 2013.

b) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2013, and not early adopted.

Standard/Interpretation/Amendment		Effective Date	Expected Effects
IAS 32 - amendment	Financial instruments: Presentation – offsetting financial assets and financial liabilities	Jan 1, 2014	None
IAS 36 – amendment	Impairment of assets – disclosures on recoverable amount	Jan 1, 2014	None
IAS 39 – amendment	Financial instruments: recognition and measurement – relief from discontinuing hedge accounting	Jan 1, 2014	None
IFRS 9	Financial instruments: Classification and Measurement	pending	Change in the accounting treatment of fair value changes in financial instruments previously classified as available for sale
IFRS 10	Consolidated financial statements	Jan. 1, 2014	None
IFRS 12	Disclosures of interests in other entities	Jan. 1, 2014	None
IFRS 13	Fair value measurement	Jan. 1, 2014	Full impact is yet to be assessed
IFRIC 21	"Levies" – interpretation of IAS 37 "Provisions, contingent liabilities and contingent assets"		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 Company.

Note 2.3 Consolidation

Subsidiaries

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

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

Inter-company transactions, balances, and unrealized gains on transactions between group companies are eliminated.

Note 2.4 Segment reporting

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

For further disclosure see note 5.

Note 2.5 Foreign currency translation

a) Functional and presentation currency

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

b) Transactions and balances

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

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

c) Subsidiaries

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

(i) Assets and liabilities presented for each balance sheet are converted according to the exchange rate valid on the balance sheet date;
(ii) Income and expenses for each income statement are converted at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are converted on the dates of the transactions); and
(iii) All resulting exchange differences are recognized as other comprehensive income and are shown as other reserves.

Upon consolidation, exchange differences arising from the conversion of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments are taken into shareholders’ equity. When a foreign operation is partially disposed of or sold, exchange differences that had been recorded in equity are recognized in the income statement as part of the gain or loss on sale.

Note 2.6 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue and the costs incurred in the transaction can be reliably measured. Revenue comprises the fair value of the consideration received or receivable in the course of the Company’s ordinary activities for product sales, the grant of licenses, license options, or commercialization rights, royalties, and for services performed in col-

laboration with, or on behalf of, licensees, partners or customers under the commercial agreements, as well as grants from governmental and non-governmental organizations designated to remunerate approved scientific research activities. Revenue is shown net of value-added tax, rebates, and discounts, and after eliminating sales within the Company. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognized as follows:

a) Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon delivery of the goods. In cases where the goods are sold via a distributor and where the consideration consists of a fixed part and a variable part that is only payable upon the distributor's sale of the product to the ultimate purchaser, the fixed consideration is recognized when the Company has delivered products to the distributor, the distributor has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the distributor's acceptance of the products. The variable part of such consideration is recognized as soon as the distributor has sold the product to the market and all conditions for the Company to receive the variable consideration have been met. The Company does not operate any loyalty programs.

b) Revenues from collaborations and licensing

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

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

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

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

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

c) Grant income

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

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

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

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

d) Interest income

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

Note 2.7 Leases

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

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

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

Note 2.8 Property, plant and equipment

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

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

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

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

- Buildings, leasehold improvements 8 - 40 years
- Machinery, laboratory equipment 2 - 15 years
- Furniture, fittings and office equipment 4 - 10 years
- Hardware 3 - 5 years

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

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

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

Note 2.9 Intangible assets

a) Computer software

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

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

b) Acquired R&D technology and projects

Acquired R&D technology projects are capitalized. Amortization of the intangible asset over its useful life starts when the product has been fully developed and is ready for use. These costs are amortized on a straight-line basis over their useful lives. This useful life is determined on a case-by-case basis according to the nature and characteristics of the items included under this heading. As long as the useful life is indefinite, in-process research and development projects are tested annually for impairment and carried at cost less accumulated impairment losses. Furthermore, assets with an indefinite useful life and assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The current acquired R&D technology and projects are amortized over a period between five and 17 years.

c) Development costs

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

a) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
b) Management intends to complete the intangible asset and to utilize or sell it;
c) There is an ability to utilize or sell the intangible asset;
d) It can be demonstrated how the intangible asset will generate probable future economic benefits;
e) Adequate technical, financial, and/or other resources to complete the development and to utilize or sell the intangible asset are available; and
f) The expenditure attributable to the intangible asset during its development can be reliably measured.

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

d) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquire and the fair value of the non-controlling interest in the acquire.

Note 2.10 Impairment of non-financial assets

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

Note 2.11 Non-current assets and liabilities (or disposal groups) held for sale

Non-current assets or liabilities (or disposal groups) are classified as assets or liabilities held for sale when their carrying amount is to be recovered principally through a sale transaction

and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Note 2.12 Financial assets

The Company classifies its financial assets into the following categories: a) loans and receivables, and b) available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

a) Loans and receivables

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

They are included in current assets, except those with maturities beyond 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as “trade receivables and other assets” in the balance sheet (note 2.15).

b) Available-for-sale financial assets

Available-for-sale financial assets are those intended to be held for an indefinite period of time and which may be sold in respect to needs for liquidity or changes in interest rates, exchange rates or equity prices. Assets in this category are classified as current assets if they are expected to be realized within 12 months of the balance sheet date.

Purchases and sales of financial assets are recognized on the trade date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs and available-for-sale financial assets are subsequently carried at fair value. Financial assets are derecognized when such a financial asset has been transferred or substantially all risks and rewards of ownership have been transferred, or when the rights to receive cash flows from the financial asset have expired.

Changes in the fair value of financial assets denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in profit or loss. Changes in the fair value of monetary securities classified as available-for-sale are recognized in other comprehensive income and are shown as other reserves.

When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as “realized fair value gains or losses”. The fair value of shares in an investment fund is determined by the daily redemption price at which such shares can be sold, as quoted by the fund, based on the fund’s net asset

value. Interest on available-for-sale financial assets calculated using the effective interest method is recognized in the income statement as part of financial income.

Note 2.13 Derivative financial instruments

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

Note 2.14 Inventories

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

Note 2.15 Trade receivables and other assets

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

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

Note 2.16 Cash and cash equivalents

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

Note 2.17 Share capital, share premium and other regulated reserves, retained earnings and other reserves, and net result

Ordinary shares are classified as equity.

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

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

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

Note 2.18 Trade payables

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

The debt incurred under the Humalys financing arrangement is measured at fair value taking into account the best estimate of earn out based on revenue expected from the acquired Humalex® technology platform, and a discount rate applicable both to the earn out and the guaranteed purchase price recognized up until 2013. The expense for reversing the present value measurement of debt is recognized under financial income and expense of the period.

As a portion of the acquisition price for the Isaac technology from SC World is recognized on a deferred basis until 2017, the corresponding date is measured at fair value taking into account our best estimate of the payment dates of the price and a discount rate.

Note 2.19 Borrowings

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

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

Note 2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively. The current income tax is calculated on the

basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax 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 Company and it is probable that the temporary difference will not be reversed within the foreseeable future.

Note 2.21 Employee benefits

a) Share-based payments

Equity-settled transactions

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

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

b) Bonus plans

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

c) Employee commitments

Some group companies provide retirement termination benefits to their retirees.

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

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

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

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

Note 2.22 Provisions

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

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

Provisions are not recognized for future operating losses.

Note 2.23 Deferred Revenues

Deferred Revenues comprised advanced payments from collaboration partners (especially option fees), and conditional advances from subordinated grants. These are recognized under “other non-current liabilities” and “other current liabilities” according to their maturity. In the event of a failure to complete the work, the debt waiver is recognized in “other net income and expense” for grants used to finance projects recognized under “development expenditure”, and in “Operating grants” for grants used for research or development projects not capitalized in the balance sheet. For more detail see note 2.6c.

Note 3 Financial risk management

Note 3.1 Financial risk factors

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

Financial risk management is carried out by the CFO under the close supervision of the Management Board. The CFO identifies, evaluates, and manages financial risks. The Management Board submits regular reports on its risk management systems, including the management of financial risks, to the audit committee of the Supervisory Board.

a) Market risk

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. Dollar ("USD"), the British Pound ("GBP"), whereas the exchange risk exposure to the Swiss Franc and the Japanese Yen is relatively limited. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.

The objective of the Company is to limit the potential negative impact of the foreign exchange rate changes.

The Company has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk.

At December 31, 2013, if the USD had weakened by 10% against the Euro, with all other variables held constant, pre-tax loss for the year would have been higher by EUR 587 thousand (2012: EUR 1 thousand lower), mainly as a result of foreign exchange losses on the translation of USD-denominated cash equivalents and trade receivables, partly offset by a positive effect from borrowings and trade payables. Income was more sensitive to fluctuations in the Euro/USD exchange rate at the balance sheet date in 2013 than it was in 2012 mainly because of the increased amount of USD-denominated trade receivables and cash equivalents.

At December 31, 2013, if the GBP had weakened by 10% against the Euro with all other variables held constant, pre-tax loss for the year would have been EUR 57 thousand higher (2012: EUR 0 thousand). Income was more sensitive to fluctuations in the Euro/GBP exchange rate at the balance sheet date in 2013 than it was in 2012 mainly because of the increased amount of GBP-denominated cash equivalents.

Interest rate risk

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

Borrowings issued at variable rates expose the Company to cash flow interest rate risk, which is offset by cash and financial assets held at variable rates. During 2013 and 2012, the Company's investments at variable rate as well as the borrowings at variable rate were denominated in EUR and in USD.

The Company analyzes its interest rate exposure on a dynamic basis. Based on this analysis, the Company calculated the impact on profit and loss of a defined interest rate shift. The same interest rate shift was used for all currencies. The calculation only includes investments in financial instruments and cash in banks that represent major interest-bearing positions. As of the balance sheet date, the calculated impact on income before tax of a 0.25% shift would be an increase or decrease of EUR 27 thousand (2012: EUR 12 thousand).

b) Credit risk

The Company is exposed to concentrations of credit risk. The Company holds bank accounts, cash balances, and securities at quality financial institutions with high credit ratings. To monitor the credit quality of its counterparts, the Company relies on credit ratings as published by specialized rating agencies such as Standard & Poor's, Moody's, and Fitch. The Company has policies that limit the amount of credit exposure to any single financial institution. The Company is also exposed to credit risk from its trade debtors, as its collaborations and licensing income arises from a small number of transactions. The Company has policies in place to enter into such transactions only with highly reputable, financially sound counterparts. If customers are independently rated, these ratings are used. Otherwise, in the case that there is no independent rating, risk management assesses the credit quality of the customer, taking into account its financial position, past experience, and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The credit quality of financial assets is described in note 14.3.

c) Liquidity risk

The Company is exposed to liquidity risk resulting from the maturity of its financial liabilities. Furthermore, liquidity risk results from the fact that the Company's operating cash flow is subject to fluctuations during accounting periods. Prudent liquidity risk management therefore implies maintaining sufficient cash and marketable securities in order to satisfy ongoing operating requirements and the ability to close out market positions. Extraordinary conditions

on the financial markets may, however, temporarily restrict the possibility to liquidate certain financial assets.

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

At December 31, 2012 EUR in thousands	**Less than 1 year**	**Between 1 and 3 years**	**Between 3 and 5 years**	**Over 5 years**
Borrowings	1,641	2,925	1,750	593
Trade payables and accruals	1,896	-	-	-
Tax and employee-related liabilities[2]	1,133	-	-	-
Other liabilities and provisions[3]	2,890	1,668	4,325	4,438
	7,560	**4,593**	**6,075**	**5,031**

At December 31, 2013 EUR in thousands	**Less than 1 year**	**Between 1 and 3 years**	**Between 3 and 5 years**	**Over 5 years**
Borrowings (excluding finance lease liabilities)[4]	5,401	17,845	26,128	2,333
Finance lease liabilities[3]	980	2,045	2,045	27,353
Trade payables and accruals[5]	11,030	-	-	-
Tax and employee-related liabilities[1]	3,044	-	-	-
Other liabilities and provisions[2]	203	2,942	1,259	1,925
	20,658	**22,832**	**29,432**	**31,611**

The fair values as well as the book values of the Company's borrowings are disclosed in note 24.

To manage liquidity risk, the Company holds sufficient cash balances and generally invests in securities that can be promptly converted into cash.

Note 3.2 Accounting for hedging activities

At the balance sheet date, the Company does engage in hedging activities. For more information see note 14.2.

Note 3.3 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide benefits for shareholders and for other

[2] Social security and other tax payables are excluded from the tax and employee-related liabilities balance, as this analysis is required only for financial instruments.
[3] Deferred income and provisions are excluded from the other liabilities and provisions balance, as this analysis is required only for financial instruments
[4] 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.
[5] Accruals for taxes are excluded from the trade payables and accruals balance, as this analysis is required only for financial instruments.

stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company actively manages its funds to primarily ensure liquidity and principal preservation while seeking to maximize returns. The Company's cash and short-term investments are located at several different banks and financial investments are made in liquid, highly diversified investment instruments in balanced risk categories. In order to maintain or adjust the capital structure, the Company may issue new shares or sell assets to reduce debt.

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

Note 3.4 Fair value estimation

The fair value of financial instruments traded on active markets (such as available-for-sale securities) is based on market prices or dealer quotes at the balance sheet date.

The fair value of financial instruments not traded on an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing upon each balance sheet date, such as estimated discounted cash flows and market prices or dealer quotes for similar instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the relatively short maturity of the respective instruments. The fair value of investment funds held as available-for-sale financial assets is based on current bid rates offered by the investment fund manager based on the current market price of the fund's assets on the balance sheet date. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

Note 4 Critical accounting estimates and judgments

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

Note 4.1 Critical accounting estimates and assumptions

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

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

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

The main significant estimates made by the Company's management relate primarily to the valuation of goodwill, other intangible assets (amortization period of development expenditures and acquired technologies), other liabilities for amounts owed to the sellers with respect to earn out payments as well as revenue recognition (for licensing income recognized over the projected development period; for income from grants, measured according to cost incurred compared to the budget).

Note 4.2 Critical judgments in applying the entity's accounting policies

Revenue recognition

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

Note 5 Segment information

The Group has identified the following operating segments for purpose of analyzing its business and results:

- Cell line platform (EB66®)
- Antibody discovery platform (VivaIScreen®)
- Ex-Intercell operations

In light of the decision to dispose the Drug Discovery business by the end of 2012, the segment “Platform for the development of small molecules (3DScreen)” no longer exists and the relevant items have been consequently reclassified to “discontinued operations” in accordance with IFRS 5.

Following its merger with Intercell AG to form Valneva SE, the Group has added “Ex-Intercell operations” as a new operating segment. The Group is currently performing a comprehensive business integration project which includes the introduction of new financial business reporting structures. As a result of this project, the Group expects further changes in its segment reporting in future financial statements. These new segments are expected to distinguish between marketed vaccines (currently the Group’s JEV vaccine), revenue-generating technologies (currently EB66®, VivaIScreen and IC31®) and proprietary development programs.

Note 5.1 Income statement aggregates by segment:

EUR in thousands	Year ended December 31,	
	2013	**2012**
Revenues and grants by business sector*	**35,991**	**5,909**
EB66® cell line	3,668	3,455
VivaIScreen® technology	2,884	2,440
Ex-Intercell operations	29,362	-
Income not attributed to an operating segment	77	14
Net income/(loss) from continuing operations by business sector	**(23,973)**	**(12,985)**
EB66® cell line	(2,132)	(4,523)
VivaIScreen® technology	(4,272)	(2,563)
Ex-Intercell operations	(15,102)	-
Income not attributed to an operating segment	(2,467)	(5,899)

** no intersegment revenues occurred*

Note 5.2 Geographical segments

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

Revenues per geographical segment

EUR in thousands	Year ended December 31,	
	2013	**2012**
France	5,338	4,709
Europe – without France	12,157	613
North America	18,055	335
Other	440	252
Revenues	**35,991**	**5,909**

Non-current assets per geographical segment

EUR in thousands	At December 31,	
	2013	**2012**
France	23,059	29,206
Europe – without France	146,590	-
North America	662	-
Other	159	256
Non-current assets	**170,470**	**29,462**

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

Note 5.3 Information about major customers

Collaboration and licensing revenue from the two largest customers amounted to EUR 3,539 thousand (2012: EUR 0 thousand) and EUR 1,151 thousand (2012: EUR 1,994 thousand) respectively. Product sales to the largest customer amounted to EUR 12,709 thousand (2012: EUR 0 thousand).

Note 6 Expenses by nature

Cost of goods sold, research and development expenses, general, selling, and administrative expenses, and amortization of intangible assets include the following items by nature of cost:

EUR in thousands	Year ended December 31,	
	2013	**2012**
Consulting and other purchased services	11,325	3,936
Employee benefit expense (note 7)	17,781	7,673
Depreciation, amortization and write-off	9,148	4,752
Building and energy costs	2,556	1,149
Raw materials and consumables used	3,320	2,346
Supply, office and IT-costs	864	201
Travel and transportation costs	827	324
Advertising costs	3,174	108
License fees and royalties	2,472	53
Other expenses	143	336
Amounts capitalized as development costs and changes in inventory	6,532	(51)
Total	**58,141**	**20,827**
Reclassification of business disposal	(137)	(2,377)
Cost of goods sold, research and development expenses, general, selling, and administrative expenses, and amortization of intangible assets	**58,004**	**18,450**

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

EUR in thousands excl. VAT	Year ended December 31, 2013		Year ended December 31, 2012	
	PwC	Deloitte & Associés	Chesneau	Deloitte & Associés
Audit				
Statutory audit				
- Valneva SE	44	46	15	130
- Fully consolidated subsidiaries	50	32	-	-
Audit procedures in relation with the merger with Intercell AG	78	41	-	-
Audit procedures in relation with the issuance of common stock in July 2013	-	95	-	-
Other procedures and services direct related to the statutory auditor's engagement				
- Valneva SE	-	2	2	1
- Fully consolidated subsidiaries	28	-	-	-
Audit sub-total	**200**	**217**	**17**	**130**
Other services				
Legal, tax, labor issues				
- Valneva SE	-	-	-	-
- Fully consolidated subsidiaries	-	2	-	-
Other directly related procedures	-	-	-	-
Accessory missions	-	-	-	-
Other services sub-total	**-**	**2**	**-**	**-**
Fees charged by the statutory auditors and members of their network	**200**	**219**	**17**	**130**

Note 7 Employee benefit expense

Employee benefit expenses include the following:

EUR in thousands	Year ended December 31,	
	2013	**2012**
Salaries	13,335	5,137
Social security contributions	3,666	2,144
Training and education	317	139
Share options granted to management and employees	173	221
Other employee benefits	290	32
Total	**17,781**	**7,673**
Reclassification of business disposal	-	(514)
Employee benefit expense	**17,781**	**7,159**

During the year 2013, the Group had an average of 193 employees (2012: 99 employees).

Note 8 Other income/(expenses), net

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

EUR in thousands	Year ended December 31,	
	2013	**2012**
Taxes, duties, fees, charges, other than income tax	(282)	(321)
Gain/(loss) on disposal of fixed assets, net	1,260	-
Miscellaneous income/(expenses), net	180	-
Total	**1,157**	**(321)**
Reclassification of business disposal	-	28
Other income/(expenses), net	**1,157**	**(292)**

The gain on disposal of fixed assets, net includes a gain of EUR 1,312 thousand resulting from the sale of the Group's Clinical Manufacturing Operations (CMO) in Nantes to Biological E, a leading Indian biopharmaceutical company, which was finalized in November 2013.

Note 9 Finance income/(expenses), net

EUR in thousands	Year ended December 31,	
	2013	2012
Finance income		
- Interest income from bank deposits	177	435
- Interest income from other parties	14	-
- Realized gain from the sale of current financial assets	9	29
- Foreign exchange gains	-	13
	200	477
Finance expense		
- Interest expense to banks and government agencies	(115)	(152)
- Interest expense on other loans	(1,097)	(267)
- Fair value losses on financial assets/liabilities	(50)	-
- Foreign exchange losses	(1,707)	(114)
	(2,969)	(533)
Finance income/(expenses), net	**(2,769)**	**(56)**

The Group benefits from government assistance through arranging borrowing facilities that would have otherwise not been available to the Company. This assistance includes guarantees for the amount outstanding.

Note 10 Income tax

Note 10.1 Tax income/(expense)

Income tax is comprised of current and deferred tax.

EUR in thousands	Year ended December 31,	
	2013	**2012**
Current tax	(386)	(96)
Deferred tax	38	-
Income tax	**(348)**	**(96)**

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

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

EUR in thousands	Year ended December 31,	
	2013	**2012**
Loss before tax	(23,762)	(14,745)
Tax calculated at domestic tax rates applicable to profits in the respective countries	6,675	4,915
Income not subject to tax	156	-
Expenses not deductible for tax purposes	(533)	-
Deferred tax asset not recognized	(7,957)	(5,010)
Adjustments in respect of prior years	226	-
Effect of change in applicable tax rate	11	-
Exchange differences	1,073	-
Income tax	**(348)**	**(96)**

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

Note 10.2 Deferred tax

The tax losses of EUR 374,363 thousand (2012: EUR 37,477 thousand) that were carried forward are not recognized as it is not considered probable that future taxable profits will be available against the unused tax losses. EUR 305,000 thousand are coming from the Ex-Intercell operations.

Note 11 Earnings/Losses per share

Basic earnings/losses per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of outstanding shares during the year, excluding shares purchased by the Company and held as treasury shares (note 22).

	Year ended December 31,	
	2013	**2012**
Net loss from continuing operations attributable to equity holders of the Company (EUR in thousands)	(23,973)	(12,985)
Weighted average number of outstanding shares	39,343,185	21,268,377
Basic earnings/(losses) from continuing operations per share (EUR per share)	**(0.61)**	**(0.61)**

Diluted losses per share equal basic losses per share because the conversion of all potentially dilutive shares (outstanding preferred shares, share options, bonus shares, and equity warrants, notes 21 and 23) would result in a decrease in the loss per share and is therefore not to be treated as dilutive.

Note 12 Property, plant and equipment

EUR in thousands	Land, buildings and lease-hold improve-ments	Manu-facturing and laboratory equipment	Computer hardware	Furni-ture, fittings and other	Assets in the course of con-struction	Total
January 1, 2012						
Cost	10,713	7,854	484	431	44	19,526
Accumulated depreciation and impair-ment	(2,044)	(3,700)	(285)	(182)	-	(6,211)
Net book value	**8,669**	**4,154**	**199**	**249**	**44**	**13,315**
Year ended December 31, 2012						
Opening net book value	8,669	4,154	199	249	44	13,315
Exchange rate differences	-	-	-	-	-	-
Additions	27	729	26	12	-	794
Reclassification	15	-	-	-	(15)	-
Disposals	(2)	-	-	-	-	(2)
Depreciation charge	(643)	(1,092)	(86)	(52)	-	(1,873)
Impairment charge	-	-	-	-	-	-
Transferred to disposal group classified as held for sale	-	(137)	-	-	(6)	(143)
Closing net book value	**8,066**	**3,654**	**140**	**208**	**23**	**12,091**

EUR in thousands	Land, buildings and lease-hold improve-ments	Manu-facturing and laboratory equipment	Computer hardware	Furni-ture, fittings and other	Assets in the course of con-struction	Total
December 31, 2012						
Cost	10,745	8,193	510	440	23	19,911
Accumulated de-preciation and impairment	(2,679)	(4,539)	(371)	(232)	-	(7,820)
Net book value	**8,066**	**3,654**	**140**	**208**	**23**	**12,091**
Year ended December 31, 2013						
Opening net book value	8,066	3,654	140	208	23	12,091
Exchange rate differences	106	24	-	-	-	130
Acquisition of subsidiary (note 30)	35,698	2,817	119	516	-	39,150
Additions	153	567	58	20	-	798
Reclassification	23	-	-	-	(23)	-
Disposals	(2,179)	(1,483)	(48)	(28)	-	(3,738)
Depreciation charge	(1,627)	(1,454)	(125)	(110)	-	(3,316)
Impairment charge	-	(48)	-	-	-	(48)
Closing net book value	**40,240**	**4,076**	**143**	**607**	**-**	**45,067**
December 31, 2013						
Cost	51,181	18,456	1,471	1,390	-	72,497
Accumulated de-preciation and impairment	(10,941)	(14,379)	(1,327)	(782)	-	(27,430)
Net book value	**40,240**	**4,076**	**143**	**607**	**-**	**45,067**

Depreciation and amortization expenses of EUR 2,344 thousand (2012: EUR 1,583 thousand) were charged to research and development expenses and EUR 86 thousand (2012: EUR 200 thousand) to general, selling, and administrative expenses.

Operating property leases amounting to EUR 303 thousand (2012: EUR 201 thousand) are included in the income statement.

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

EUR in thousands	Buil-dings and lease-hold improve-ments	Manu-facturing and labora-tory equip-ment	Com-puter hardware	Furni-ture, fittings and other	Assets in the course of con-struction	Total
December 31, 2013						
Cost	34,795	2,128	126	598	-	37,647
Accumulated depre-ciation	(4,277)	(1,575)	(126)	(365)	-	(6,343)
Net book value	**30,517**	**553**	**-**	**234**	**-**	**31,304**

Note 13 Intangible assets and Goodwill

EUR in thousands	Software	Acquired R&D technology and projects	Development costs	Goodwill	Advance payments	Total
January 1, 2012						
Cost	305	17,413	7,003	341	-	25,062
Accumulated amortization and impairment	(227)	(1,874)	(2,800)	-	-	(4,901)
Net book value	**78**	**15,539**	**4,203**	**341**	**-**	**20,161**
Year ended December 31, 2012						
Opening net book value	78	15,539	4,203	341	-	20,161
Exchange rate differences	-	-	-	-	-	-
Additions	8	20	54	-	-	82
Reclassification	-	-	-	-	-	-
Disposals	-	(13)	-	-	-	(13)
Amortization charge	(58)	(1,163)	(566)	-	-	(1,787)
Impairment charge	-	-	(1,072)	-	-	(1,072)
Closing net book value	**29**	**14,383**	**2,618**	**341**	**-**	**17,371**
December 31, 2012						
Cost	313	17,333	5,959	341	-	23,946
Accumulated amortization and impairment	(285)	(2,950)	(3,340)	-	-	(6,575)
Net book value	**29**	**14,383**	**2,618**	**341**	**-**	**17,371**

	Software	Acquired R&D techno-logy and projects	Develop-mentcosts	Goodwill	Advance payments	Total
Year ended December 31, 2013						
Opening net book value	29	14,383	2,618	341	-	17,371
Exchange rate differences	-	(35)	92	-	-	57
Acquisition of subsidiary (note 30)	476	85,095	26,261	-	-	111,832
Additions	23	90	1,681	9	1	1,804
Reclassification	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Amortization charge	(229)	(3,442)	(1,988)	-	-	(5,660)
Closing net book value	**299**	**96,090**	**28,663**	**350**	**1**	**125,403**
December 31, 2013						
Cost	2,334	105,423	39,993	350	1	148,102
Accumulated amortization and impairment	(2,036)	(9,334)	(11,330)	-	-	(22,699)
Net book value	**299**	**96,090**	**28,663**	**350**	**1**	**125,403**

Note 13.1 Significant intangible assets

Intangible assets primarily relate to in-process R&D projects, the Japanese Encephalitis vaccine, the Pseudomonas vaccine and the VivaIScreen technology. The Japanese Encephalitis and Pseudomonas vaccine were acquired through the Business combination with Intercell, see note 30.

Note 13.2 Impairment testing of in-process research & development projects

The book values of capitalized in-process research and development projects have been assessed annually for impairment testing purposes using the risk-adjusted discounted cash flow method.

The value-in-use calculations use post tax project cash flow projections based on the Company's long-range business model including the Management's best estimate on probability of success of the respective projects (risk-adjustment) and a discount rate of 14.44% per annum.

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

The discount rate of 14.44% per annum is based on 2.86% risk-free rate, 6.00% market risk premium, and a beta of 1.90.

There was no impairment of in-process research & development projects in the year 2013.

Note 13.3 Sensitivity to changes in assumptions

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

- Probability of project success
- Discount rate

The result of research and development projects is inherently uncertain and the Company may experience delays or failures in clinical trials. A failure to demonstrate safety and efficacy in clinical product development of one of the acquired research and development projects would result in an impairment loss.

The net present value calculation uses a discount rate of 14.44%. An increase in the discount rate of one percentage point would result in no impairment loss.

The net present value calculation uses a probability of success rate of 50% per annum for products in the stage of pivotal regulatory studies. A decrease in the probability of success rate of ten percentage points would result in no impairment loss.

Note 14 Financial instruments

Note 14.1 Financial instruments by category

December 31, 2012 EUR in thousands	**Loans and receivables**	**Total**
Assets as per balance sheet		
Trade receivables	1,047	1,047
Other assets[6]	2,234	2,234
Financial assets	11,225	11,225
Cash and cash equivalents	832	832
Assets	**15,338**	**15,338**

	Other financial liabilities	**Total**
Liabilities as per balance sheet		
Borrowings	6,714	6,714
Trade payables and accruals	1,896	1,896
Tax and employee-related liabilities[7]	1,133	1,133
Other liabilities and provisions[8]	11,932	11,932
Liabilities	**21,675**	**21,675**

December 31, 2013 EUR in thousands	**Loans and receivables**	**Total**
Assets as per balance sheet		
Trade receivables	7,570	7,570
Other assets[6]	15,823	15,823
Financial assets	3,658	3,658
Cash and cash equivalents	36,509	36,509
Assets	**63,560**	**63,560**

[6] Prepayments and tax receivables are excluded from the other assets balance, as this analysis is required only for financial instruments.
[7] 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.
[8] Deferred income and provisions are excluded from the other liabilities and provisions 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)[9]	-	40,246	40,246
Finance lease liabilities[9]	-	31,037	31,037
Trade payables and accruals[10]	-	11,030	11,030
Tax and employee-related liabilities[7]	-	3,044	3,044
Other liabilities and provisions[8]	50	5,139	5,190
Liabilities	**50**	**90,496**	**90,547**

Note 14.2 Fair value measurements

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

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

December 31, 2013 EUR in thousands	Level 3	Total
Other liabilities and provisions		
Derivative financial instruments	50	50
Other liabilities and provisions	**50**	**50**

At December 31, 2012, the fair value of these swaps was not material.

Since 2010, the Company has been covered by an interest rate hedging contract through the parent company Grimaud La Corbière SA (GLC) for EUR 2,204 thousand that ended by June 2013. This contract was implemented on June 11, 2010 for a three-year period. This

[9] 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.
[10] Accruals for taxes are excluded from the trade payables and accruals balance, as this analysis is required only for financial instruments.

interest rate swap agreement provides for payment to GLC each quarter of 3-month Euribor plus a fixed-rate amount of 1.31%.

In 2011, an additional interest rate hedging contract was set up for EUR 800 thousand which increased to EUR 1,500 thousand at December 31, 2012 then to EUR 2,300 thousand at December 31, 2013. This second contract was implemented on September 1, 2011 for a four-year period. This interest rate swap agreement provides for payment to GLC each quarter of 3-month Euribor plus a fixed-rate amount of 1.82%.

In 2012, a third interest rate hedging contract was set up for EUR 394 thousand and reduced to EUR 385 thousand at December 31, 2012 then to EUR 325 thousand at December 31, 2013. This last contract was implemented on October 17, 2012 for a seven-year period. This interest rate swap agreement provides for a payment to GLC each month at 1-month Euribor plus a fixed-rate amount of 0.58%.

Note 14.3 Credit quality of financial assets

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

EUR in thousands	At December 31,	
	2013	**2012**
Trade receivables, unimpaired[11]		
Receivables from governmental institutions	2	-
AA	7,315	598
A	47	-
Counterparties without external credit rating	205	450
Trade receivables, unimpaired	**7,570**	**1,047**
Other assets		
Receivables from governmental institutions	2,598	1,983
A	105	143
Counterparties without external credit rating or rating below A	13,120	108
Other assets	**15,823**	**2,234**
Financial assets		
A	3,658	11,225
Financial assets	**3,658**	**11,225**
Cash and cash equivalents		
A	36,506	831
Counterparties without external credit rating or rating below A	3	1
Cash and cash equivalents	**36,509**	**832**

The rating information refers to long-term credit rating as published by Standard & Poor's.

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

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

Note 15 Financial assets

EUR in thousands	At December 31,	
	2013	**2012**
Non-current	226	253
Current	3,658	11,225
Financial assets	**3,884**	**11,478**

Non-current financial assets are included in other non-current assets.

Note 16 Inventories

EUR in thousands	At December 31,	
	2013	**2012**
Raw materials	672	-
Work in progress	4,147	-
Inventory	**4,819**	**-**

The cost of inventories recognized as an expense and included in “cost of sales” amounted to EUR 14,469 thousand (2012: EUR 0 thousand). The cost of inventories recognized as an expense includes EUR 4,273 thousand (2012: EUR 0 thousand) in respect of write-downs of inventory to net realizable value.

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

Note 17 Trade receivables

Trade receivables and other assets include the following:

EUR in thousands	At December 31,	
	2013	**2012**
Trade receivables	7,590	1,068
Less: provision for impairment of receivables	(21)	(21)
Trade receivables, net	**7,570**	**1,047**

At December 31, 2011, trade receivables subject to a repayment plan in 2010 amounting to EUR 21 thousand were reclassified as bad debt, following default and with provisions recorded for their full amount. During the years 2013 and 2012, no impairment losses have been recognized.

The fair values of trade receivables equal their book values.

Note 18 Other assets

Other assets include the following:

EUR in thousands	At December 31,	
	2013	**2012**
Prepaid expenses	1,047	175
Non-current financial assets	226	253
Other receivables	30,092	10,535
	31,365	10,963
Less non-current portion	(20,575)	(8,984)
Current portion	**10,791**	**1,979**

The fair values of trade and other receivables equal their book values.

Note 19 Cash and cash equivalents

At December 31, 2013 and at December 31, 2012, cash and cash equivalents include cash-at-bank and in-hand, mutual funds, open-ended investment funds, as well as short-term bank deposits with a maturity of less than 3 months.

Note 20 Discontinued operations

In 2012, the Company decided to sell and subsequently discontinue its drug discovery business.

Note 20.1 Breakdown of discontinued operations

EUR in thousands	At December 31,	
	2013	**2012**
Intangible assets – gross amounts	1,101	1,098
Intangible assets – amortization	(26)	(26)
Intangible assets – impairment	(1,075)	(1,072)
Intangible assets – net amounts	-	-
Property, plant and equipment – gross amounts	102	390
Property, plant and equipment – depreciation	(62)	(253)
Property, plant and equipment – impairment	(40)	-
Property, plant and equipment – net amounts	**-**	**137**
Total discontinued operations	**-**	**137**

Note 20.2 Liabilities associated with discontinued operations

As at December 31, 2013 and December 31, 2012, there are no liabilities associated with discontinued operations.

Note 20.3 Income/(Loss) from discontinued operations

EUR in thousands	Year ended December 31,	
	2013	**2012**
Grant income	-	550
Consulting and other purchased services	-	(598)
Employee benefit expense	-	(514)
Depreciation, amortization and write-off	(137)	(1,179)
Raw materials and consumables used	-	(29)
Amounts capitalized as development costs and changes in inventory	-	(38)
Other expenses	-	(19)
Taxes, duties, fees, charges, other than income tax	-	(28)
Income/(Loss) from discontinued operations	**(137)**	**(1,856)**

Note 20.4 Cash flows from discontinued operations

EUR in thousands	Year ended December 31,	
	2013	**2012**
Net cash used in operating activities	-	(1,227)
Net cash generated from/(used in) investing activities	-	-
Net cash generated from/(used in) financing activities	-	-
Net change in cash and cash equivalents	**-**	**(1,227)**

Note 21 Share capital, share premium and other regulated reserves

EUR in thousands (except numbers of shares)	Number of shares	Share capital	Share premium	Other regulated reserves*	Total share capital, share premium and other regulated reserves
Balance at January 1, 2012	**21,117,443**	**3,168**	**62,117**	**-**	**65,285**
Employee share option plan:					
- exercise of share options	345,086	51	297	-	348
Balance at December 31, 2012	**21,462,529**	**3,219**	**62,414**	**-**	**65,633**
Balance at January 1, 2013	**21,462,529**	**3,219**	**62,414**	**-**	**65,633**
Employee share option plan:					
- exercise of share options	244,537	37	307	-	343
Issuance of common stock (merger with Intercell see note 30, May 2013)	17,836,719	2,676	47,779	52,820	103,275
Issuance of common stock, July 2013	15,165,215	2,275	37,913	-	40,188
Cost of equity transactions, net of tax	-	-	(2,910)	-	(2,910)
Balance at December 31, 2013	**54,709,000**	**8,206**	**145,502**	**52,820**	**206,529**

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

Increases of share capital

In connection with its merger with Intercell AG to form Valneva SE (see note 30), the Company issued 17,836,719 new ordinary shares and 17,836,719 new preferred shares, resulting in an overall increase in the share capital of the Company of EUR 2,676 thousand. At the same time, the Company adopted the legal form of a European company (SE), incorporated in Lyon, France.

The new ordinary shares carry the same rights as the existing ordinary shares, including dividend rights as of January 1, 2013. Each preferred share will convert into 0.4810 new ordinary shares upon the issuance before the end of a 7-year period starting on the day of completion of the merger (and subject to certain financial requirements) of a marketing authorization for the Group's Pseudomonas vaccine in the U.S. or in Europe. If the condition is

not met within the 7-year period the preferred shares will be cancelled and redeemed at their nominal value of EUR 0.01 per share.

On July 4, 2013 Valneva SE completed a capital increase with pre-emptive subscription rights launched in June 2013. The gross proceeds from this financing amounted to EUR 40,188 thousand and resulted from the issuance of 15,165,215 new ordinary shares at an offering price of EUR 2.65 per share. The settlement-delivery and the listing of the new ordinary shares occurred on July 5, 2013. The new ordinary shares carry full rights ("jouissance courante").

In addition, the Company issued 244,537 (2012: 345,086) new ordinary shares in connection with the exercise of stock options during the reporting period, resulting in an increase in the share capital of EUR 37 thousand (2012: EUR 358 thousand).

Conditional and authorized capital

The Company has 1,142,360 shares of conditional capital to service the exercise of existing stock options (note 23).

In addition, the Management Board has been authorized to allot and authorize an increase in the registered share capital of the Company by issuing up to 1,052,950 new shares of common stock for granting of additional stock options.

The Management Board has been authorized by the General Meeting to increase the ordinary shares or any securities giving access to the capital with preferential subscription rights by issuing up to 1,500,000 new shares of common stock.

The Management Board has been authorized by the General Meeting to increase the ordinary shares or any securities giving access to the capital with cancellation of preferential subscription rights by public offering by issuing up to 1,500,000 new shares of common stock.

In addition, the Management Board has been authorized by the General Meeting to capitalize premiums, reserves, earnings etc. in the form of free shares or by increasing the par value of existing shares, or a combination of the two. The overall nominal amount of increased in share capital carried out immediately or in the future pursuant to this resolution may not exceed a total of EUR 1,500 thousand.

Note 22 Retained earnings and other reserves

EUR in thousands	Currency translation	Treasury shares	Retained earnings	Total
Balance at January 1, 2012	**51**	**(486)**	**(19,986)**	**(20,420)**
Currency translation differences	(22)	-	-	(22)
Income appropriation	-	-	(4,419)	(4,419)
Employee share option plan:				
- value of employee services	-	-	234	234
Purchase/Sale of treasury shares	-	29	-	29
Balance at December 31, 2012	**29**	**(457)**	**(24,171)**	**(24,598)**
Balance at January 1, 2013	**29**	**(457)**	**(24,171)**	**(24,598)**
Currency translation differences	1,636	-	-	1,636
Income appropriation	-	-	(14,841)	(14,841)
Employee share option plan:				
- value of employee services	-	-	179	179
Purchase/Sale of treasury shares	-	(684)	-	(684)
Balance at December 31, 2013	**1,666**	**(1,141)**	**(38,833)**	**(38,308)**

The Company has not received a dividend and has not paid a dividend to their shareholders in the years ended December 31, 2013 and 2012.

Note 23 Share-based payments

Note 23.1 Stock option plans

Share options are granted to members of the Management Board, the Supervisory Board, and to employees (Employee Stock Option Plan – ESOP). Options granted in the years 2003 and 2005 are exercisable after a vesting period of four years and on achievement of objectives. Options granted in the years 2006 and 2010 may be exercised as soon as certain objectives are achieved. Options granted from 2013 onwards are exercisable for the first time in two equal portions after being held for two and for four years (the vesting period). All options expire no later than ten years after being granted. Options are not transferable or negotiable and unvested options lapse without compensation upon termination of employment with the Company (cancelation). Options granted from 2013 onwards become exercisable with the effectiveness of the takeover of more than 50% of the outstanding voting rights of the Company.

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

	2013			2012		
	Number of options	**Number of shares available**	**Average exercise price in EUR per share**	**Number of options**	**Number of shares available**	**Average exercise price in EUR per share**
Outstanding at January 1	9,768	305,944	1.88	11,937	569,818	1.71
Granted	1,049,250	1,049,250	3.21	-	-	-
Forfeited	(34,650)	34,650	3.21	-	-	-
Exercised	(1,728)	190,704	1.80	(2,169)	234,252	1.49
Outstanding at year end	**1,022,640**	**1,140,160**	**3.08**	**9,768**	**305,944**	**1.88**
Exercisable at year end	8,040	125,560		9,768	305,944	1.88

Options exercised in 2013 resulted in 190,704 shares being issued (2012: 234,252 shares) at a price of EUR 1.80 per share (2012: price between EUR 0.45 and EUR 1.80 per share). The weighted average value per share at the time of option exercise was EUR 4.88 in 2013 (2012: EUR 6.62).

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

Expiry date	Exercise price in EUR per share	Number of options at December 31, 2013	Number of options at December 31, 2012
2013 – 2016	1.80	1,040	2,768
2020	5.19	7,000	7,000
2023	3.21	1,014,600	-
		1,022,640	**9,768**

In 2012, no options were granted. The weighted average grant-date fair value of options granted during the year 2013 was EUR 1.61. The fair value of the granted options was determined using the Black Scholes valuation model. The significant inputs into the models were:

	2013
Expected volatility (%)	43.3
Expected vesting period (term in years)	2.00 – 4.00
Risk-free interest rate (%)	0.17 – 0.54

Note 23.2 Bonus shares

In 2007, 2009 and 2010, the Company established three free share plans for employees and company officers that are divided into several tranches.

The definitive grant of these shares takes place after a vesting period of two or four years and a holding period of two years for salaried employees. The grant to company officers is subject to a vesting period of 2 years and a holding period of 2 years for 75% or 80% of the grant and an obligation to hold the remaining 25% or 20% of their grant until they cease to exercise their functions.

Changes in the bonus shares outstanding are as follows:

	Number of bonus shares	
	2013	**2012**
Outstanding at January 1	108,166	240,500
Granted	52,000	-
Forfeited	(9,000)	(21,500)
Definitively granted	(53,833)	(110,834)
Outstanding at year end	**97,333**	**108,166**

Note 23.3 Equity warrants

In 2007 and 2011, the Company granted equity warrants to members of the Supervisory Board. The warrants vest in four equal portions after one, two, three and four years. The subscription price of the equity warrants granted in the year 2011 amounts to EUR 5.17 per share.

Changes in the equity warrants outstanding are as follows:

	Number of equity warrants	
	2013	**2012**
Outstanding at January 1	16,875	33,750
Forfeited	(5,625)	(16,875)
Outstanding at year end	**11,250**	**16,875**

Note 24 Borrowings

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

EUR in thousands	At December 31,	
	2013	**2012**
Non-current		
Bank borrowings	5,656	5,073
Other loans	29,189	-
Finance lease liabilities	30,057	-
	64,902	**5,073**
Current		
Bank borrowings	3,158	1,641
Other loans	2,242	-
Finance lease liabilities	980	-
	6,381	**1,641**
Total borrowings	**71,283**	**6,714**

The maturity of non-current borrowings is as follows:

EUR in thousands	At December 31,	
	2013	**2012**
Between 1 and 2 years	8,820	1,563
Between 2 and 3 years	9,623	1,212
Between 3 and 4 years	9,686	938
Between 4 and 5 years	7,754	773
Over 5 years	29,018	586
Non-current borrowings	**64,902**	**5,073**

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

EUR in thousands	At December 31,	
	2013	**2012**
EUR	50,307	6,714
USD	20,976	-
Total borrowings	**71,283**	**6,714**

Note 24.1 Finance lease liabilities

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

Note 24.2 Bank borrowings and other loans secured

As at December 31, 2013, EUR 18,777 thousand of the outstanding bank borrowings and other loans are guaranteed, secured, or pledged.

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 5.33% at year-end 2013:

EUR in thousands	At December 31, 2013	
	Carrying amounts	**Fair values**
Bank borrowings	8,321	7,815
Other loans (excluding the other loan described in note 24.3)	10,456	9,044
Guaranteed, secured, or pledged borrowings	**18,777**	**16,859**

For all other borrowings the carrying amounts equal their fair values.

Note 24.3 Other loans

On December 9, 2013, the Group announced that it had secured a USD 30 million financing from an investment fund managed by Pharmakon Advisors for its Austrian subsidiary Valne-

va Austria GmbH. The loan extends over a five year period and carries a fixed interest rate of 9.5%. As from 2016, Valneva will pay a 2.6% royalty to Pharmakon on its IXIARO®/JESPECT® sales during the term of the loan. The financing closed on December 20, 2013. The fixed interest rate and the royalty payable in connection with the loan are both recognized as finance expenses. The finance expenses are calculated using the effective interest method and are therefore recognized pro rata to the outstanding principal in each accounting period until the loan is fully amortized. The foreign currency valuation is done at each balance sheet date and resulting exchange gains or losses are shown as finance income/expenses. The asset-based loan is guaranteed by Valneva SE and secured by a security interest on the incoming funds from Valneva's marketing partner relating to IXIARO®/JESPECT® and on the shares of the Group's Austrian and Scottish subsidiaries, which hold the key IXIARO®/JESPECT® assets. At December 31, 2013 the book values of the assets pledged amounted to EUR 277,224 thousand.

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

EUR in thousands	Loan
Proceeds of issue	22,041
Transaction costs	(877)
Net proceeds of issue	21,164
Accrued interest and royalty expense	91
Foreign exchange valuation	(280)
Value at December 31, 2013	**20,976**
Less non-current portion	(20,913)
Current portion	62

Note 25 Trade payables and accruals

Trade payables and accruals include the following:

EUR in thousands	At December 31,	
	2013	**2012**
Trade payables	6,487	757
Accrued expenses	4,901	1,139
	11,388	1,896
Less non-current portion	-	-
Current portion	**11,388**	**1,896**

Note 26 Tax and employee-related liabilities

EUR in thousands	At December 31,	
	2013	**2012**
Social security and other taxes	2,052	653
Employee-related liabilities	3,044	1,133
	5,096	1,786
Less non-current portion	-	-
Current portion	**5,096**	**1,786**

Note 27 Other liabilities and provisions

EUR in thousands	At December 31,	
	2013	**2012**
Deferred income	16,820	5,003
Other financial liabilities	5,190	11,932
Deferred tax liabilities	79	-
Provisions for employee commitments	23	130
Other liabilities	32	-
Other provisions	371	12
	22,514	17,077
Less non-current portion	(17,279)	(12,592)
Current portion	**5,235**	**4,485**

Note 27.1 Deferred Income

EUR in thousands	At December 31,	
	2013	**2012**
Arising from collaboration and licensing agreements	15,906	3,538
Arising from government grants	914	1,465
	16,820	5,003
Less non-current portion	(12,172)	(3,408)
Current portion	**4,648**	**1,595**

Note 27.2 Provisions for employee commitments

a) Assumptions used

	At December 31,	
	2013	**2012**
Discount rate	3.17%	2.7%
Salary increase rate	2.5%	2.5%

Turnover rate	12.45%	9.5%
Social security rate	47.99%	47.9%
Average remaining lifespan of employees (in years)	29	29.9

b) Changes in defined benefit obligation

EUR in thousands	**Present value of obligation**
Balance at January 1, 2012	**98**
Current service cost	32
Remeasurements	-
Benefit payments	-
Balance at December 31, 2012	**130**
Balance at January 1, 2013	**130**
Current service cost	4
Remeasurements	(110)
Benefit payments	-
Balance at December 31, 2013	**23**

Note 27.3 Other provisions

EUR in thousands	**At December 31,**	
	2013	**2012**
Non-current	-	12
Current	371	-
Provisions	**371**	**12**

Balance at January 1, 2013	**12**
Acquisition of subsidiary (note 30)	18
Charged to the income statement:	
- Additional provision	350
- Reversed provision	-
Used provisions	(9)
Exchange differences	(1)
Balance at December 31, 2013	**371**

b) Legal obligations

Other liabilities and provisions include a provision of EUR 350 thousands for claims raised in a legal dispute by one of the Group's suppliers in connection with an alleged breach of contractual obligations by the Group.

Note 28 Cash used in operations

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

EUR in thousands	note	Year ended December 31,	
		2013	**2012**
Loss for the year		(24,110)	(14,841)
Adjustments for			
- Depreciation and amortization	12/13	9,056	4,784
- Impairment fixed assets/intangibles	12/13	92	-
- Share-based payments	23	179	234
- Income tax	10	348	-
- (Profit)/Loss from disposal of property, plant and equipment	8	(1,260)	-
- Other non-cash income/expense		1,321	(176)
- Fair value gains on derivative financial instruments	9	50	-
- Gain on disposal of financial assets	9	(9)	-
- Interest income	9	(191)	-
- Interest expense	9	1,212	85
- Changes in other long-term assets and liabilities		(2,862)	(3,339)
Changes in working capital (excluding the effects of acquisition and exchange rate differences on consolidation):			
- Inventory		5,646	-
- Trade and other receivables		(3,381)	(57)
- Trade and other payables and provisions		(5,576)	(87)
Cash used in operations		**(19,485)**	**(13,397)**

The following table shows the adjustments to reconcile net profit/loss from the disposal of property, plant and equipment to proceeds from the disposal of property, plant and equipment:

EUR in thousands	2013	2012
Net book value	3,740	6
Profit/(Loss) on disposal of property, plant and equipment	1,260	-
Proceeds from disposal of property, plant and equipment	**5,000**	**6**

The proceeds from the disposal of property, plant and equipment relate to the sale of the Group's Clinical Manufacturing Operations (CMO) in Nantes to Biological E., which was finalized in November 2013.

Note 29 Commitments and contingencies

a) Capital commitments

There were no capital expenditure contracted for at December 31, 2013, and December 31, 2012.

b) Operating lease commitments

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

EUR in thousands	At December 31,	
	2013	**2012**
Not later than 1 year	191	-
Later than 1 year and not later than 5 years	634	-
Later than 5 years	162	-
Operating lease commitments	**986**	**-**

In addition, the Company leases parking space, employee living accommodations, cars, and equipment under cancelable operating lease agreements. These leases have varying termination clauses.

c) Other commitments and guarantees

The other commitments consisted of:

EUR in thousands	At December 31,	
	2013	**2012**
Potential earn out payment on investment securities	3,781	3,781
Commitment with a supplier and subcontractors	490	1,023
Loans and grants	8,124	9,771
Other	1	3
Other commitments	**12,396**	**14,578**

The guarantees and pledges consisted of:

EUR in thousands	At December 31,	
	2013	**2012**
Equipment pledge	771	973
Pledges on consolidate investments	286,446	2,000
Pledges on non-consolidated investments	-	-
Guarantees and pledges	**287,217**	**2,973**

Note 30 Business combination

On May 28, 2013, the Company completed its merger with Intercell AG. Intercell AG, with its fully owned subsidiaries Intercell Austria AG, Intercell Biomedical Ltd, Intercell USA, Inc. and Elatos GmbH (together “Intercell”) was a biotechnology company engaged in the research, development and commercialization of vaccines and monoclonal antibodies against a variety of infectious diseases to tackle high unmet medical needs and reduce suffering across the world.

Intercell's marketed vaccine to prevent Japanese Encephalitis (JE) – IXIARO®/JESPECT® was a next generation vaccine against the most common vaccine-preventable cause of encephalitis in Asia licensed for use in adults and children in more than thirty countries. A comparable vaccine for endemic markets based on Intercell’s technology was launched in 2012 by Biological E. Ltd. under the trade name JEEV® in India. Intercell’s technology base included novel platforms, such as the IC31® adjuvant technology and the proprietary human monoclonal antibody discovery system eMAB®, upon which Intercell had entered into strategic partnerships with a number of leading pharmaceutical companies, including Merck & Co., Inc., and Sanofi. Intercell's pipeline of investigational products included a Pseudomonas aeruginosa vaccine candidate (Phase II/III), a vaccine candidate against infections with C. difficile (Phase I) as well as numerous investigative vaccine programs using the Intercell's IC31® adjuvant, e.g. in a Tuberculosis vaccine candidate (Phase II). Intercell had in-house cGMP capability to manufacture both clinical and commercial biologicals at its fully owned site in Livingston, Scotland. The manufacturing site was currently dedicated to the production of the Intercell‘s novel Japanese Encephalitis vaccine. It was licensed and operated under a Manufacturing Authorisation granted by the Medicines and Healthcare products Regulatory Agency (MHRA) and it was also registered by the FDA.

The merger was accomplished through a stock-for-stock exchange of 17,836,719 newly issued ordinary Valneva shares, totalling a fair value of EUR 101.0m, and 17,836,719 newly issued preferred Valneva shares, totalling a fair value of EUR 2.3m.

The acquired assets and liabilities remain located in Austria, UK and USA, and have been included in the Company’s assets and liabilities as of June 1, 2013. Intercell was consolidated from June 1, 2013 onwards.

From the merger completion date through December 31, 2013, the acquired business contributed revenue and grants of EUR 29,362 thousand and a net loss of EUR 14,658 thousand to the Group’s consolidated income. If the transaction had occurred on January 1, 2013, the Group’s consolidated revenues and grants would have been EUR 43,684 thousand, and its net loss would have been EUR 54,062 thousand, of which EUR 14,932 thou-

sand result from non-recurring merger transaction costs and costs related to the repayment of Intercell debt in connection with the merger.

Details of net assets acquired are as follows:

Purchase consideration	EUR in thousands
- Fair value of exchange shares issued as ordinary shares	100,956
- Fair value of exchange shares issued as preferred shares	2,319
Total purchase consideration	**103,275**
Fair value of net assets acquired	103,275
Goodwill	0

The fair value of the Valneva ordinary and preferred shares issued as consideration for the acquisition of Intercell shares was determined using the opening stock exchange price on the merger completion date.

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

EUR in thousands	**Fair Value**	**Acquiree's carrying amount**
Cash, cash equivalents and financial assets	16,220	16,220
Property, plant and equipment, hardware	39,150	39,150
Intangible assets	111,832	62,080
Other non-current assets	11,299	11,299
Inventories	10,354	10,354
Trade and other receivables	10,381	10,381
Non-current liabilities	(45,950)	(45,950)
Trade and other payables	(18,592)	(18,592)
Other current liabilities	(31,419)	(25,866)
Net assets acquired	**103,275**	**59,076**

In the initial accounting for the business combination, the fair values assigned to the identifiable assets and liabilities have been determined on a provisional basis. Any adjustments to those provisional values as a result of completing the initial accounting shall be recognized within twelve months of the acquisition date.

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

EUR in thousands

Cash consideration	0
Cash and cash equivalents in acquired business	13,619
Cash inflow through acquisition	13,619

Note 31 Related-party transactions

Note 31.1 Purchases of services

Related parties concerned relations with companies of the Grimaud Group. These concerned both a group management agreement and the provision of services and miscellaneous items by the Grimaud Group to Valneva SE. These services consist of either normal operating activities (accounting, payroll, cash management, health analyses, interest rate swap allocation agreement, insurance coverage, human resources, and IT servies) or regulated activities (guarantees).

Furthermore, on March 28, 2007, the Supervisory Board authorized Valneva SE's Management Board to conclude a group management agreement with Grimaud Group. Under the terms of this agreement, the latter ensures a role of coordinating Group management and ensuring a consistent performances and profitability. This agreement was concluded for one year subject to tacit renewal. This agreement has been terminated with Grimaud Group as of October 31, 2013.

EUR in thousands	Year ended December 31,	
	2013	**2012**
Purchases of services:		
- Operating activities	283	209
- Group management	189	198
Purchases of services	**471**	**407**

Note 31.2 Key management compensation

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

EUR in thousands	Year ended December 31,	
	2013	**2012**
Salaries and other short-term employee benefits	2,010	466
Other long-term benefits	14	-
Share-based payments (stock compensation ex-	33	124

pense/income)

Key management compensation	**2,057**	**590**

Note 31.3 Supervisory Board compensation

The aggregate compensation of the members of the Company's Supervisory Board amounted to EUR 163 thousand (2012: EUR 53 thousand). In the year 2011, the Company granted equity warrants to certain members of the Supervisory Board. For more information see note 23.3.

Note 32 Pro Forma Information

Note 32.1 Introductory comments

On May 28, 2013, Valneva SE ("Valneva" or the Company) completed its merger with Intercell AG. Intercell AG, with its fully owned subsidiaries Intercell Austria AG, Intercell Biomedical Ltd, Intercell USA, Inc. and Elatos GmbH (together "Intercell") was a biotechnology company engaged in the research, development and commercialization of vaccines and monoclonal antibodies against a variety of infectious diseases to tackle high unmet medical needs and reduce suffering across the world.

The merger was accomplished through a stock-for-stock exchange of 17,836,719 newly issued ordinary Valneva shares, totalling a fair value of EUR 101.0m, and 17,836,719 newly issued preferred Valneva shares, totalling a fair value of EUR 2.3m.

The pro forma consolidated income statements for the years ended on December 31, 2013 and on December 31, 2012 reflect the consolidated results of the Valneva Group as if the merger between Vivalis and Intercell had occurred on January 1 of each relevant period. The pro forma adjustments are based on available information and on assumptions that are considered reasonable by Valneva Group.

The pro forma financial information (hereafter referred to as the "Pro Forma Financial Information") is presented exclusively for illustrative purposes and does not provide for an indication of the results of operating activities or the financial position of Valneva SE that would have been obtained for the periods ending on December 31, 2013 and on December 31, 2012 if the Merger had been completed at the dates considered. Similarly, it does not provide for an indication of the future results of operating activities or financial position of Valneva SE.

Note 32.2 Presentation of Pro Forma Financial Information for the years ended December 31, 2013 and December 31, 2012

Pro forma income statement (unaudited)

EUR in thousands	Full year ended December 31,	
	2013	**2012**
Product sales	27,212	26,772
Revenues from collaborations and licensing	10,814	11,889
Revenues	**38,026**	**38,661**
Grant income	5,658	4,255
Revenues and Grants	**43,684**	**42,916**
Cost of goods sold	(20,003)	(19,730)
Research and development expenses	(30,786)	(30,865)
General, selling and administrative expenses	(20,790)	(18,610)
Other income and expenses, net	1,820	837
Amortization of intangible assets	(6,469)	(4,271)
OPERATING PROFIT/(LOSS)	**(32,543)**	**(29,722)**
Finance income	288	939
Finance expenses	(6,159)	(6,212)
PROFIT/(LOSS) BEFORE INCOME TAX	**(38,414)**	**(34,995)**
Income tax	(351)	(572)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	**(38,765)**	**(35,568)**
Loss from assets held for sale or discontinued opera-	(137)	(1,856)
PROFIT/(LOSS) FOR THE PERIOD	**(38,902)**	**(37,424)**

Note 32.3 Reconciliation to the Company's consolidated financial statements under IFRS

	Full year ended December 31, 2012			
EUR in thousands **(unaudited)**	**Vivalis** **Reported income statement (IFRS)**	**Intercell reported income statement (IFRS)**	**Pro forma adjustments: Merger transaction costs**	**Adjusted pro forma income statement**
Product sales	-	26,772		26,772
Revenues from collaborations and licensing	3,431	8,458		11,889
Revenues	3,431	35,230		38,661
Grant income	2,478	1,777		4,255
Revenues and Grants	5,909	37,007		42,916
Cost of goods sold	-	(19,730)		(19,730)
Research and development expenses	(11,095)	(19,770)		(30,865)
General, selling and administrative expenses	(5,565)	(15,799)	*2,755*	(18,610)
Other income and expenses, net	(292)	1,129		837
Amortization of intangible assets	(1,790)	(2,481)		(4,271)
OPERATING PROFIT/(LOSS)	(12,833)	(19,644)		(29,722)
Finance income	477	462		939
Finance expenses	(533)	(5,679)		(6,212)
PROFIT/(LOSS) BEFORE INCOME TAX	(12,889)	(24,861)		(34,995)
Income tax	(96)	(476)		(572)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	(12,985)	(25,337)		(35,568)

Loss from assets held for sale or discontinued operations	(1,856)	-	(1,856)
PROFIT/(LOSS) FOR THE PERIOD	(14,841)	(25,337)	(37,424)

The main adjustments in the year ended December 31, 2012 are the following:

+ Cancellation of the impact of merger costs of EUR 2.8 million incurred by Intercell and Vivalis in order to perform the merger. These items represent significant charges that impact current results, but have been considered unrelated to the Company's ongoing operations and performance.

	Full year ended December 31, 2013			
EUR in thousands **(unaudited)**	**Valneva reported income statement (IFRS)**	**Intercell income for the period Jan – May 2013**	**Pro forma adjustments - exclusion of Merger related costs**	**Adjusted pro forma income statement**
Product sales	23,239	3,973		27,212
Revenues from collaborations and licensing	7,206	3,608		10,814
Revenues	30,445	7,582		38,026
Grant income	5,546	112		5,658
Revenues and Grants	35,991	7,694		43,684
Cost of goods sold	(16,508)	(3,494)		(20,003)
Research and development expenses	(21,423)	(9,719)	*356*	(30,786)
General, selling and administrative expenses	(14,720)	(11,397)	*5,327*	(20,790)
Other income and expenses, net	1,157	663		1,820

Amortization of intangible assets	(5,353)	(1,117)		(6,469)
OPERATING PROFIT/(LOSS)	(20,856)	(17,370)		(32,543)
Finance income	200	89		288
Finance expenses	(2,969)	(12,128)	*8,937*	(6,159)
PROFIT/(LOSS) BEFORE INCOME TAX	(23,625)	(29,409)		(38,414)
Income tax	(348)	(3)		(351)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	(23,973)	(29,412)		(38,765)
Loss from assets held for sale or discontinued operations	(137)	-		(137)
PROFIT/(LOSS) FOR THE PERIOD	(24,110)	(29,412)		(38,902)

The main adjustments in the year ended December 31, 2013 are the following:

+ Cancellation of the finance expense of EUR 8.9 million recognized in the consolidated income statement at December 31, 2013, for remeasurement of borrowings (due to the merger a change in control premium was paid to the lender in regard to borrowings);
+ Cancellation of the impact of merger costs of EUR 4.7 million incurred by Intercell in order to perform the merger. These items represent significant charges that impact current results, but have been considered unrelated to the Company's ongoing operations and performance.
+ Cancellation of the impact of the accelerated vesting as the Intercell AG stock option plans provided for a change of control provision. Pursuant to this provision, all existing options become exercisable when more than 50% of Intercell AG voting rights are transferred. The acceleration of the vesting period of the stock options of EUR 0.9 million was cancelled.

Note 32.4 Basis of preparation

The Pro Forma Financial Information was prepared based on published historical data of Vivalis SA, Intercell AG and Valneva SE, which was subject to a number of presentation re-classifications.

a) Regulatory framework

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

b) Acquisition

The merger has been treated in the Pro Forma Financial Information as an acquisition of Intercell by Vivalis, if analysed in terms of the criteria provided for by IFRS 3r, applicable as of December 31, 2013.

c) Reclassifications and harmonization of accounting principles

The Pro Forma Financial Information has been prepared in accordance with the IFRS accounting standards that are applied in the financial statements for the year ended December 31, 2013 published by Valneva SE.

The merger has been treated in the pro forma consolidated financial information as an acquisition of Intercell AG by Vivalis SA. This reflects the legal treatment of the transaction pursuant to which Vivalis SA is the absorbing company and will be the company issuing new shares to Intercell AG shareholders in consideration for the Merger.

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

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

d) Underlying assumptions

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

+ Audited consolidated IFRS financial statements for Vivalis SA and Intercell AG at December 31, 2012
+ Audited consolidated IFRS financial statements for the Valneva SE Group merged, at December 31, 2013
+ Unaudited consolidated IFRS financial statements for Intercell AG for the first five months of 2013

The pro forma adjustments to the pro forma consolidated income statements for the years ended on December 31, 2013 and on December 31, 2012 were calculated on the assumption that the merger had been completed on January 1 of each relevant financial year presented (i.e., January 1, 2013 and January 1, 2012).

The Pro Forma Financial Information is presented exclusively for illustrative purposes and does not provide for an indication of the results of operating activities or the financial position of Valneva SE that would have been obtained for the periods ending December 31, 2013 and December 31, 2012 if the Merger had been completed at the dates considered. Similarly, it does not provide for an indication of the future results of operating activities or financial position of Valneva SE.

All pro forma adjustments relate directly to the merger.

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

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

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

e) Intragroup transactions

To the best of the two companies' knowledge, there were no intragroup transactions among companies in the consolidated Group that might have had a significant impact on the income statements of the merged group at December 31, 2013, or December 31, 2012.

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Valneva SE

Annual financial statements at 31 December 2013

1. BALANCE SHEET

1.1. ASSETS

Headings	*Note No.*	*Gross Value*	*Depreciation, amortisation & provisions*	***31/12/2013***	***31/12/2012***
INTANGIBLE FIXED ASSETS	4.3.1				
Research and development expenditure		8,452	4,342	4,110	3,269
Concessions, patents and similar rights		8,212	3,273	4,940	6,638
Goodwill		8,117		8,117	8,111
Other intangible assets in process		1		1	
PROPERTY, PLANT AND EQUIPMENT	4.3.2				
Land		677	95	582	887
Constructions		6,139	1,554	4,585	6,551
Plan, machinery and equipment		3,991	2,451	1,539	3,548
Other PPE		667	442	225	759
Tangible fixed assets under construction		9		9	23
Prepayments					
LONG-TERM INVESTMENTS	4.3.3				
Non-consolidated investments		127,923		127,923	46
Receivables on non-consolidated investments					
Loans		117		117	98
Other financial assets		1,293	453	841	526
TOTAL NON-CURRENT ASSETS		**165,599**	**12,611**	**152,988**	**30,456**
INVENTORIES AND WORK IN PROGRESS	4.3.4				
Raw materials and supplies		360		360	614
Work-in-progress					
RECEIVABLES					
Trade receivables and related accounts	4.3.5	405	21	384	1,047
Other receivables	4.3.6	41,498	153	41,345	10,227
Called up capital					216
OTHER CURRENT ASSETS					
Marketable securities	4.3.7.b	1,390		1,390	1,748
Cash at bank and in hand	4.3.7.a	12,677		12,677	10,232
ACCRUAL ACCOUNTS					
Prepaid expenses	4.3.8	205		205	1,558
TOTAL CURRENT ASSETS		**56,535**	**174**	**56,361**	**25,642**
Unrealised losses on foreign exchange		**211**		211	47
TOTAL ASSETS		**222,345**	**12,784**	**209,560**	**56,145**

1.2. SHAREHOLDERS' EQUITY & LIABILITIES

(in thousands of euros)

Headings	*Note No.*	***31/12/2013***	***31/12/2012***
Share capital or individual share (of which paid up: 3,168)		8,385	3,219
Share premiums		166,656	62,414
Tax-driven reserves (of which provision for exchange rate fluctuations)		52,832	12
Retained earnings/(accumulated deficit)		-33,880	-21,922
NET INCOME (LOSS) FOR THE YEAR		**-9,952**	**-11,958**
Investment grants	4.3.11	458	587
Tax-driven provisions		815	998
SHAREHOLDERS' EQUITY	**4.3.10**	**185,314**	**33,350**
Subordinated grants		4,201	4,380
OTHER EQUITY	**4.3.12**	**4,201**	**4,380**
Provisions for contingencies		223	58
Provisions for losses		23	129
PROVISIONS FOR CONTINGENCIES AND LOSSES	**4.3.13**	**246**	**187**
BORROWINGS			
Bank borrowings	4.3.14	10,981	6,714
OPERATING PAYABLES			
Trade payables and related accounts	4.3.15	1,579	2,370
Tax and employee-related liabilities	4.3.16	1,111	1,661
OTHER PAYABLES			
Payables on fixed assets and equivalent	4.3.17	4,505	6,749
Other payables	4.3.17	41	10
ACCRUAL ACCOUNTS			
Deferred income	4.3.18	1,583	724
TOTAL LIABILITIES		**19,800**	**18,228**
Unrealised losses on foreign exchange			
TOTAL EQUITY & LIABILITIES		**209,560**	**56,145**

2. INCOME STATEMENT

INCOME STATEMENT (multiple-step)

(in thousands of euros)

Headings	*France*	*Export*	*Note No.*	*31/12/2013*	*31/12/2012*
Sale of trade goods	2			2	
Sales of services	588	1,100	4.4.1	1,688	2,171
NET SALES	**591**	**1,100**		**1,691**	**2,171**
Change in inventory of own production of goods and services					
Own production of goods and services capitalised			4.4.2	284	144
Grants			4.4.3	1,190	83
Reversals of depreciation, amortisation and provisions, expense reclassifications			4.4.5	145	127
Other income			4.4.4	465	585
OPERATING INCOME				**3,775**	**3,110**
Purchase of trade goods				2	
Purchases of raw materials and other supplies (including customs duties)				1,071	1,873
Change in inventory (raw materials and supplies)				254	65
Other purchases and external expenses			4.4.6	5,767	6,119
Taxes other than on income and related payments			4.4.7	231	343
Wages and salaries			4.4.8.b	4,268	4,686
Social charges			4.4.8.b	1,933	2,090
ALLOWANCES FOR DEPRECIATION AND AMORTISATION, PROVISIONS					
For fixed assets			4.4.9	2,760	3,066
For current assets			4.4.9		
For contingencies and losses			4.4.9		32
Other expenses				214	65
OPERATING EXPENSES				**16,501**	**18,339**
INCOME (LOSS) FROM ORDINARY ACTIVITIES				**-12,726**	**-15,229**
JOINT VENTURE OPERATIONS					
FINANCIAL INCOME					
Financial income from non-consolidated investments				168	13
Income from other marketable securities and receivables capitalised					
Other interests and similar income				183	435
Reversals of provisions and expense reclassifications			4.4.9	2	95
Foreign exchange gains				56	17
Net proceeds from the disposal of marketable securities				17,615	34
FINANCIAL INCOME				**18,024**	**594**
Amortisation and charges to provisions for financial items			4.4.9	655	48
Interest and similar expenses				605	169
Foreign exchange losses				1	58
Net charges on disposals of marketable securities				17,576	
FINANCIAL EXPENSES				**18,837**	**275**
NET FINANCIAL INCOME (EXPENSE)			**4.4.10**	**-814**	**319**
NCOME (LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX AND EXCEPTIONAL ITEMS				**-13,540**	**-14,910**

INCOME STATEMENT (cont.)

(in thousands of euros)

Headings	*Note No.*	***31/12/2013***	***31/12/2012***
Exceptional income from non-capital transactions		2	4
Exceptional income from capital transactions		5,129	145
Reversals of provisions and expense reclassifications	4.4.9	185	1,174
EXCEPTIONAL INCOME		**5,317**	**1,323**
Exceptional expenses on non-capital transactions			1
Exceptional expenses on capital transactions		3,736	2
Exceptional depreciation, amortisation and provisions	4.4.9	33	1,127
EXCEPTIONAL EXPENSES		**3,768**	**1,130**
NET EXCEPTIONAL ITEMS	**4.4.11**	**1,548**	**193**
Corporate income tax	4.4.12.a	-2,039	-2,759
TOTAL INCOME		**27,115**	**5,027**
TOTAL EXPENSES		**37,068**	**16,985**
PROFIT OR LOSS		**-9,952**	**-11,958**
Basic net earnings per share (in euros)	4.4.13	**-0.18**	**-0.56**
Diluted net earnings per share (in euros)	4.4.13	**-0.18**	**-0.56**

3. CASH FLOW STATEMENT

(in thousands of euros)

(In thousands of euros)	2013	2012
Cash flow from operating activities:		
Net income/(loss)	-9,952	-11,958
Income and expenses with no impact on cash or unrelated to operating activities		
Operating depreciation and amortisation expenses	2,760	3,098
Reversals of operating depreciation and amortisation expenses	-106	0
Financial depreciation and amortisation expenses	654	-47
Exceptional depreciation and amortisation	33	1,127
Reversals of exceptional provisions	-185	-1,174
Expense reclassifications on capitalised assets	-284	-144
Amount of grants recognised under income	-129	-145
(Gains)/losses on disposal of assets	-1,264	2
Cancellation of operating/exceptional receivables	0	0
Operating cash flows	**-8,475**	**-9,241**
Change in other current assets and liabilities:		
Inventories	254	65
Trade receivables and related accounts	663	86
Trade payables and related accounts	-2,158	408
Other receivables	-30,063	-2,836
Prepayments and accrued income	1,189	-1,486
Tax and employee-related liabilities	-550	-75
Other accruals and deferred income	899	-411
Other	5	1
Net cash from (used in) operating activities	-38,234	-13,489
Cash flow from investing activities		
Purchase of intangible fixed assets:	-14	-39
Purchase of property, plant and equipment	-570	-681
Purchase of long-term investments	-671	-15
Net capital expenditure	5,000	0
Change in working capital requirements with regard to assets	-2,244	-4,350
Net cash used in investing activities	1,501	-5,085
Cash flow from financing activities		
New borrowings	6,264	1,500
Repayment of borrowings	-20,454	-1,468
Subordinated grants received/repaid	-178	0
Investment grants received	0	0
Capital increase	40,747	132
Transaction costs charged to merger premium	-8,868	
Net cash from financing activities	17,511	164
Net change in cash and cash equivalents	-19,222	-18,410
Opening cash, cash equivalents and marketable securities	11,979	30,389
Cash contribution - Smol simplified merger (TUP) + Intercell AG merger	21,305	0
Closing cash, cash equivalents and marketable securities	14,062	11,979
Net change in cash and cash equivalents	-19,222	-18,410

4. NOTES TO THE FINANCIAL STATEMENTS

4.1. Key events of the year

Annual highlights of the year included:

- The merger of Vivalis and Intercell
- Sale of the clinical manufacturing operations to the Indian pharmaceutical company, Biological E
- €40 million capital increase at end of June 2013
- Passing of Dr. Majid Mehtali in August 2013.

4.1.1 Merger of Vivalis and Intercell to form Valneva SE

Valneva SE was formed in May 2013 from the merger of the Austrian biotech company, Intercell AG and the French biotech company, Vivalis SA.

The merger was announced in December 2012 and approved in February/March 2013 by extraordinary shareholders' meetings of Intercell and Vivalis.

The merger's purpose is to create a biotechnology company specialised in vaccines and antibodies possessing the strengths and complementary skills as well as diversified sources of revenue (products on the market and partnerships).

Intercell was formed in 1998 as a spin-off of the Research Institute of Molecular Pathology (IMP) of Vienna and has been listed on the Vienna stock exchange since 28 February 2005. Intercell produced, marketed and distributed its own vaccine against Japanese Encephalitis (JE), and had different vaccine candidates under clinical development and proprietary platforms such as adjuvant IC31®.

Created in 1999, Vivalis was a company originating from the Grimaud Group, a world leader in genetic selection and have been listed on the Paris stock exchange since June 2007. The company based in Nantes (France) had two proprietary technologies, the EB66® cell line – a new vaccine production platform the company licensed to major global pharmaceutical companies (GSK, Sanofi, Boehringer Ingelheim, etc.) – and VivaScreen®, and innovative high-throughput screening (HTS) technology for the analysis and rapid discovery of fully human therapeutic antibodies of the highest quality.

The assets and liabilities were contributed at fair market value. A summary of contributions at 1 January 2013 in light of the retroactive recognition of the merger is provided below:

- Assets: € 22.5 m
- Liabilities and shareholders equity € 16.9 m

- Shares: € 127.9 m
- Net assets contributed: € 133.5 m

A €1.4 million loss incurred during the period was recognized in merger premium.

4.1.2. Sale of its Clinical Manufacturing Operations (CMO) in France to the Indian pharmaceutical company, Biological E

In June 2013, Valneva SE announced the sale of its Clinical Manufacturing Operations (CMO) in France to the Indian pharmaceutical company, Biological E.

This sale was finalized in November 2013 by the transfer of personnel and the sale of the building and equipment devoted to the biomanufacturing activity.

4.1.3. A €40 million capital increase at the end of June 2013

In June 2013, Valneva launched a €40 million capital increase with pre-emptive subscription rights to acquire increased flexibility and strengthen its financial profile. This capital increase was oversubscribed by 146% with final gross proceeds of €40.2 million and the creation of 15.2 million new shares.

4.1.4. Passing of Majid Mehtali

In August 2013, Valneva announced the passing of Dr Majid Mehtali, Management Board Member and Chief Scientific Officer of the company at the age of 51. His passing was a great loss to the company though the experienced research team assembled by him has pursued his work according to decisions made.

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 the official chart of accounts for 1999, and in accordance with the fundamental accounting principles of prudence, of which management namely 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 20 March 2014.

4.2.2. Use of and changes in estimates

To produce this financial information, the Company'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.

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

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

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

4.2.3. Unrealised 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 “Unrealised foreign exchange gains/losses” in the balance sheet. A contingency provision is recorded to cover all unrealised foreign exchange losses.

4.2.4. Intangible fixed assets

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

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

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

4.2.5. Research and development expenditure

Research expenditure is expensed as and when incurred.

According to the option offered under the French Official Chart of Accounts, development expenditures are capitalised and recognised 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 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 capitalised no longer meets one of the criteria defined above, the asset is cancelled.

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 amortisation of fixed assets.

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

4.2.6. Goodwill - concessions, patents and similar rights

Goodwill was generated from the recognized the merger premium resulting from the simplified merger (*Transmission Universelle de Patrimoine*) of Humalys carried out in 2010

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

The amount of "guaranteed payments" is amortised over the shorter of the licence term or the patent protection period (normally 13 and 15 years). Estimated royalties are amortised

every year according to the royalties outstanding during the year and actual payments are expensed to "Amounts payable on fixed assets and related accounts."

Computer software is recognised at cost and amortised over two years using the straight-line method. Accelerated tax depreciation is recognised over 12 months.

4.2.7. Property, plant and equipment

Tangible fixed assets are recognised 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 included in the calculation of the assets' depreciable amount.

The estimated useful lives are as follows:

- Constructions
  - Buildings
    - Structure — 25 years
    - Roofing — 25 years
    - Weatherboarding — 25 years
    - Exterior woodwork — 20 years
    - Interior partitions — 20 years
  - General installations
    - Fluid and energy systems — 10 to 15 years
    - Air treatment — 10 years
    - Ventilation and air conditioning — 10 years
  - Buildings on land owned by third parties — 8 to 10 years
- Land
  - Land improvements — 10 years
  - Plantations — 10 years
- Plant, machinery and equipment — 4 to 10 years
- Vehicles — 4 years
- Office and computer equipment — 3 to 10 years
- Furniture — 4 to 10 years

4.2.8. Impairment of assets

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

External indications:

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

Internal indicators:

- Evidence is available of obsolescence or physical damage of an asset not provided by the depreciation or amortisation 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 capitalised asset is compared with its present value.

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

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

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

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

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 . Long-term investments

Non-consolidated investments consist of the acquisition cost of Vivalis Toyama Japan and Valneva Austria GMBH securities tendered in connection with the merger of 28 May 2013.

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

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

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

The other long-term investments include deposits and bonds paid to the lessors for the leasing of premises, a liquidity agreement concluded in connection with the Company's listing for the purpose of ensuring the liquidity and orderly trading of its shares. A provision for impairment is recognised for financial assets where their carrying amount exceeds their recoverable amount at the balance sheet date, or in respect to the liquidity agreement, for the difference between the carrying value and the estimated recoverable value calculated on the basis of the average share price for the month preceding the end of the reporting period.

Furthermore, pursuant to the merger with Intercell AG, Valneva SE had recorded 124,322 shares in treasury for a value of €646,350, corresponding to financial compensation paid by the company to former Intercell shareholders who exercised their exit right.

4.2.11. Inventories

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

4.2.12. Receivables and related accounts

Receivables are stated at nominal value. A provision for impairment is recognised where the carrying amount exceeds the recoverable amount.

4.2.13. Cash at bank and in hand

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

4.2.14. Marketable securities

Marketable securities include mutual funds, time deposits and medium-term notes that can be assigned or sold at very short notice and present no significant risk of impairment.

A provision for impairment is recognised where the carrying amount exceeds the recoverable amount.

4.2.15. Employee commitments

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

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

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

- a discount rate;
- a salary escalation rate; and
- and employee turnover rate.

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

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

4.2.16. Grants

Operating grants are recognised upon the signature of the contracts.

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

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

4.2.17. Subordinated grants

Subordinated grants are recognised in liabilities under "Subordinated grants". In the event of a failure to complete work, the debt waiver is recognised in "Other exceptional income" for grants used to finance projects recognised under "Development expenditure", and in "Operating grants" for grants used for research or development projects not capitalised in the balance sheet.

4.2.18. Provisions for contingencies and losses

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

4.2.19. Payables

Payables are stated at nominal amount.

4.2.20. Net sales

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

(i) The manufacture of vaccines. Valneva offers research and commercial licences for its EBx® cell lines to biotechnology companies and the pharmaceutical industry for the production of viral vaccines;

(ii) The perfection of systems for producing ("expressing") recombinant therapeutic proteins and monoclonal antibodies. Valneva works with biotechnology companies and offers them research licences for its EBx® embryonic stem cell lines for the production of recombinant proteins;

Sales generated by Valneva originate from:

+ Research services performed on behalf of customers under the commercial agreements mentioned above;
+ The sale of rights to use biological "material", particularly for testing by customers before licence agreements are signed.

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

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

4.2.21. Operating grants

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

4.2.22. Other income

Other income includes mainly:

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

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

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

4.2.23. Staff costs

CICE wage tax credit

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

The 2013 CICE resulted in a reduction in social security charges in the income statement by €71,000.

4.2.24. Net exceptional items

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

4.2.25. Income tax

Corporate income tax includes the current taxes for the period less any tax credits, particularly research tax credits.

a. Current tax

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

b. Research tax credit

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

The tax credit is calculated for each calendar year and utilised 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 it was recognised. The fraction not utilised against corporate income tax at the end of this period is repaid to the Company.

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

RTC receivables for fiscal 2010, 2011, and 2012 were collateralized with BPI in April 2013.

4.2.26. Earnings per share/diluted earnings per share

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

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

Diluted net earnings per share are calculated by dividing net income by the number of ordinary shares outstanding plus all potentially dilutive ordinary shares. If a net loss is recognised for the period, diluted net earnings per share is 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 1 January 2013 to 31 December 2013

In thousands of euros	At 1 January 2013	Changes in the period			At 31 December 2013
		Increase	Decrease	Other changes	
Preliminary expenses	0	0	0	0	0
Development expenditure	8,169	284	0	0	8,453
Goodwill	8,111	6	0	0	8,117
Concessions, patents and rights	8,082	0	0	0	8,082
Software	313	7	-190	0	130
Intangible assets under development	0	1	0	0	1
Other	0	0	0	0	0
Gross intangible fixed assets	**24,675**	**297**	**-190**	**0**	**24,783**
Preliminary expenses	0	0	0	0	0
Development expenditure (1)	4,900	672	0	0	5,572
Concessions, patents and rights	1,473	446	0	0	1,919
Software	284	29	-190	0	124
Total amortisation	**6,657**	**1,148**	**-190**	**0**	**7,615**
Net intangible fixed assets	**18,018**	**-850**	**0**	**0**	**17,167**
Development expenditure	934	0	-156	0	778
Concessions, patents and rights	0	0	0	0	0
Software	28	1	-28	0	2
Total accelerated tax amortisation	**962**	**1**	**-183**	**0**	**780**
Net tax value of intangible fixed assets	**17,056**	**-852**	**183**	**0**	**16,387**
(1) Of which exceptional impairment	1,226	3	0	0	1,229

Development expenditure:

In 2013, a new development expenditure of €284,000 was capitalised in accordance with the accounting policy described in Note 4.2.5.

Concessions, patents and rights:

The derecognition of software was linked both to the sale of selected equipment to BE Vaccines SAS for €91,000 and the derecognition of obsolete software for €99,000.

b. Change from 1 January 2012 to 31 December 2012

In thousands of euros	At 1 January 2012	Changes in the period			At 31 December 2012
		Increase	Decrease	Other changes	
Preliminary expenses	0	0	0	0	0
Development expenditure	8,025	144	0	0	8,169
Goodwill	8,100	11	0	0	8,111
Concessions, patents and rights	8,491	20	-363	-66	8,082
Software	305	8	0	0	313
Intangible assets under development	0	0	0	0	0
Other	0	0	0	0	0
Gross intangible fixed assets	**24,921**	**183**	**-363**	**-66**	**24,675**
Preliminary expenses	0	0	0	0	0
Development expenditure (1)	3,130	1,770	0	0	4,900
Concessions, patents and rights	1,331	505	-363	0	1,473
Software	227	57	0	0	284
Total amortisation	**4,688**	**2,332**	**-363**	**0**	**6,657**
Net intangible fixed assets	**20,233**	**-2,149**	**0**	**-66**	**18,018**
Development expenditure	2,084	0	-1,150	0	934
Concessions, patents and rights	0	0	0	0	0
Software	30	19	-21	0	28
Total accelerated tax amortisation	**2,114**	**19**	**-1,171**	**0**	**962**
Net tax value of intangible fixed assets	**18,119**	**-2,168**	**1,171**	**-66**	**17,056**
(1) Of which exceptional impairment	149	1,077	0	0	1,226

Development expenditure:

In 2012, a new development expenditure of €144,000 was capitalised in accordance with the accounting policy described in Note 4.2.5.

An exceptional impairment charge of €1,077,000 was recognised for the full amount of capitalised R&D expenditures for the 3DScreen platform.

Concessions, patents and rights:

3 licenses were terminated in 2012. These licenses were recognised in 2011 at €429,000.

After being remeasured at present value, this amount was reduced by €66,000. The net value of licenses derecognised in 2012 was consequently €363,000, for which a present value adjustment for the corresponding amount of outstanding amount of payables to suppliers was reversed.

4.3.2 - NET PROPERTY, PLANT AND EQUIPMENT

a. Change from 1 January 2013 to 31 December 2013

In thousands of euros	At 1 January 2013	Changes in the period			At 31 December 2013
		Increase	Decrease	Other changes	
Land	1,010	4	-337	0	677
Buildings on own land	4,703	0	-1,678	0	3,025
Buildings on land of third parties	572	9	-28	0	553
Building installations and improvements	3,908	135	-1,483	0	2,561
Plant, machinery and equipment.	8,195	363	-4,567	0	3,991
General installations and improvements	580	18	-556	0	42
Vehicles	37	0	-20	0	17
Office, IT equipment, furniture	908	32	-335	0	605
Recoverable packaging	5	0	-2	0	3
Tangible fixed assets under construction	23	9	-23	0	9
Prepayments	0	0	0	0	0
Gross intangible fixed assets	**19,941**	**569**	**-9,027**	**0**	**11,483**
Land	123	34	-62	0	95
Buildings on own land	877	197	-603	0	471
Buildings on land of third parties	88	64	-23	0	129
Building installations and improvements	1,668	307	-1,019	0	955
Plant, machinery and equipment.	4,639	865	-3,086	0	2,418
General installations and improvements	169	38	-194	0	13
Vehicles	37	0	-20	0	17
Office, IT equipment, furniture	560	110	-261	0	409
Recoverable packaging	5	0	-2	0	3
Total depreciation	**8,166**	**1,615**	**-5,272**	**0**	**4,509**
Impairment	0	0	0	0	0
Plant, machinery and equipment	7	27	0	0	34
Net intangible fixed assets	**11,768**	**-1,073**	**-3,756**	**0**	**6,940**

€48,000 in capital expenditures were incurred for fixtures and laboratory equipment for the Lyon site and 521,000 for Saint-Herblain.

Derecognition of tangible fixed assets concerned exclusively the sale of the building and various equipment to BE Vaccines SAS.

b. Change from 1 January 2012 to 31 December 2012

In thousands of euros	At 1 January 2012	Changes in the period			At 31 December 2012
		Increase	Decrease	Other changes	
Land	1,010	0	0	0	1,010
Buildings on own land	4,682	21	0	0	4,703
Buildings on land of third parties	568	4	0	0	572
Building installations and improvements	3,906	12	-10	0	3,908
Plant, machinery and equipment.	7,573	622	0	0	8,195
General installations and improvements	575	5	0	0	580
Vehicles	37	0	0	0	37
Office, IT equipment, furniture	873	38	-3	0	908
Recoverable packaging	5	0	0	0	5
Tangible fixed assets under construction	29	0	0	-6	23
Prepayments	15	0	-15	0	0
Gross intangible fixed assets	**19,273**	**702**	**-28**	**-6**	**19,941**
Land	87	36	0	0	123
Buildings on own land	669	208	0	0	877
Buildings on land of third parties	24	64	0	0	88
Building installations and improvements	1,325	351	-8	0	1,668
Plant, machinery and equipment.	3,641	998	0	0	4,639
General installations and improvements	125	44	0	0	169
Vehicles	32	5	0	0	37
Office, IT equipment, furniture	430	133	-3	0	560
Recoverable packaging	5	0	0	0	5
Total depreciation	**6,338**	**1,839**	**-11**	**0**	**8,166**
Impairment	0	0	0	0	0
Plant, machinery and equipment	7	0	0	0	7
Net intangible fixed assets	**12,928**	**-1,137**	**-17**	**-6**	**11,768**

€232,000 in capital expenditures were incurred for laboratory equipment for the Lyon site and €390,000 for Saint-Herblain.

4.3.3. - LONG-TERM INVESTMENTS

a. Change from 1 January 2013 to 31 December 2013

In thousands of euros	At 1 January 2013	ıs / Merger contribu	Disposals	At 31 December 2013
Non-consolidated investments	47	127,876	-1	127,922
Receivables on non-consolidated investments	0	0	0	0
Loans (1)	98	19	0	117
Deposits and bonds	40	8	-1	47
Treasury shares		646		646
Liquidity agreement	601	0	-1	600
Gross value	**786**	**128,549**	**-3**	**129,332**
Non-consolidated investments	1	0	-1	0
Depreciation of deposits and bonds	8	0	0	8
Treasury shares impairment		123		123
Liquidity agreement impairment	107	214	0	321
Total depreciation	**116**	**338**	**-1**	**453**
Total net long-term investments	**670**	**128,211**	**-2**	**128,880**
Non-consolidated investments	0	0	0	0
Total accelerated tax amortisation	**0**	**0**	**0**	**0**
Net tax value	**670**	**128,211**	**-2**	**128,880**

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

The increase in non-consolidated investments reflects the contribution of the total amount of Intercell Austria AG shares in connection with the merger of 28 May 2013.

Also in connection with this merger, 124,322 treasury shares representing €646,350 and corresponding to financial compensation the company paid to former Intercell shareholders having exercised their exit right account for the increase in treasury shares.

The liquidity agreement concluded in July 2007 amounted to €600,000 at 31/12/2013. Assets held under this liquidity agreement included cash plus 41,216 shares at 31 December 2012. The portion in shares has been valued on the basis of the average trading price for December 2013 requiring an additional allowance for impairment for €214,000. On that basis, the impairment at 31 December 2013 was €321,000.

A provision for impairment of €123,000 for treasury shares was recorded according to this same principle of valuation at 31 December 2013.

Portfolio of shares held in treasury:

	Number of shares at 31/	Gross	Provision	Net
Liquidity agreement	41,216	495	321	173
Financial compensation	124,322	646	123	523

b. Change from 1 January 2012 to 31 December 2012

In thousands of euros	At 1 January 2012	Acquisitions	Disposals	At 31 December 2012
Non-consolidated investments	47	0	0	47
Receivables on non-consolidated investments	604	0	-604	0
Loans (1)	77	21	0	98
Deposits and bonds	46	-6	0	40
Liquidity agreement	601	0	0	601
Gross value	**1,375**	**15**	**-604**	**786**
Non-consolidated investments	0	1	0	1
Depreciation of deposits and bonds	8	0	0	8
Depreciation of liquidity agreement	202	0	-95	107
Total depreciation	**210**	**1**	**-95**	**116**
Total net long-term investments	**1,165**	**14**	**-509**	**670**
Non-consolidated investments	0	0	0	0
Total accelerated tax amortisation	**0**	**0**	**0**	**0**
Net tax value	**1,165**	**14**	**-509**	**670**

Treasury advances paid to our subsidiary in Japan in 2011 for €604,000 were reclassified as other receivables, in light of the nature of the agreement executed.

The liquidity agreement concluded in July 2007 amounted to €600,000 at 31/12/2012. Assets held under this liquidity agreement included both cash and Vivalis shares. The portion in shares has been valued on the basis of the average trading price for December 2012, allowing for the reversal of a depreciation expense of €95,000, thus reduced to €107,000.

4.3.4. INVENTORIES AND WORK-IN-PROGRESS

a. Change from 1 January 2013 to 31 December 2013

In thousands of euros	At 1January 2013	Increase°	Decrease	31 December 2013
Raw materials and supplies	614	0	254	360
Total	**614**	**0**	**254**	**360**

b. Change from 1 January 2012 to 31 December 2012

In thousands of euros	At 1January 2012	Increase°	Decrease	31 December 2012
Raw materials and supplies	679	0	65	614
Total	**679**	**0**	**65**	**614**

4.3.5. – TRADE RECEIVABLES AND RELATED ACCOUNTS

In thousands of euros	31 December 2013	At 31 December 2012
Customers	380	1,043
Doubtful trade receivables	25	25
Gross value	**405**	**1,068**
Provision for impairment of trade receivables	-21	-21
Total trade receivables(net value)	**384**	**1,047**

a. Change from 1 January 2013 to 31 December 2013

In thousands of euros	Gross	Up to 1 year	More than 1 year
Customers	132	132	0
Doubtful trade receivables	25	0	25
Trade receivables – sales invoice accruals	248	248	0
Total	**405**	**380**	**25**

b. Change from 1 January 2012 to 31 December 2012

In thousands of euros	Gross	Up to 1 year	More than 1 year
Customers	230	230	0
Doubtful trade receivables	25	0	25
Trade receivables – sales invoice accruals	813	813	0
Total	**1,068**	**1,043**	**25**

4.3.6. OTHER RECEIVABLES

In thousands of euros	31 December 2013	At 31 December 2012
Income tax	9,064	6,954
VAT	311	407
Grants	2,598	1,983
Vivalis Japan treasury advances	607	765
Provision for impairment of Vivalis Japan treasury advances	-153	
Treasury advances to Valneva GMBH	26,965	
Other operating receivables	254	119
Amounts receivable on disposal of assets	1,700	0
Provision for impairment		-1
Total other receivables (net value)	**41,345**	**10,227**

The corporate income tax receivables virtually all concern the Research Tax Credit (RTC) and the CICE (*crédit d'impôt compétitivité emploi*) wage tax credit.

In thousands of euros	31 December 2013	At 31 December 2012
2013 RTC	2,039	
2012 RTC	2,759	2,759
2011 RTC	2,046	2,046
2010 RTC	2,144	2,144
CICE 2013 tax credit	71	
Miscellaneous tax reductions	5	5
Total corporate income tax receivables (net value)	**9,064**	**6,954**

In thousands of euros	Allocated	Reversed	Paid	Balance
DIACT (2008)	550	330	220	0
OSEO (2009)	6,016		4,742	1,274
NANTES (2009)	894		894	0
ANR (2010)	541	76	465	0
FEDER	1,500		752	748
FUI RHONES ALPES	374		112	262
FUI PAYS DE LOIRE	628		314	314
Total grants and advances	**10,503**	**406**	**7,499**	**2,598**

a. At 31 December 2013

In thousands of euros	Gross	Up to 1 year	More than 1 year
Income tax	9,064	2,144	6,920
VAT	311	311	0
Grants	2,598	478	2,120
Vivalis Japan treasury advances	607	607	
Provision for impairment of Vivalis Japan treasury advances	-153	-153	0
Treasury advances to Valneva GMBH	26,965	26,965	
Other operating receivables	254	250	4
Amounts receivable on disposal of assets	1,700	1,700	0
Total	**41,345**	**32,301**	**9,044**

b. At 31 December 2012

In thousands of euros	Gross	Up to 1 year	More than 1 year
Income tax	6,954	0	6,954
VAT	407	349	58
Grants	1,983	305	1,678
Personnel and related accounts	4	0	4
Social security and related receivables	47	47	0
Vivalis Japan treasury advances	765	765	0
Sundry debtors	67	67	0
Total	**10,227**	**1,533**	**8,694**

4.3.7. NET CASH FLOW

In thousands of euros	31 December 2013	At 31 December 2012
Cash at bank and in hand (1)	10,317	372
Fixed term deposits	2,360	9,860
Marketable securities (2)	1,390	1,748
Cash assets	**14,067**	**11,980**
Bank facilities	5	1
Cash liabilities	**5**	**1**
Net cash flow	**14,062**	**11,979**
(1) of which notes sent for collection or discounting:	**0**	**0**
(2) of which accrued income on certain assets	**0**	**0**

b. Valeurs mobilières de placement

The Company applies a conservative and prudent strategy of financial management. The company's assets are allocated among several French banking institutions and several different investment vehicles.

*** Change from 1 January 2013 to 31 December 2013**

In thousands of euros	At 1 January 2013	Acquisitions	Disposals	At 31 December 2013
Open-ended investment fund (SICAV)	747	39,565	-39,923	390
Mutual funds	1		-1	0
Medium-term notes / Certificates of deposit	1,000			1,000
Total	**1,748**	**39,565**	**-39,924**	**1,390**

*** At 31 December 2013**

In thousands of euros	Historic value	Market price	ccrued interest
Open-ended investment fund (SICAV)	390	390	
Mutual funds			
Certificates of deposit	1,000	1,000	98
Total	**1,390**	**1,390**	**98**

*** Change from 1 January 2012 to 31 December 2012**

In thousands of euros	At 1 January 2012	Acquisitions	Disposals	At 31 December 2012
Open-ended investment fund (SICAV)	8,901	14,931	-23,085	747
Mutual funds	3,589	0	-3,588	1
Medium-term notes / Certificates of deposit	3,000	0	-2,000	1,000
Total	**15,490**	**14,931**	**-28,673**	**1,748**

*** At 31 December 2012**

In thousands of euros	Historic value	Market price	ccrued interest
Open-ended investment fund (SICAV)	747	748	
Mutual funds	1	1	
Certificates of deposit	1,000	1,000	58
Total	**1,748**	**1,749**	**58**

At 31/12/2013, amounts for unrealised gains from marketable securities were not material.

4.3.8 Prepaid expenses

In thousands of euros	31 December 2013	At 31 December 2012
Office supplies	3	4
Maintenance and repairs	24	47
Leasing expenses	1	3
Rent and service charges		30
Insurance premiums	134	46
Documentation and conventions	5	14
Conventions	16	19
Fees		1,366
Advertising		8
Travel and entertainment		14
Bank services	7	
Site security services	2	1
Social charges	6	2
Royalties for licences, patents	7	4
Total	**205**	**1,558**

4.3.9. Accrued income

In thousands of euros	31 December 2013	At 31 December 2012
Receivables on non-consolidated investments	0	0
Accrued interest on liquid assets under the equity agreement	0	0
Trade receivables and related accounts	248	813
Other receivables	55	79
Marketable securities (certificates of deposit)	0	0
Bank – accrued interest on time deposits	298	365
Total accrued income (1)	**601**	**1,257**

(1) for 2012: amount up to one year: €1,257,000

(1) for 2013: amount up to one year: €601,000

4.3.10 - SHAREHOLDERS' EQUITY

a. Change from 1 January 2013 to 31 December 2013

In thousands of euros	At 1 January 2013	Changes in the period			At 31 December 2013
		Increase	Decrease	Other changes	
Share capital	3,219	5,165	0	0	8,384
Share premiums	62,414	104,242	0	0	166,656
Regulated reserves	12	52,820	0	0	52,832
Retained earnings/(accumulated deficit)	-21,922	0	0	-11,958	-33,880
Net income/(loss) for the year	**-11,958**	0	-9,952	11,958	**-9,952**
Net investment grants	587	0	-129	0	458
Tax-driven provisions	998	0	3	-185	816
Total shareholders' equity	**33,350**	**162,228**	**-10,079**	**-185**	**185,313**

Share capital

At 31 December 2013, the share capital in the amount of €8,384,000 was comprised of 55,898,115 shares including 54,709,000 ordinary shares each with a par value of €0.15 and 17,836,719 preferred shares with a par value of €0.01.

In connection with the merger with Intercell AG resulting in the formation of Valneva SE, the Company issued 17,836,719 new ordinary shares and 17,836,719 new preferred shares, resulting in a capital increase by the Company of **2,676,004** for ordinary shares and **€178,000** for preferred shares

The new ordinary shares carry the same rights as existing ordinary shares, including entitlement to dividends as from 1 January, 2013. Each preferred share will be converted into 0.4810 new ordinary shares upon the issuance of a market authorisation in the United States or Europe for the Group vaccine against the Pseudomonas aeruginosa, and within a period of seven years from the merger completion date (subject to fulfilment of certain financial conditions). If this above-mentioned condition is not fulfilled within this seven-year period, the preferred shares will be cancelled and repaid at their nominal value of €0.01 per share.

On 4 July 2013, Valneva SE finalized a capital increase launched in June 2013 by the issuance of pre-emptive subscription rights. This financing transaction generated proceeds of €40,188,000 (including **€2,274,000** from the capital increase and **€37,913,000** in issue premium) and resulted in the issuance of 15,165,215 new ordinary shares with an offering price of €2.65 per share. These new ordinary shares have a settlement date and were listed on 5 July, 2013. The new ordinary shares carry all rights attaching to share ownership ("immediate dividend rights" or dividends rights as from their issue date).

Furthermore, the Company issued 244,537 new ordinary shares (345,086 in 2012) pursuant to the exercise of stock options in progress resulting in a capital increase of **€37,000** (€358,000 in 2012) and an increase in issue premium of **€306,000**.

At 31 December 2013, 21.19% (rounded off) of the share capital was mainly held by the "Groupe Grimaud La Corbière S.A." holding company, 9.84% by BPI (*Banque Publique d'Investissement*) and 62.88% by the free float. The remaining capital is primarily held by financial investors, employees and management.

Other equity

At the time of the merger, the difference between the net assets contributed by the transferor (€135 million) and the nominal value of the capital increase of the transferee (€2,854,000) was recorded as a merger premium for the amount of **€127,711,000**. From this premium, €58,820,000 was transferred to a restricted reserve account to prevent a capital payment effect.

Furthermore, €8,868,000 relating to the merger and capital increase costs were charged to additional paid-in capital.

No dividend was paid in 2013.

b. Change from 1 January 2012 to 31 December 2012

In thousands of euros	At 1 January 2012	Changes in the period			At 31 December 2012
		Increase	Decrease	Other changes	
Share capital	3,168	51	0	0	3,219
Share premiums	62,117	314	-17	0	62,414
Regulated reserves	12	0	0	0	12
Retained earnings/(accumulated deficit)	-13,534	0	0	-8,388	-21,922
Net income/(loss) for the year	**-8,388**	**0**	**-11,958**	**8,388**	**-11,958**
Net investment grants	732	0	-271	126	587
Tax-driven provisions	2,148	24	-1,174	0	998
Total shareholders' equity	**46,255**	**389**	**-13,420**	**126**	**33,350**

(1) of which TUP merger contribution: €30,000

At 31 December 2012, the share capital in the amount of €3,219,000 was comprised of 21,462,529 shares (including 8,427,174 bearer shares) each with a par value of €0.15, with 99% paid up.

Share premiums were paid successively:

+ in 2002 during a capital increase;
+ in 2003 during the issue of shares subscription warrants;

between the 2004 and 2012, during new rights issues each year, including mainly in 2005 (IPO) and 2010 (rights issue).

At 31 December 2012, 51% (rounded off) of the share capital was mainly held by the "Groupe Grimaud La Corbière S.A." holding company and 39% by the free float. The remaining capital (10 %) is primarily held by financial investors, employees and management.

No dividend was paid in 2012.

4.3.11. Investment grants

In thousands of euros	**MENRT 04G608**	**REGION NANTES**	**MINEFI 6075**	**REGION EPF**	**REGION EPF**
Amount granted	441	500	954	111	137
Grant date	5 janvier 2005	13 septembre 2005	11 août 2006	12 octobre 2006	12 octobre 2006
Net amount at 01/01/2011	**75**	**162**	**23**	**50**	**81**
Grant for 2011	0	0	0	0	0
Reclassifications into operating grants	0	0	0	0	0
Grant transferred to 2011 net income	14	63	22	7	10
Net amount at 31/12/2011	**61**	**99**	**1**	**43**	**71**
Grant for 2012	0	0	0	0	0
Reclassifications into operating grants	0	0	0	0	0
Grant transferred to 2012 net income	15	55	1	6	10
Net amount at 31/12/2012	**46**	**44**	**0**	**37**	**61**
Grant transferred to 2013 net income	13	42		6	10
Net amount at 31/12/2013	**33**	**2**	**0**	**31**	**51**

In thousands of euros	**REGION EPF**	**REGION Energie**	**OSEO Vivabio**	**DEPT 44 Nvx Labo**	**TOTAL**
Amount granted	115	15	556	87	
Grant date	12 octobre 2006	15 décembre 2008	26 juin 2009	13/10/2009	
Net amount at 01/01/2011	**83**	**13**	**422**	**85**	**994**
Grant for 2011	0	0	0	0	0
Reclassifications into operating grants	0	0	-116	0	-116
Grant transferred to 2011 net income	10	3	14	3	146
Net amount at 31/12/2011	**73**	**10**	**292**	**82**	**732**
Grant for 2012	0	0	0	0	0
Reclassifications into operating grants	0	0	0	0	0
Grant transferred to 2012 net income	11	2	41	4	145
Net amount at 31/12/2012	**62**	**8**	**251**	**78**	**587**
Grant transferred to 2013 net income	11	2	42	3	**129**
Net amount at 31/12/2013	**51**	**6**	**209**	**75**	**458**

4.3.12. Subordinated grants

In thousands of euros	REGION PDL	OSEO Vivabio	NANTES Metrop.	TOTAL
Amount granted	894	2,770	894	
Grant date	22 May 2009	26 June 2009	16 November 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 31/12/2011	**894**	**2,770**	**894**	**4,558**
Grant for 2012	0	0	0	0
Repayment during 2012	-178	0	0	-178
Net amount at 31/12/2012	**716**	**2,770**	**894**	**4,380**
Grant for 2013	0	0	0	0
Repayment during 2013	-179	0	0	-179
Net amount at 31/12/2013	**537**	**2,770**	**894**	**4,201**

4.3.13. Provisions for contingencies and losses

a. Change from 1 January 2013 to 31 December 2013

In thousands of euros	At 1 January 2013	Changes in the period			31 December 2013
		Charge	Reversals		
			Used	Not used	
Disputes	12	0	0	0	12
Foreign exchange risk	46	164	0	0	210
Retirement severance benefits	129		0	-106	23
Minimum annual CIT charge	0	0	0	0	0
Total provisions for contingencies and losses	**187**	**164**	**0**	**-106**	**245**
- of which operating	141		0	-106	35
- of which financial	46	164	0	0	210
- of which exceptional	0	0	0	0	0

b. Change from 1 January 2012 to 31 December 2012

In thousands of euros	At 1 January 2012	Changes in the period			31 December 2012
		Charge	Reversals		
			Used	Not used	
Disputes	12	0	0	0	12
Foreign exchange risks	0	46	0	0	46
Retirement severance benefits	97	32	0	0	129
Minimum annual CIT charge	0	0	0	0	0
Total provisions for contingencies and losses	**109**	**78**	**0**	**0**	**187**
- of which operating	109	32	0	0	141
- of which financial	0	46	0	0	46
- of which exceptional	0	0	0	0	0

(1) of which TUP merger contribution: €35,000.

4.3.14. BORROWINGS

4.3.14. Borrowings

In thousands of euros		31 December 2013	At 31 December 2012
CA €1 million loan of 31/01/05 (1)	3-month Euribor floating rate + 0.65%	0	225
CA €800,000 loan of 31/12/2009 (1)	3-month Euribor floating rate + 1.10%	480	561
CA €500,000 loan of 16/07/2012 (1)	3-month Euribor floating rate + 1.40%	376	476
CM €890,000 loan of 31/01/2005 (1)	3-month Euribor floating rate + 0.60%	0	201
CM €450,000 loan of 16/06/2005 (1)	3-month Euribor floating rate + 0.50%	0	0
CM €400,000 loan of 25/04/2006 (1)	3.60% fixed rate	0	29
CM €400,000 loan of 10/08/2007 (1)	3-month Euribor floating rate + 0.70%	43	100
CM €1.2 million loan of 08/08/08 (1)	5.45% fixed rate	347	530
CM €600,000 loan of 23/12/2009 (1)	3-month Euribor floating rate + 1.25%	360	420
CM €1,030,000 loan of 18/06/2010 (1)	2.70% fixed rate	516	663
CM €1.2 million loan of 05/05/2011 (1)	3-month Euribor floating rate + 0.70%	772	944
CM €500;000 loan of 05/07/2012 (1)	3-month Euribor floating rate + 1.40%	376	477
CE €940,000 loan of 10/01/2005 (1)	CODEVI + 1% floating rate	0	241
CE €250,000 loan of 20/04/2006 (1)	CODEVI + 0.90% floating rate	0	20
CE €400,000 loan of 10/08/2007 (1)	3-month Euribor floating rate + 0.70%	50	113
CE €300,000 loan of 25/07/08 (1)	5.40% fixed rate	100	146
CE €600,000 loan of 23/12/2009 (1)	1-month Euribor floating rate + 1.20%	360	420
CE €500,000 loan of 31/07/2012 (1)	1-month Euribor floating rate + 1.30%	379	477
LCL €500,000 loan of 23/12/2009 (1)	1-month Euribor floating rate + 1.25%	301	350
LCL €470,000 loan of 30/07/2010 (1)	3-month Euribor floating rate + 0.80%	252	320
RTC credit mobilization	1-month Euribor floating rate + 1.7%	6,264	
Current bank facilities, bank credit balances		5	1
Total		**10,981**	**6,714**

(1) of which accrued interest €21,000

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

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

Since 2010, the Company has been covered by an interest rate hedging contract through the parent company Grimaud La Corbière SA (GLC) for €1,479,000 at 31 December 2012.

This contract was implemented on 11 June 2010 for a three-year period. This interest rate swap agreement that accordingly expired on 10 June 2013 provided for payment to GLC each quarter of 3-month Euribor plus a fixed-rate amount of 1.31%.

In 2011, a second interest rate hedging contract was set up for €1,500,000 and increased to €2,300,000 at 31 December 2013.

This second contract was implemented on 1 September 2011 for a four-year period.

This interest rate swap agreement provides for payment to GLC each quarter of 3-month Euribor plus a fixed-rate amount of 1.82%.

In 2012, a third interest rate hedging contract was set up for €385,000 and reduced to €325,400 at 31/12/2013.

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

This interest rate swap agreement provides for a payment to GLC each month at 1-month Euribor plus a fixed-rate amount of 0.58%.

a. At 31 December 2013

In thousands of euros		Gross	Up to 1 year	More than 1 year	More than 5 years
Total borrowings		10,981	7,547	3,184	250
of which loans secured during the year	6,264				
of which loans repaid during the year	1,994				

b. At 31 December 2012

In thousands of euros		Gross	Up to 1 year	More than 1 year	More than 5 years
Total borrowings		6,714	1,641	4,487	586
of which loans secured during the year	1,500				
of which loans repaid during the year	1,461				

4.3.15. Trade payables and related accounts

a. At 31 December 2013

In thousands of euros	Gross	Up to 1 year	More than 1 and less than 5 years	More than 5 years
Operating payables	1,032	1,032	0	0
Notes payable	0	0	0	0
Fourn. Operating payables – purchase invoice accruals	547	547	0	0
Total	**1,579**	**1,579**	**0**	**0**

b. At 31 December 2012

In thousands of euros	Gross	Up to 1 year	More than 1 and less than 5 years	More than 5 years
Operating payables	575	575	0	0
Notes payable	12	12	0	0
Fourn. Operating payables – purchase invoice accruals	1,783	1,783	0	0
Total	**2,370**	**2,370**	**0**	**0**

4.3.16. Tax and employee-related liabilities

In thousands of euros	31 December 2013	At 31 December 2012
VAT due	51	126
Other taxes	0	42
Wages and salaries	412	646
Social charges	648	847
Other employee-related liabilities	0	0
Total tax and employee-related liabilities (1)	**1,111**	**1,661**
(1) up to 1 year	1,111	1,661

4.3.17. Other payables

In thousands of euros	31 December 2013	At 31 December 2012
Payables on non-consolidated investments	1	2,003
Amounts due in respect of fixed asset purchases	4,503	4,746
Other trade payables	41	10
Total other payables	**4,545**	**6,759**

Payables on non-consolidated investments correspond to the earn out payment in connection with Humalys shares for €1,000.

Amounts due with respect to fixed asset purchases include both estimated future royalties to be paid for licence concessions (See note 4.2.6) and debt incurred from the technology acquired in 2011. This latter item amounted to €3,900,000 at 31 December 2013 versus €4,300,000 at the end of 2012.

a. At 31 December 2013

In thousands of euros	Gross	Up to 1 year	More than 1 year	More than 5 years
Payables on non-consolidated investments	1	1		
Payables to fixed asset suppliers	4,410	545	3,865	0
Payables to fixed asset suppliers – purchase invoice a	93	93		
Other payables	41	41		
Total	**4,545**	**680**	**3,865**	**0**

b. At 31 December 2012

In thousands of euros	Gross	Up to 1 year	More than 1 year	More than 5 years
Payables on non-consolidated investments	2,003	2,003		
Payables to fixed asset suppliers	4,653	355	4,298	0
Payables to fixed asset suppliers – purchase invoice a	93	93		
Other payables	10	10		
Total	**6,759**	**2,461**	**4,298**	**0**

4.3.18. Deferred income

In thousands of euros	31 December 2013	At 31 December 2012
Operating grants	1,577	669
Research services and royalties	5	55
Total deferred income	**1,582**	**724**

a. At 31 December 2013

In thousands of euros	Gross	Up to 1 year	More than 1 year	More than 5 years
Operating grants	1,577	702	876	
Research services and royalties	5	5		
Total	**1,583**	**707**	**876**	**0**

At 31 December 2013, deferred income included on the one hand operating grants:

- - an outstanding amount of €130,000 from a grant of €220,000 (with €550,000 initially planned in December 2008), with €30,000 transferred to income for 2009, €160,000 for 2010 and €40,000 for 2011. In 2012, a charge to income of €110,000 was recognised as a consequence of headcount reduction of employees on permanent contracts in Nantes constituting the basis for the grant. This trend continued in 2013 with this grant reduced to €90,000 with the charge of €30,000 to the income statement.
- - €419,000 outstanding from a grant obtained in March 2013 for a total amount of €1,500,000. Only €1,081,000 was recognized under income in 2013,
- - €327,000 outstanding from a grant obtained in June 2013 for a total of €374,000. The share of income relating to fiscal 2013 amounted to €47,000,
- - €537,000 outstanding from the grant issued in December 2013 for a total amount of €628,000. Expenses incurred in the period relating to this grant made it possible to generate €91,000 in income for 2013,
- - €164,000 outstanding from a grant obtained in June 2009 for a total amount of €2,690,000. In 2011, €116,000 of this grant initially classified as an investment grant was reclassified as an operating grant. The amount transferred to income was €1,569,000 in 2009, €718,000 in 2010 and €355,000 in 2011. No income was recognised in 2012. This was also the case for 2013.

And on the other hand, €5,000 for services representing amounts invoiced to customers at the beginning of the period and corresponding to work to be completed by Valneva during the following year.

b. At 31 December 2012

In thousands of euros	Gross	Up to 1 year	More than 1 year	More than 5 years
Operating grants	669	0	595	74
Research services and royalties	55	55		
Total	**724**	**55**	**595**	**74**

At 31/12/2012, deferred income included:

- - an outstanding amount of €430,000 from a grant of €550,000 obtained in December 2008, with €30,000 transferred to income for 2009, €160,000 for 2010 and €40,000 for 2011. In 2012, a charge of €110,000 was recognised as a consequence of headcount reduction of employees on permanent contracts in Nantes constituting the basis for the grant.
- - €164,000 outstanding from a grant obtained in June 2009 for a total amount of €2,690,000. In 2011, €116,000 from this grant initially classified as an investment

grant was reclassified as an operating grant. The amount transferred to income was €1,569,000 in 2009, €718,000 in 2010 and €355,000 in 2011. No income was recognised in 2012.

+ - €74,000 outstanding from a grant obtained in June 2010 for a total amount of €541,000. The amount transferred to income was €87,000 in 2010, €194,000 for 2011 and €185,000 for 2012.

This also includes research services representing amounts invoiced to customers at the beginning of the period and corresponding to work to be performed by Vivalis during the following year.

4.3.19. Accrued expenses

In thousands of euros	31 December 2013	At 31 December 2012
Trade payables and related accounts	547	1,782
Tax and employee-related liabilities	735	1,126
Payables on fixed assets and equivalent	93	93
Borrowings and financial liabilities	23	18
Other payables	41	11
Total accrued expenses (1)	**1,438**	**3,030**

(1) payables up to 1 year

4.4. NOTES TO THE INCOME STATEMENT

4.4.1. Net sales

In thousands of euros	31/12/2013	31/12/2012
Sale of trade goods	2	0
Research services	1,273	2,139
Other services	416	32
Total	**1,691**	**2,171**

In thousands of euros	31/12/2013	31/12/2012
Sales in France	591	1,526
Export sales	1,100	645
Total	**1,691**	**2,171**

4.4.2. Own production of goods and services capitalised

In thousands of euros	31/12/2013	31/12/2012
Development expenditure	284	144
Long-term investments	0	0
Property, plant and equipment	0	0
Total	**284**	**144**

4.4.3. Grants

In thousands of euros	31/12/2013	31/12/2012
ANR		185
ANRT	-2	
DIACT	-30	-110
FEDER	1,081	
FUI RHONE ALPES	47	
FUI PAYS DE LOIRE	91	
OSEO	0	0
Other	3	8
Total	**1,190**	**83**

The ANR provided a grant in 2010 for €541,000. As this project was discontinued in early 2013, a charge of €2,000 was recognized in the period as an adjustment.

Valneva received a public grant (DIACT) in 2008 of €550,000 destined to contribute to finance the creation of 55 new positions with income of €10,000 recorded for each position created. Amounts recognized under income reflect work for changes over the period for the Nantes establishment. Due to the reduction in company headcount in the period, a charge of €30,000 was recorded in 2013 as an adjustment.

Valneva SE was a recipient of three new grants in the period:

- FEDER provided a grant for €1,500,000 in March 2013 for the 2009-2014 period; €1,081,000 was recognized under income for the period in progress whereas most of the expenses related to prior periods.
- The Rhône Alpes FUI provided a grant for €374,000 in October 2013, with €47,000 recognized under income in 2013.
- The Pays de Loire FUI provided a grant for €628,000 in December 2013, with €91,000 recognized under income in 2013.

In 2009, OSEO provided a “VIVABIO” grant totalling €2,806,000. Pursuant to the suspension of research programmes, no income was recognized in 2012 and 2013.

4.4.4. Other income

In thousands of euros	31/12/2013	31/12/2012
Upfront fees and milestone payments (1)	465	585
Other	0	0
Total	**465**	**585**

(1) See note 4.2.20

4.4.5. Reversals of depreciation, amortisation and provisions and expense reclassification

In thousands of euros	31/12/2013	31/12/2012
Reversal of provisions for retirement severance benefits	106	0
Reversals of provisions for trade receivables	0	0
Reversals of provisions for contingencies and losses	0	0
Operating expense reclassifications	39	127
Total	**145**	**127**

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

4.4.6. Purchases and external expenses

Main expense items *(in thousands of euros)*	31/12/2013	31/12/2012
Work by various third parties	1,463	2,425
Fees	1,576	1,093
Maintenance and repairs	549	688
Administrative services	327	347
Travel expenses	340	216
Electricity	161	163
Symposiums, seminars, conferences	125	139
Post and telephone expenses	172	125
Entertainment expenses	158	117
Property leasing	70	106
Sundry transport expenses	79	105
Advertising, publications, public relations	105	101
Insurance premiums	225	80
Waste management	52	74
Training fees	41	57
Analyses	45	46
Bank services	51	44
Natural gas	42	43
Leasing expenses	62	35
Water	12	18
Other	112	97
Total	**5,767**	**6,119**

4.4.7. Taxes, duties and related amounts

In thousands of euros	31/12/2013	31/12/2012
Taxes on remuneration	**100**	**131**
Training	73	80
Apprentices tax	28	30
Other taxes / remuneration	0	21
Other taxes	**131**	**212**
Local taxes	82	65
Local business tax	0	0
CFE - CVAE regional business tax	-3	71
Company vehicle tax	5	5
Corporate Social Solidarity Contribution C3S tax	4	4
Minimum annual CIT charge	0	0
Employer contribution for handicapped workers	11	10
Withholding taxes	4	53
Stamp and registration duties	3	2
Other taxes	26	2
Total	**231**	**343**

4.4.8. Personnel

a. Employees

Average number of employees	**31/12/2013**	**31/12/2012**
Executives and higher intellectual professions	56	64
Intermediate professions	25	36
Employees	2	3
Workers	0	0
Seconded personnel	0	0
Total	**84**	**103**

Employees present at 31 December 2013: 66 employees of which 62 on permanent contracts and on 4 on fixed term contracts
Employees present at 31 December 2012: 94 employees of which 83 on permanent contracts and on 11 on fixed term contracts

b. Personnel costs

In thousands of euros	31/12/2013	31/12/2012
Wages and salaries	4,267	4,686
Social charges	1,853	2,057
CICE wage tax credit	-71	
Other personnel expenses	151	33
Total	**6,200**	**6,776**

c. Remuneration paid to Executive Board and Supervisory Board members

In thousands of euros	**31/12/2013**	**31/12/2012**
Fixed	348	444
Variable	116	15
Fringe benefits	8	7
All Executive Board members	**472**	**466**
Attendance fees	157	40
All Supervisory Board members	**157**	**40**
TOTAL	**629**	**506**

Bonus share grants		
Executive Board members	33,333	33,334
Supervisory Board members	none	none

Stock options (number of shares subscribed)	**209,952**	**203,472**
Executive Board members	209,952	203,472
Supervisory Board members	0	0

Equity warrants (number of shares subscribed)	**0**	**0**
Executive Board members	0	0
Supervisory Board members	0	0

d. Individual training rights

	31/12/2013	**31/12/2012**
Rights vested in hours during the year	1,177	1,775
Training hours accumulated but unclaimed	4,599	5,967

Pursuant to the position of the French National Accounting Council, the individual right to training does not give rise to the recognition of provisions.

e. Employee benefits

Assumptions used for the valuation of pension benefits

	31 décembre 2013	31 décembre 2012
Discount rate	3.17%	2.69%
Salary increase rate	2.50%	2.50%
Social security charge rate	47.99%	47.85%
Turnover rate	12.45%	9.53%

Change in net commitments and reconciliation of the provision

In thousands of euros	31 décembre 2013	31 décembre 2012
Commitment at the beginning of period	**129**	**97**
Commitment at the end of period	**23**	**129**
Provision at the beginning of period	**129**	**97**
Humalys TUP merger contribution	0	0
Charge for the period		32
Reversal of the period	-106	0
Provision at the end of period	**23**	**129**

4.4.9. Depreciation, amortisation & impairment of fixed assets

In thousands of euros	31/12/2013	31/12/2012
Intangible fixed assets	1,144	1,228
Property, plant and equipment	1,616	1,838
Total fixed assets (A)	**2,760**	**3,066**
Employee commitments	0	32
Provisions for operating contingencies and losses	0	0
Total provisions (B)	**0**	**32**
Total net charges excluding current assets (C=A+B)	**2,760**	**3,098**
Trade receivables and other current assets	0	0
Total assets (D)	**0**	**0**
Exceptional amortisation (E=C+D)	**2,760**	**3,098**
Provisions for unrealised foreign exchange losses	164	47
Provision for current account advances	152	
Provisions for impairment of long-term investments	337	-94
Total financial assets (F)	**654**	**-47**
Exceptional amortisation of fixed assets (G)		27
Provisions for impairment of fixed assets (H)	30	1,077
Accelerated tax depreciation or amortisation of fixed as	-182	-1,151
Other provisions (J)	0	0
Total exceptional items (K=G+H+I+J)	**-153**	**-47**

4.4.10. Net income/(loss) from financial items

In thousands of euros	31/12/2013	31/12/2012
Income from marketable securities	198	469
Interest on borrowings	-180	-169
Interest on convertible bond debt	-382	
Interest on current accounts	193	
Impairment of financial assets	-654	47
Other	11	-28
Net financial income/(expense)	**-813**	**319**

4.4.11. Net exceptional items

In thousands of euros	31/12/2013	31/12/2012
Net income on disposals	1,264	-2
Amortisation and provisions, net of reversals on tangible fixed assets	-27	0
Amortisation and provisions, net of reversals on intangible fixed assets	-3	-1,077
Accelerated tax depreciation and amortisation charges and reversals	182	1,151
Share of grant transferred to income	129	145
2010 Humalys income tax allocated to prior period losses	0	0
Other	2	-24
Net exceptional items	**1,548**	**193**

4.4.12. Income tax

a. Income tax charges

Effective tax rate

In thousands of euros	31/12/2013	31/12/2012
Net income/(loss)	-9,952	-11,958
Income tax	-2,039	-2,759
Net loss before tax	-11,991	-14,717
Effective tax rate	**0**	**0**

b. Tax losses carried forward

	31/12/2013	31/12/2012
Losses carried forward at the beginning of the period	47,806	32,999
Losses generated during period	19,615	14,807
Losses utilised during period	0	0
Prior losses used		
Losses expired during period		
Losses carried forward at the end of the period	**67,421**	**47,806**

(1) The loss includes an amount for SMOL Therapeutics linked to French tax group provisions for €1,841,000.

c. Deferred tax assets and deferred tax liabilities

In thousands of euros	31/12/2013	31/12/2012
Deferred tax assets (investment grants and accelerated tax depreciation or amortisa	424	528
Deferred tax liabilities		
Corporate Social Solidarity Contribution (C3S)	1	1
Capital grants taxable at time of allotment	0	0
Operating grants taxable at time of allotment	526	223
Unrealised gains from UCITS	0	0
Employee profit-sharing	0	0
Total deferred tax assets/deferred tax liabilities)	**-103**	**304**

4.4.13. Earnings per share

		31/12/2013	31/12/2012
Basic net loss *(in euros)*	(a)	-9,952,449	-11,957,883
Average number of shares outstanding:	(b)	40,328,234	21,284,880
Total number of potential shares	(c)	58,483,614	22,091,664
Basic net earnings per share (in euros)	**(a) / (b)**	**-0.25**	**-0.56**
Diluted net earnings per share (in euros)	**(a) / (c)**	**-0.17**	**-0.54**

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

5. OTHER INFORMATION

5.1. Commitments and contingent liabilities

5.1.1 - Debt guarantee by collateral

In thousands of euros	31 December 2013	31 December 2012
- Equipment pledge	771	973
- pledges on non-consolidated investments (1)	127,876	2,000

(1) Valneva Austria GMBH securities in connection with the financing transaction with Pharmakon.

5.1.2 Off-balance sheet commitments

In thousands of euros	31 December 2013	At 31 December 2012
Commitments given		
- Commitment on Pharmakon Advisors Valneva Austria GMBH loan (1)	34,979	
- potential earn out payment on investment securities (2)	4,961	4,967
- sourcing commitment with a supplier	490	898
- commitment with a service provider		125
- property lease commitment	810	
- comfort letter in favour of Valneva GMBH (4)	9,968	
- equipment financing lease	1	3
- financial returns on OSEO reimbursable loans (3)	6,230	6,230
- financial returns and repayment of subordinated grants	220	736
- mortgage on loans	1,500	2,514
- interest payable on loans	175	292
Total commitments given	**59,334**	**15,765**
Commitments received		
- grant from Dept 44 - Laennec construction	45	45
- bonds received from the Grimaud Group parent company		
CRCA 10-year loan	0	227
CM 10-year loan	0	202
CM 7-year loan	947	1,376
CEP 10-year loan	0	249
CEP 7-year loan	50	114
CEP 5-year loan	391	494
LCL 7-year loan	257	327
- Security received from CRCA		
payables on non-consolidated investments		2,000
- credit line granted by CRCA	50	50
- Credit line granted by LCL	50	50
- Credit line granted by CEP	50	50
- Credit line granted by CM	50	50
Total commitments received	**1,890**	**5,234**

(1) Principal and interest until maturity for the Pharmakon loan guaranteed by Valneva SE
(2) The maximum earn out is €5.5 million over a 15 year period (2025) less €539,000 for the amount owed from 2010 to 2013 (See 4.3.3).
(3) The maximum amount repayable of reimbursable loans under the Vivabio program is €9 million over a maximum period of nine years from the obligating event for repayment of the financing for €2,771,000 (see note 4.3.12).
(4) On lease instalments payable until the end of the property lease in 2023.

5.1.3. Contingent liabilities

There are no significant cases of litigation in progress.

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

5.1.4 Auditors' fees

	PWC		Deloitte	
	In € (excl. tax)		In € (excl. tax)	
	2013	2012	2013	2012
Audit				
Statutory auditing	44,000		46,657	59,000
Capital increase			95,460	
Merger	77,731		40,738	
Accessory missions			2,060	
Subtotal	**121,731**	**0**	**184,914**	**59,000**
Other services				
Legal, tax, labour issues				
Other directly related procedures				
Accessory missions				
Subtotal	**0**	**0**	**0**	**0**
Total	**121,731**	**0**	**184,914**	**59,000**

5.2. Information concerning related parties

Related parties concerned relations with Grimaud Group and companies of the Grimaud Group, relations with the subsidiary Vivalis Toyama Japan, and since the merger of 28 May 2013, relations with the subsidiary Valneva Austria GMBH.

For Grimaud Group and its member companies services provided concern both a group management agreement and the provision of services and miscellaneous items by the Grimaud Group to Valneva.

These services consist of either normal operating activities (accounting, payroll, cash management, health analyses, interest rate swap allocation agreement, human resources, and IT services) or regulated activities (guarantees). For fiscal 2013 €283,000 excluding tax was invoiced for these services including €55,000 for trade receivables at 31 December 2013.

Furthermore, on 28 March 2007, the Supervisory Board authorised Vivalis' Management Board to conclude a group management agreement with Grimaud Group. Under the terms of this agreement, the latter intervenes by coordinating Group management and ensuring a consistent performances and profitability. This agreement was concluded for one year subject to tacit renewal. For fiscal 2013, €189,000 was invoiced for services. This agreement with Groupe Grimaud was terminated on 31 October 2013.

Vivalis Japan invoiced Valneva €21,000 for supplies and €73,700 for operating expenses with €138,000 under trade payables at 31/12/2013.

In thousands of euros	**31 December 2013**	**At 31 December 2012**
Financial assets		
- Non-consolidated investments	127,923	47
- Receivables on non-consolidated investments		
Receivables		
- Trade receivables and related accounts		2
- Other receivables	27,419	783
Payables		
- Borrowings and miscellaneous debt		
- Trade payables and related accounts	193	743
- Payables on fixed assets and equivalent		
- Other payables		
Revenue		20
Financial income	168	13
Exceptional income		
Reclassification of operating expenses		6
Operating expenses		
- Purchase of raw materials and other supplies		121
- Other purchases and external expenses	1,192	2,040
- Other operating purchases		7
Financial expense		
- Interest and similar expense	38	16

SHARE SUBSCRIPTION OPTIONS (SSO) ISSUED BY VALNEVA SE AT 12/01/2013)

POST-IPO AFTER ELIMINATION OF LAPSED OPTIONS

Details of the resolutions.																				
EGM of	23/05/02	29/11/02	29/11/02	29/11/02	29/11/02	29/11/02	03/11/04	03/11/04	03/11/04	03/11/04	03/11/04	03/11/04	13/09/05	13/09/05	09/06/09	28/06/13	Total			
Resolution number	1	24	24	24	24	24	15	15	15	15	19 & 20	19 & 20	7	7	16	24				
Meeting Date of the Board of Directors or Executi	23/05/02	20/12/02	01/09/03	06/10/03	05/01/05	01/02/05	05/04/05	05/04/05	05/04/05	05/10/05	03/04/06	03/04/06	03/04/06	03/04/06	01/10/10	02/10/13				
Resolution number	1	1	1	1 & 2	1	1 & 2	1 to 6	1 & 2	1 to 6	1 & 2	1, 3, 3, 4	1, 3, 3, 4	1, 3, 3, 4	1, 3, 3, 4	4	1				

Type of securities issued	**SSO 2**	**SSO 3.1**	**SSO 3.2**	**SSO 3.3**	**SSO 3.4**	**SSO 3.5**	**SSO 4.1**	**SSO 4.2**	**SSO 4.3**	**SSO 4.4**	**SSO 5.1** (4bis)	**SSO 5.2** (4bis)	**SSO 6.1** Plan 5	**SSO 6.2** Plan 5	**SSO 7.1** Plan 6	**SSO 8** (Plan 7 "ESOP 2013")				**OSA12** (5)	**OSA13** (6)	
Initial terms and conditions																						
Number of options issued	1810	1535	700	570	120	300	800	900	300	300	160	160	240	290	14000	1052950				157000	1178406	2,701,541
Number of shares to be subscribed	181000	153500	70000	57000	12000	30000	80000	90000	30000	30000	16000	16000	24000	29000	14000	1052950				157000	1178406	3,511,856
Category of shares to be subscribed	O	O	O	O	O	O	O	O	O	O	O	O	O	O	O	O				O	O	
Beneficiaries(see foot of table)	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R				R	R	
Option issue price	free	free	free	free	free	free	free	free	free	free	free	free	free	free	free	free				free	free	
Par value of Vivalis share	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €				0.15 €	0.15 €	
Subscription price per share	0.45 €	1.80 €	1.80 €	1.80 €	1.80 €	1.80 €	1.80 €	1.80 €	1.80 €	1.80 €	1.80 €	1.80 €	1.80 €	1.80 €	5.19 €	3.21 €				(1)	90% of the average trading price for the 20 trading sessions preceding the grant date bythe Executive Board (1)	
Potential capital increase	27,150 €	23,025 €	10,500 €	8,550 €	1,800 €	4,500 €	12,000 €	13,500 €	4,500 €	4,500 €	2,400 €	2,400 €	3,600 €	4,350 €	2,100 €	157,943 €				23,550 €	176,761 €	526,778 €
Potential share premium	54,300 €	253,275 €	115,500 €	94,050 €	19,800 €	49,500 €	132,000 €	148,500 €	49,500 €	49,500 €	26,400 €	26,400 €	39,600 €	47,850 €	70,560 €	3,222,027 €				To be determined	To be determined	4,398,762 €
Commencement of the exercise period	24/05/06	to the objectives	01/09/04	06/10/07	05/01/09	01/02/09	05/04/2009 and on achievement of objectives	05/10/2009 and on achievement of objectives	05/04/09	05/10/09	On achievement of objectives	On achievement of objectives	On achievement of objectives	On achievement of objectives	On achievement of objectives	02/10/2015 02/10/2017				To be set	To be set	
Expiry of exercise period	23/05/12	20/12/12	01/09/13	06/10/13	05/01/15	01/02/15	05/04/15	05/10/15	05/04/15	05/10/15	03/04/16	03/04/16	03/04/16	03/04/16	01/10/20	02/10/23				To be set	To be set	
Conditions precedent for exercise	none	yes	yes	none	none	none	yes	yes	none	none	yes	yes	yes	yes	yes	none				To be set	To be set	

Changes and situation at 13 December 2013																						
Number of options exercised	1310	1109	700	570	30	300	0	760	300	300	0	160	0	290	0	0				0	0	5,829
Number of shares subscribed	135000	119772	70800	60280	3240	33234	0	82080	33624	33942	0	17280	0	31320	0	0				0	0	620,572
Sums received bythe company	60,750 €	215,590 €	126,000 €	106,272 €	5,400 €	59,821 €	0 €	147,744 €	60,523 €	60,851 €	0 €	31,104 €	0 €	56,376 €	0 €	0 €				0 €	0 €	930,431 €
Allocation to capital increase	20,250 €	17,966 €	10,620 €	9,042 €	486 €	4,985 €	0 €	12,312 €	5,044 €	5,091 €	0 €	2,592 €	0 €	4,698 €	0 €	0 €				0 €	0 €	93,086 €
Allocation to share premium	40,500 €	197,624 €	115,380 €	97,230 €	4,914 €	54,836 €	0 €	135,432 €	55,480 €	55,760 €	0 €	28,512 €	0 €	51,678 €	0 €	0 €				0 €	0 €	837,345 €
Options lapsed	500	426	0	0	0	0	100	0	0	0	0	0	150	0	7000	38350				0	0	337,526
Number of beneficiaries remaining	0	0	0	0	2	0	1	0	0	0	1	0	1	0	1	281				0	0	
Number of options in force	0	0	0	0	90	0	700	0	0	0	160	0	90	0	7000	1014600				157000	1178406	2,358,046
Number of shares to be subscribed	0	0	0	0	10260	0	79800	0	0	0	18240	0	10260	0	7000	1014600				157000	1178406	2,475,566
Potential capital increase	0 €	0 €	0 €	0 €	1,539 €	0 €	11,970 €	0 €	0 €	0 €	2,736 €	0 €	1,539 €	0 €	1,050 €	152,190 €				23,550 €	176,761 €	371,335 €
Potential share premium	0 €	0 €	0 €	0 €	16,929 €	0 €	131,670 €	0 €	0 €	0 €	30,096 €	0 €	16,929 €	0 €	35,280 €	3,104,676 €				To be determined	To be determined	3,335,580 €
Closing share price at 31/12/2013	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €				4.16 €	4.16 €	

Initial beneficiaries	Authorized	Allocated	Lapsed	Exercised	options in progress	hares to be granted
SSO 2: 19 people including 17 employees and 2 officers.	1810	1810	500	1310	0	0
SSO 3: 9 people including 7 employees and 2 officers.	3610	3225	426	2709	90	10260
SSO 4: 1 employee and 3 officers.	2400	2300	100	1360	700	79800
SSO 5: grants made to 2 officers.	1100	320	0	160	160	18240
SSO 6: grants made to 2 officers.	660	530	150	290	90	10260
SSO 7 andt SSO 9: 1 Employee	290000	14000	283000	0	7000	7000
SSO 8 and SSO 13: 290 employees and 3 officers - Valneva & Sub	2231356	1052950	38350	0	2193006	2193006
SSO 10: Valneva & Subsidiary employees and officers	7500	0	0	0	7500	0
SSO 11: Valneva & Subsidiary employees and officers	7500	0	0	0	7500	0
SSO 12: Valneva & Subsidiary employees and officers	157000	0	0	0	157000	157000
Total	2702936	1075135	337526	5829	2358046	2475566

(1): 80% of the average trading price for the 20 trading sessions preceding the grant date by the Executive Board

(2): resolution 16 of the AGM of 9 June 2009 specified that the total amount of shares issued under this plan and the plan for share subscription options voted by resolution 17 of the same EGM of 09/06/2009 may not exceed 290.000 shares.

(3): resolution 16 of the AGM of 10 June 2010 specified that the total amount of shares issued under this plan and the plan for share subscription options voted by resolution 17 of the same EGM of 10/06/2010 may not exceed 7.500 shares.

(4): resolution 15 of the AGM of 7 June 2011 specified that the total amount of shares issued under this plan and the plan for share subscription options voted by resolution 16 of the same EGM of 07/06/2011 may not exceed 7.500 shares.

(5): resolution 16 of the AGM of 4 June 2012 specified that the total amount of shares issued under this plan and the plan for share subscription options voted by resolution 17 of the same EGM of 04/06/2012 may not exceed 157.000 shares.

(6): resolution 24 of the AGM of 28 June 2013 specified that the total amount of shares issued under this plan and the plan for free shares voted by resolution 25 of the same EGM may not exceed 2,231,356 shares.

Hybrid Securities Issued by Valneva seat 31 décembre 2013

Details of the resolutions.					
EGM of	18/05/07	07/06/12	07/06/11	07/06/12	Total
Resolution number	2	18	18	19	
Meeting Date of the Board of Directors or Ex	27/08/07	To be held	06/09/11	To be held	
Resolution number	All		4		
Type of securities issued	**Equity warrants (plan 19)**	**Equity warrants (plan 23)**	**Equity warrants (plan 23.1)**	**Equity warrants (plan 24)**	
Terms and conditions					
Number of hybrid securities issued	45000	15000	22500	26250	108750
Number of shares to be subscribed	45000	15000	22500	26250	108750
Category of shares to be subscribed	O	O	O	O	
Beneficiaries(see foot of table)	R	R	R	R	
Hybrid securities issue price	0 €	0 €	0 €	0 €	
Par value of Vivalis share	0.15 €	0.15 €	0.15 €	0.15 €	
Subscription price per share	8.41 €	(1)	5.17 €	(1)	
Potential capital increase	6,750 €	2,250 €	3,375 €	3,938 €	16,313 €
Potential share premium	371,700 €	To be determined	112,950 €	To be determined	484,650 €
Commencement of the exercise period	27/08/08	To be set	06/09/11	To be set	
Expiry of exercise period	27/08/12	To be set	06/09/16	To be set	
Conditions precedent for exercise	yes	To be set	yes	To be set	
Changes and position at 31 December 2013					
Number of hybrid securities subscribed by	45000	0	22500	0	67500
Number of hybrid securities exercised	0	0	0	0	0
Number of shares subscribed	0	0	0	0	0
Sums received by the company for hybrid s	0 €	0 €	0 €	0 €	0
Sums received by the company for shares	0 €	0 €	0 €	0 €	0
Allocation to capital increase	0 €	0 €	0 €	0 €	0
Allocation to share premium	0 €	0 €	0 €	0 €	0
Hybrid securities lapsed	45000	15000	11250	26250	97500
Number of beneficiaries remaining	0	0	2	To be set	2
Number of hybrid securities in force	0	0	11250	0	11250
Number of shares to be subscribed	0	0	11250	0	11250
Potential capital increase	0 €	0 €	1,688 €	0 €	1,688 €
Potential share premium	0 €	0 €	56,475 €	A déterminer	56,475 €
Price of hybrid securities (NL = not listed)	NL	NL	NL	NL	
Closing share price at 31/12/2013	4.16 €	4.16 €	4.16 €	4.16 €	
		EXPIRED (18 months)		EXPIRED (18 months)	

Initial beneficiaries

Equity warrant plan 19: 2 Members of the Supervisory Board

Equity warrant plan 23: individual non-salaried members of management or supervisory bodies of the company.

Equity warrant plan 23.1: 2 Members of the Supervisory Board

Equity warrant plan 24: individual non-salaried members of management or supervisory bodies of the company.

(1): Average closing price for the last 20 trading days at the time of grant to holders by the Management Board.

BONUS SHARES (BS) ISSUED BY VALNEVA SE AT AT 31/12/2013).

Details of the resolutions.														10/06/10	7 June 2011, 4 June 2012						
EGM of	31/03/07	31/03/07	31/03/07	31/03/07	31/03/07	31/03/07	09/06/09	09/06/09	09/06/09	09/06/09	09/06/09	09/06/09	09/06/09			09/06/09	10/06/10	07/06/11	04/06/12	28/06/13	Total
Resolution number	22	22	22	22	22	22	17+18	17+18	17+18	17+18	17+18	17+18	17+18			17+18	17+18	16+17	17	25	
Meeting Date of the Board of Directors or Executive Board	04/09/07	25/07/08	23/07/09	23/07/09	22/02/10	22/02/10	22/02/10	22/02/10	22/02/10	01/10/10	01/10/10	06/09/11	06/09/11	24/07/13	24/07/13	To be held	To be held	To be held	To be held	To be held	
Resolution number	1st	1st	1st	2nd	1st	2nd	3rd	4th	5th	1st	2nd	3rd	3rd	5th	6th						

Type of securities issued	**BS 1.1**	**BS 1.2**	**BS 1.3**	**BS 1.4**	**BS 1.5**	**BS 1.6**	**BS 2.1**	**BS 2.2**	**BS 2.3**	**BS 2.4**	**BS 2.5**	**BS 2.6**	**BS 2.7**	**BS 3.1**	**BS 3.2**	**BS 4**	**BS 5**	**BS 6**	**BS 7**	**BS 8**	
	(1)	(1)	(1)	(1)	(1)	(1)	(2)	(2)	(2)	(2)	(2)	(2)	(2)			(1)	(3)	(4)	(5)	(6)	
Initial terms and conditions																					
Number of free shares to be allotted														7500	44500	164500	0	0	120000	1178406	1,502,906
Total number of free shares granted	296000	60500	18500	10000	33334	17666	15667	33333	6500	9500	38000	6000	28500	7500	44500	0	0	0	0	0	625,500
Category of shares to be subscribed	O	O	O	O	O	O	O	O	O	O	O	O	O	O	O	O	O	O	O	O	
Beneficiaries (see foot of table)	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
Par value of Valneva share	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €	0.15 €	
Subscription price per share	free	free	free	free	free	free	free	free	free	free	free	free	free	free	free	free	free	free	free	free	
Potential capital increase	44,400 €	9,075 €	2,775 €	1,500 €	5,000 €	2,650 €	2,350 €	5,000 €	975 €	1,425 €	5,700 €	900 €	4,275 €	1,125 €	6,675 €	22,815 €	0 €	0 €	18,000 €	176,761 €	311,461 €
Potential share premium	none	none	none	none	none	none	none	none	none	none	none	none	none	none	none	none	none	none	none	none	
Commencement of the exercise period	Various	Various	Various	Various	Various	Various	Various	Various	Various	Various	Various	Various	Various	Various	Various	To be set	To be set	To be set	To be set	To be set	
Expiry of exercise period	Various	Various	Various	Various	Various	Various	Various	Various	Various	Various	Various	Various	Various	Various	Various	To be set	To be set	To be set	To be set	To be set	
Conditions precedent for exercise	none	none	yes	yes	yes	yes	yes	yes	none	none	none	To be set	none	none	none	To be set	To be set	To be set	To be set	To be set	
Changes and situation at 31/12/2013																					
Number of bonus shares definitively granted	266000	44500	10500	5000	33334	17666	15667	0	0	0	33000	0	10000	0	0	0	0	0	0	0	435,667
Sums received by the company	none	none	none	none	none	none	none	none	none	none	none	none	none	none	none	none	none	none	none	none	none
Allocation to capital increase	39,900 €	6,675 €	1,575 €	750 €	5,000 €	2,650 €	2,350 €	0 €	0 €	0 €	4,950 €	0 €	1,500 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €	65,350 €
Allocation to share premium	none	none	none	none	none	none	none	none	none	none	none	none	none	none	none	none	none	none	none	none	
Number of free shares lapsed (not definitively granted)	30000	16000	8000	5000	0	0	0	0	2500	4000	5000	1500	18500	2000	0	164500	0	0	0	0	245,000
Number of beneficiaries remaining	0	0	0	0	0	0	0	1	6	7	0	7	0	6	18	To be set	To be set	To be set	To be set	To be set	
Number of free shares in force	0	0	0	0	0	0	0	33333	4000	5500	0	4500	0	5500	44500	0	0	0	120000	1178406	1,395,739
Potential capital increase	0 €	0 €	0 €	0 €	0 €	0 €	0 €	5,000 €	600 €	825 €	0 €	675 €	0 €	825 €	6,675 €	0 €	0 €	0 €	18,000 €	176,761 €	209,361 €
Closing share price at 31/12/2013	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €	4.16 €	
																EXPIRED	USED	USED			

Initial beneficiaries	be granted	Granted	Lapsed	Definitively granted	progress	be granted
BS issue 1.1: 23 employees incl. 3 officers.	436000	296000	30000	266000	0	0
BS issue 1.2: 11 employees		60500	16000	44500	0	0
BS issue 1.3: 13 employees		18500	8000	10500	0	0
BS issue 1.4: 2 employees		10000	5000	5000	0	0
BS issue 1.5: 1 officer.		33334	0	33334	0	0
BS issue 1.6: 1 officer.		17666	0	17666	0	0
BS issue 2.1 and BS issue 4: 1 officer.	290000	15667	0	15667	0	0
BS issue 2.2 and BS issue 4: 1 officer.		33333	0	0	33333	0
BS issue 2.3 and BS issue 4: 11 employees		6500	2500	0	4000	0
BS issue 2.4 and BS issue 4: 13 employees		9500	4000	0	5500	0
BS issue 2.5 and BS issue 4: 6 employees		38000	5000	33000	0	0
BS issue 2.6 and BS issue 4: 10 employees		6000	1500	0	4500	0
BS issue 2.7 and BS issue 4: 6 employees		28500	18500	10000	0	0
BS issue 4		0	152500	0	0	0
BS issue 3.1: 10 employees and BS issue 5:	7500	7500	2000	0	5500	0
BS issue 3.2: 17 employees and BS issue 6 & 7:	164500	44500	0	0	44500	120000
BS issue 8: to be set	1178406	0	0	0	0	1178406
Total	2076406	625500	245000	435667	97333	1298406

(1): Resolution 22 of the AGM of 31 March 2007 specified that the total amount of shares issued under this plan and the plan for share subscription options may not exceed 436,000 shares.

(2): Resolution 17 of the AGM of 9 June 2009 specified that the total amount of shares issued under this plan and the plan for share subscription options voted by resolution 16 of the same EGM of 09/06/2009 may not exceed 290,000 shares.
(3): Resolution 17 of the AGM of 10 June 2010 specified that the total amount of shares issued under this plan and the plan for share subscription options voted by resolution 16 of the same EGM of 10/06/2010 may not exceed 7,500 shares.

(4): Resolution 16 of the AGM of 6 June 2011 specified that the total amount of shares issued under this plan and the plan for share subscription options voted by resolution 15 of the same EGM of 09/06/2011 may not exceed 7,500 shares.

(5): resolution 16 of the AGM of 4 June 2012 specified that the total amount of shares issued under this plan and the plan for share subscription options voted by resolution 17 of the same EGM of 04/06/2012 may not exceed 157,000 shares.

(6): Resolution 25 of the AGM of 28 June 2013 specified that the total amount of shares issued under this plan and the plan for share subscription options voted by resolution 24 of the same EGM of 10/06/2010 may not exceed 2,231,356 shares.

OPTIONS TO SUBSCRIBE FOR SHARES AND COMPOUND SECURITIES (OVMC) ISSUED BY VIVALIS SA - AT 31 DECEMBER 2013 (updated 13 March 2014)

Potential dilutive effect on earnings per share.

	31/12/2013	31/12/12	31/12/11	31/12/10	31/12/09	31/12/08
Total number of ordinary B shares before exercise of rights attached to the OVMC and BS	55898115	21,462,529	21,117,443	20,993,647	14,799,131	14,613,031
Portion of earnings per share before exercise of rights attached to OVMC and BS	1/55898115	1/21462529	1/21117443	1/20993647	1/14799131	1/14613031
Total number of potential ordinary B shares to be created in the event of maximum exercise of rights attached to the OVMC et BS	3,882,555	801,135	1,142,634	1,306,505	1,575,650	1,209,000
(after allocation of all the OVMC and BS).						
Total number of potential ordinary B shares after maximum exercise of rights attached to the OVMC and BS	59,780,670	22,263,664	22,260,077	22,300,152	16,374,781	15,822,031
(after allocation of all the OVMC and BS).						
Eliminations due to ceilings imposed by the general meeting.	-1,297,056	-172,000	-134,500	-297,500	-290,000	0
Ceiling relating to SSO 9, BS 3 and BS 4	0	*0*	*-119,500*	*-290,000*	*-290,000*	*0*
Ceiling relating to SSO 10 and BS 3.1	0	*-7,500*	*-7,500*	*-7,500*		
Ceiling relating to SSO 11 and BS 3.2	0	*-7,500*	*-7,500*			
Ceiling relating to SSO 12 and BS 7, 3.2	-157,000	*-157,000*				
Ceiling relating to SSO 8, SSO 13 and BS 8	-1,140,056					
Total potential number of category A and category B shares after capped exercise of rights attached to the OVMC and BS	58,483,614	22,091,664	22,125,577	22,002,652	16,084,781	15,822,031
(after allocation of all the OVMC and BS).						
Proportion of profit per share after capped exercise of rights attached to OVMC and BS	1/58483614	1/22091664	1/22125577	1/22002652	1/16084781	1/15822031
Namely profit per share divided by	1.0463	1.0293	1.0477	1.0481	1.0869	1.0827

5.4. SUBSIDIARIES AND ASSOCIATES

Name	Share capital Equity (1)	nership interest Dividends (3)	carrying value of s arrying value of sh	Loans, advances (4 Guarantees (5)	Net sales (6) Profit or loss (7)
SUBSIDIARIES (>50%-held)					
SMOL Therapeutics	Simplified merger (TUP) at 30/12/2013				
Vivalis Toyama Japan (JPY thousands)	¥5,660,000 ¥25,513,000	100.00 % 0 €	46,471 € 46,471 €	606,822 € ¥87,819,000 0 €	¥102,882,000 -¥23,690,000
VALNEVA AUSTRIA GMBH	70,000 €	0 €	127,876,224 €	26,964,713 €	ND

(1): Equity = equity other than earnings and share capital
(2): Ownership interest = percentage held by Valneva at 31/12/2013
(3): Dividends = dividends received by Valneva in 2013
(4): Loans, advances = loans, financial advances, current account advances
(5): Guarantees = outstanding balance of guarantees given by Valneva
(6): Net sales = sales excluding tax
(7): Profit or loss = reported net income or loss of the last financial period

5.5. Market Risks

5.5.1 Interest rate risks

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

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

The Company has also obtained loans to finance its investments. At 31 December 2013, borrowings totalled €10,981,000 including fixed rate debt of €956,000 (See note 4.3.14). Floating rates are based on the 3-Month and 1-month Euribor or Codevi benchmarks.

At 31 December 2013, the Company was covered by two interest rate hedging contracts through its parent company. In consequence, its exposure to risks relating to variable-rate debt is limited.

5.5.2. Exchange rate risk

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

5.6. Subsequent events

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

2.3 REPORT OF THE SUPERVISORY BOARD TO THE SHAREHOLDERS (L225-68 OF THE FRENCH COMMERCIAL CODE)

VALNEVA
Société Européenne with a Management Board and a Supervisory Board
Share capital: €8,390,317.14
Registered office: 70, rue Saint Jean de Dieu, 69007 Lyon
Lyon Companies Register (RCS) No.: Identification no.: 422 497 560

SUPERVISORY BOARD REPORT

TO THE ANNUAL ORDINARY GENERAL MEETING OF JUNE 26, 2014

ARTICLE L.225-68 OF THE FRENCH COMMERCIAL CODE

To the Shareholders,

In accordance with Article L 225-68 of the French Commercial Code, we hereby present you our observations on the statutory and consolidated financial statements approved by the Management Board, as well as on the management reports submitted to the General Assembly Meeting of shareholders.

We inform you that the financial and consolidated statements for the year ended December 31, 2013, as well as the management reports, were submitted to the Supervisory Board in a timely manner with regard to legal and regulatory provisions.

The statutory financial statements for the year ended December 31, 2013 (French GAAP) show the following main items:

+ - Balance sheet: € 209,560 K
+ - Revenue: € 1,691 K
+ - Other results: €465 K
+ - Income: € -9,952 K

The consolidated financial statements for the year ended 31 December 2013 (IFRS) show the following main items:

+ - Balance sheet: € 254,391 K
+ - Revenue: € 30,445 K
+ - Income: € - 24,110 K

The members of the Supervisory Board, after having hearing the management reports and having proceeded to a review of the statutory and consolidated financial statements, have no

particular comment to make, whether concerning the Management Board reports, or concerning the statutory and consolidated financial accounts for the year ended December 31, 2013.

The members of the Supervisory Board also ask you to approve the agreements referred to in Article L.225-86 of the Commercial Code, duly authorized by your Supervisory Board. Your joint auditors were informed of these agreements. They present them to you and read you their special report.

Saint-Herblain,

April 18, 2014

THE SUPERVISORY BOARD

2.4 AUDITORS REPORT ON THE CONSOLIDATED AND STATUTORY ACCOUNTS 2013

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 (ex-VIVALIS)

Société Européenne

Gerland PlazaTechSud
70, rue Saint-Jean-de-Dieu
69007 Lyon

Statutory auditors' report on the consolidated financial statements

Year ended December 31, 2013

VALNEVA (ex-VIVALIS)

Société Européenne

Gerland PlazaTechSud
70, rue Saint-Jean-de-Dieu
69007 LYON

Statutory auditors' report on the consolidated financial statements

Year ended December 31, 2013

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking users. The Statutory Auditors' report on the consolidated financial statements includes information specifically required by French law in all audit reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

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

To the Shareholders,

In accordance with our appointment as statutory auditors at your Annual General Meeting, we hereby report to you for the year ended December 31, 2013 on:

- the audit of the accompanying consolidated financial statements of VALNEVA,
- the justification of our assessments;
- the specific verifications required by law.

The consolidated financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements, based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall

financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2013 and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the matter set out in Note 2 “Summary of significant accounting policies” to the consolidated financial statements regarding the non-comparability of 2012 and 2013 results.

II. Justification of our assessments

In accordance with Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters.

Intangible assets, the net amounts of which total €125.4 million as of December 31, 2013, have been subject to impairment tests in accordance with the methods set forth in the Note 2 “Summary of significant accounting policies” to the consolidated financial statements. We have examined the methods used to perform these tests based on value in use and reviewed the consistency of the assumptions used with forecasts taken from the strategic plans prepared for each of the activities or divisions under the Group’s control. We have also verified that the “Summary of significant accounting policies” note to the consolidated financial statements provides appropriate disclosure.

These assessments were performed as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of our opinion in the first part of this report.

III. Specific verifications

In accordance with professional standards applicable in France, we have also verified, pursuant to the law, the information relating to the Group given in the management report.

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

Neuilly-sur-Seine and Marseille, March 24, 2014

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
French original signed by	French original signed by
Thierry CHARRON	Vincent GROS

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VALNEVA (ex-VIVALIS)

Société Européenne

Gerland PlazaTechSud
70, rue Saint-Jean-de-Dieu
69007 Lyon

Statutory auditors' report on the statutory financial statements

Year ended December 31, 2013

VALNEVA (ex-VIVALIS)

Société Européenne

Gerland PlazaTechSud
70, rue Saint-Jean-de-Dieu
69007 LYON

Statutory auditors' report on the statutory financial statements

Year ended December 31, 2013

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

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

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2013 on:

- the audit of the accompanying financial statements of VALNEVA ;
- the justification of our assessments ;
- the specific verifications and information required by law.

These financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

I - Opinion on the financial statements

- We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sample techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2013 and of the results of its operations for the year then ended in accordance with French accounting principles.

Without qualifying our opinion, we draw your attention to the matter set out in the Note 4.1.1 to the financial statements on the merger between Vivalis and Intercell, which implies that fiscal years 2012 and 2013 cannot be relevantly compared.

II - Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters.

Intangible assets and investments in subsidiaries, the net amounts of which total respectively €17,167 million and €127,923 million as of December 31, 2013, have been subject to impairment tests in accordance with the methods set forth in the Note 4.2.8 to the statutory financial statements. We have examined the methods used to perform these tests based on value in use and reviewed the consistency of the assumptions used with forecasts taken from the strategic plans prepared for each of the activities or divisions under the Group's control. We have also verified that the Note 4.2.8 to the statutory financial statements provides appropriate disclosure.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific verifications and information

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

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Supervisory Board, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L.225-102-1 of the French Commercial Code (code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

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

Neuilly-sur-Seine and Marseille, March 24, 2014

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
French original signed by	French original signed by
Thierry CHARRON	Vincent GROS

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3. CORPORATE GOVERNANCE AND LEGAL INFORMATION

3.1 CORPORATE GOVERNANCE

3.1.1 Presentation of the Management and Supervisory Board members

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

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

The Company's governance, management and supervisory bodies are detailed below, specifying their new composition following the merger. A description of "pre-merger" governance, management and supervisory bodies can be found in section 14 of the Company's 2012 Registration Document.

3.1.1.1 Management Board

Management Board composition

Upon completion of the merger with Intercell AG on 28 May 2013, and in accordance with decisions 1 to 4 taken by the Company's Supervisory Board on 10 May 2013, the Management Board was composed of the following members:

Name	Offices and positions held outside the Company by the Management Board member in 2013	Other offices and positions held outside the Company in the last five fiscal years by the Management Board member
Thomas Lingelbach **Chairman of the Management Board, CEO** (Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Management functions and appointments:** » Managing Director of Valneva Austria GmbH (since August 2013) » President and CEO of Intercell Austria AG (April - August 2013) » Director (since 05 Dec 2006) and Managing Director of Valneva Scotland Ltd., formerly Intercell Biomedical Ltd. » Managing Director of Elatos GmbH (since December 2013) » Director (since 04 Aug 2009) and President & CEO (05 Nov 2012 – present) of Intercell USA Inc. **Supervisory Board:** » Chairman: Intercell Austria AG (until April 2013)	**Management functions and appointments:** » CEO – Intercell AG (2011-2013) » President & CEO (04 Aug 2009-10 May 2001) of Intercell USA Inc. **Other mandates and functions:** » COO - Intercell AG (2007-2011)
Franck Grimaud **Member of the Management Board, CBO and Managing Director** (Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Management functions and appointments:** » Managing Director and President of SMOL Therapeutics SAS (from September 11, 2013) – Company transferred to Valneva SE through transfer of its assets and liabilities on December 30, 2013. » President and Representative Director of Vivalis Toyama Japan KK. » Managing Director of Valneva Austria GmbH (since August 2013) **Directorships:** » Director of Grimaud Deyang Animal Co Ltd (China). » Director of Chengdu Grimaud Breeding Co Ltd (China).	**Management functions and appointments:** » President of Humalys (until January 3, 2011 – company transferred through transfer of its assets and liabilities) » CBO of Intercell Austria AG from May until August 2013 **Directorships:** » Member of the Board of Directors of TLC Pharma (France) until February 10, 2010
Majid Mehtali **Member of the Management Board** (Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Management functions and appointments:** » President of Smol Therapeutics SAS; » Representative Director of Vivalis Toyama Japan KK; » Managing Director of Valneva Austria GmbH	**Management functions and appointments:** » Managing Director of Humalys (until January 3, 2011-Company transferred trough transfer of its assets and liabilities) » CBO of Intercell Austria AG from May until August 2013

Name	Offices and positions held outside the Company by the Management Board member in 2013	Other offices and positions held outside the Company in the last five fiscal years by the Management Board member
Reinhard Kandera **Member of the Management Board, CFO** (Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Management functions and appointments:** » Managing Director of Valneva Austria GmbH (since August 2013) » CFO of Intercell Austria AG (April August 2013) » Director (since 30 Apr 2012) and Secretary (since 04 Aug 2009) of Valneva Scotland Ltd., formerly Intercell Biomedical Ltd. » Managing Director of Elatos GmbH (since December 2013) » Director and Secretary of Intercell USA Inc. **Supervisory Board:** » Vice- Chairman: Intercell Austria AG (until April 2013)	**Other mandates and Functions:** » CFO - Intercell AG (2009-2013) » CFO – Intercell USA, Inc. (04 Aug 2009-01 Feb 2012)

Please note that Majid Mehtali, former Member of the Management Board and Chief Scientific Officer of the Company, passed away in August 2013; on the filing date of this Registration Document, the Company's Management Board was thus composed of the three following members:

Thomas Lingelbach – Co-President; Chairman of the Management Board; CEO (age 50): Thomas Lingelbach graduated in 1989 with a Master Degree in Engineering (equivalent – "Dipl.Ing.") and complemented his education from 1999-2000 with a Business Administration program.

He was appointed President & CEO ("Président du Directoire") of Valneva S.E. in May 2013. Preceding the merger of Vivalis SA and Intercell AG resulting in Valneva S.E. he was Intercell's CEO as of May 2011. Thomas has more than twenty years of experience in the pharma and vaccines industry, having held a variety of leading positions of increasing international responsibility at Hoechst AG (1989-1993), Behringwerke AG (1993-1997), Chiron Vaccines (1997-2005), and Novartis Vaccines and Diagnostics (2005-2006), before joining Intercell in late 2006 as Chief Operating Officer. In his capacity as Chief Operating Officer he was appointed a member of the company´s Management Board in 2007.

His experience ranges broadly and deeply in the areas of Industrial Operations, Product Development, and Commercial Operations. At Intercell, Thomas Lingelbach has been inter alia chiefly responsible for the manufacturing and licensure in the U.S. and Europe of the company's first product, a vaccine to prevent Japanese Encephalitis. His direct responsibilities at previously Intercell and now Valneva besides the corporate agendas include Research &

Development, Project Management, Technical Operations and Product Quality & Safety. Thomas Lingelbach is also Managing Director of Valneva Scotland Ltd., Managing Director of Elatos GmbH, Managing Director of Valneva GmbH and President & CEO of Intercell USA Inc.

Franck Grimaud - Co-President; Member of the Management Board and President & CBO ("Directeur General") of Valneva S.E. since May 2013 (age 48): With a master in Business Administration at Ottawa University, Franck Grimaud was an organisation and management consultant for the introduction of standardised ISO 9000 quality procedures. He joined the Grimaud Group as development manager for Asia and was later made development manager in the Group's veterinary vaccine division, before becoming involved in the creation of Vivalis, where he served as Chairman of the Management Board. He went on to become a member of the Management Board and Managing Director of Valneva SE, but also CBO of Intercell Austria AG (until August 2013) and Managing Director of Valneva Austrial GmbH. Finally, he is Vice-Chairman of the Atlantic Biotherapy Competitiveness Cluster.

Reinhard Kandera – Member of the Management Board and CFO of Valneva S.E. since May 2013 (age 44); M. Kandera has been graduated in 1995 with a B.A. in business administration, and in 1996 with a B.A. (equivalent) in Law; in 1998, he completed a doctorate in law and in 2001 a doctorate in business administration. Following his graduation in 1996 Reinhard Kandera worked as research assistant at the law department of the Vienna University before joining Deutsche Bank in 1997 as client relationship manager in the Corporate and Investment Banking Division. In 2000 Reinhard became assistant to a Divisional Board member at the Deutsche Bank head offices in Frankfurt. In 2001 Reinhard joined Intercell AG as head of finance and in 2005, after the company's IPO, added the responsibility for investor relations. In 2008 Reinhard became CFO of Intercell's newly acquired US subsidiary and in 2009 he was appointed group CFO and member of the management board. Since the effectiveness of Intercell's merger with Vivalis SA to form Valneva SE, Reinhard is CFO and member of the management board of Valneva SE. Within Valneva group, Reinhard is also general manager (Geschäftsführer) of Valneva Austria GmbH and Elatos GmbH and director of Valneva Scotland ltd as well as Intercell USA Inc.

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

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

As far as the Company is aware:

- apart from Franck Grimaud, member of the Management Board of the Company, who is the second cousin of Frédéric Grimaud, Chairman of the Supervisory Board of the Company, there are no other family ties between the other members of the Company's Management Board and Supervisory Board;
- no Management Board member has been convicted of fraud over the last five years;
- no Management Board member has been associated with any bankruptcy, sequestration or liquidation proceeding over the last five years;
- no Management Board member has been the subject of any official public incrimination or sanction pronounced by any statutory or regulatory authorities (including professional bodies) over the last five years; and
- no Management Board member has been prevented by any court from acting as a member of any board of directors or management or supervisory body of an issuer, or from participating in the management or conduct of the business and affairs of an issuer over the last five years.

Management Board operating procedures as set out in the Company's Articles of Association

See Section 3.2.1.2 - “Corporate Governance”, of this Registration Document.

Internal Rules of the Management Board

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

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

Number of members/Meetings

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

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

Powers and distribution

The Management Board has the most extensive powers for acting in all circumstances in the name of the Company and shall exercise these within the limits of the Company object and subject to those expressly attributed by law to the Supervisory Board and to the General

Meetings of shareholders and those which require the prior authorization of the Supervisory Board, as specified in article 19 of the Company's Articles of Association.

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

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

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

- **Thomas Lingelbach**, President and CEO, Chairman of the Management Board:
  - Chair, Management Board
  - Technical Operations/Development
  - Human Resources / Internal communications
  - Clinical and commercial manufacturing
  - Quality and regulatory compliance
  - Clinical development, Medical product management and pharmacovigilance
  - Corporate Compliance.
- **Franck Grimaud**, President and CBO:
  - Corporate Development,
  - Business Development
  - Sales and Marketing,
  - Alliance Management,
  - Corporate and Investors communication
  - Legal Affairs
- **Reinhard Kandera**, CFO :
  - Accounting,
  - Controlling
  - Tax
  - Investor Relations
  - IT

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

- Scientific management and oversight,
- Intellectual property

- Pre-clinical R&D antibodies
- Pre-clinical R&D cell technologies,
- Pre-clinical R&D vaccines.

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

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

Delegation of Powers/Signing Authorities

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

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

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

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

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

Mutual Information

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

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

Reporting duty to the Supervisory Board

According article L225-68 alinea 4 of Commercial code, Management Board shall quarterly submit to the Supervisory Board a written report on the course of the business and the Company ‘affair.

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

Confidentiality

In compliance with article L225-92 of the commercial Code, all members of the Management Board or people attending Board meetings are bound by professional secrecy with respect to discussions and deliberations of the Board as well as any information they may receive in the course of their duties.

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

Compliance

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

3.1.1.2 Supervisory Board

Supervisory Board composition

Upon completion of the merger with Intercell AG on 28 May 2013, and in accordance with the resolutions of of the Company's General Meetings of 12 December 2012 (Resolutions 2, 5 and 6) and 7 March 2013 (Resolutions 12 to 15), the Supervisory Board was composed of the following members:

Name	Appointments and functions exercised by Supervisory Board members outside the Company in 2013	Other appointments and functions exercised by Supervisory Board members outside the Company in the last five years
Frédéric Grimaud **Chairman of the Supervisory Board** (Appointed by the EGM of 12 December 2012, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Management functions and appointments:** » Chairman of the Management Board of the Grimaud Group » Chairman of Grimaud Frères Sélection SAS » Chairman of Hypharm SAS » Chairman of Filavie SAS » Chairman of HUBBARD SAS until 31 January 2013 » Permanent representative of Hubbard Holding SAS as CEO of HUBBARD SAS since 1 February 2013 » Chief Executive Officer of HUBBARD HOLDING SAS » Chairman of the Board of Directors of Chengdu Grimaud Breeding Farm Ltd » Chairman of the Board of Directors of Grimaud (Putian) Breeding Farm Co Ltd (China) » Chairman of the Board of Directors of Grimaud (Deyang) Animal Health Co Ltd (China) » Chairman of Hubbard LLC (United States) » Chairman of Novogen » Member of the Steering and Management Committee of La Couvée SAS » Chairman of Grimaud Vietnam Company » Chairman of Choice Genetics SAS » Chairman of the Board of Directors of Pen Ar Lan SA » Chairman of GALOR SAS since 18 November 2013 » Chairman of BLUE GENETICS HOLDING since 31 May 2013 » Chairman of the Board of Directors of Blue Genetics Mexico since 26 July 2013 **Other directorships:** » Grimaud Italia SRL (Italy) » Choice Genetics USA LLC » Chairman of the Council of Choice Genetics Vietnam since 20 January 2013 **Supervisory Board:** » Supervisory Board member of Hubbard Polska Sp Zoo (Poland) » Permanent representative of the Grimaud Group as Supervisory Board member of France Food Alliance SAS » Supervisory Board member - Intercell Austria AG	**Management functions and appointments:** » Chairman of Grimaud Freres Selection SAS » Chairman of the Board of Directors of La Canarderie de la Ronde SA until 19 June 2006 » Chairman of the Board of Directors of Couvoir du Moulin Brûlé SA until 29 April 2008 » Chairman of the board and CEO of Grimaud Farms of California Inc. (United States) until 31 July 2008 » Chairman of Canarderie de la Ronde until 25 June 2009 **Directorships:** » Director of Hubbard Co Ltd (Asia) (Thai company voluntary liquidated on 12 February 2010) » Director of Hubbard Holding co Ltd (Thai company voluntary liquidated on 12 February 2010) » Director of Bucolica NV (Holland) until 13 March 2010 » Chairman of the Board of Directors of Grimaud (Malaysia) SDN BHD (voluntary liquidated)

Name	Appointments and functions exercised by Supervisory Board members outside the Company in 2013	Other appointments and functions exercised by Supervisory Board members outside the Company in the last five years
Alain Munoz **Member of the Supervisory Board** (Appointed by the EGM of 12 December 2012, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Supervisory Board:** » Member of the Supervisory Board of Zealand Pharma (Denmark) » Member of the Supervisory Board of Auris Pharma (Switzerland) » Member of the Supervisory Board of Medesis Pharma SA » Member of the Supervisory Board of Genticel SA » Supervisory Board member - Intercell Austria AG **Director:** » Director of Hybrigenics SA **Other appointments:** » Manager: SARL Science and Business Management »	**Management functions and appointments:** » Chairman of Amistad Pharma SAS **Supervisory Board:** » Chairman of the Supervisory Board of Novagali Pharma » Member of the Supervisory Board of Erytech SA
Michel Greco **Member of the Supervisory Board** (Appointed by the EGM of 12 December 2012, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Chairman:** » Noraker SAS (France) **Chairman of the Board:** » Glycovaxyn (Switzerland) **Director:** » Immutep » Texcell **Supervisory Board:** » Supervisory Board member - Intercell Austria AG **Other appointments:** » Chairman of Hospital St-Joseph, St-Luc de Lyon » Director of the Fourvière Hospital of Lyon » Deputy Administrator and Director of the Industrial Pharmacy Institute of Lyon (IPIL) WHO: Chairman of the " Measles Project" group and the "new vacccines STOP TB Working Group"	**Supervisory Board:** » Chairman of the Supervisory Board - Intercell (Austria) until December 2012 **Directorships:** » Director - Vakzine Project management (VPM) (Germany) until September 2008 » Director of Vaxgen (United States) (2003-2008) » Director of IVI "International Vaccine Institute" (Korea) until 2010 » Director of Argos Therapeutics (United States) until start of 2012 » Director of IAVI (New York) – 2003-2012 » Director or Aeras TB Vaccines Foundation (Washington 2003-2012)
James Sulat **Member of the Supervisory Board** (Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Directorships:** » Chairman of the Board of Directors – Momenta Pharmaceuticals Inc. **Supervisory Board:** » Vice-Chairman Supervisory Board - Intercell Austria AG **Management functions and appointments:** » Chief Executive Officer, Chief Financial Officer and Member of the Board of Directors – Maxygen Inc.	**Supervisory Board:** » - Member of the Supervisory board of Intercell AG (2005 to present) **Directorships:** » - Chairman of the Board of Directors – Momenta Pharmaceuticals Inc. (2008 to present) **Management functions and appointments:** » - Chief Executive Officer, President, Chief Financial Officer and Member of the Board of Directors – Memory Pharmaceuticals Corp. (2005-2008)

Name	Appointments and functions exercised by Supervisory Board members outside the Company in 2013	Other appointments and functions exercised by Supervisory Board members outside the Company in the last five years
Hans Wigzell **Member of the Supervisory Board** (Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Directorship:** » Member of the Board of Directors– Karolinska Development AB » Member of the Board of Directors – Raysearch AB » Member of the Board of Directors – SOBI AB » Member of the Board of Directors – Sarepta Therapeutics **Supervisory Board:** » Member of the Supervisory Board - Intercell Austria AG **Other functions and appointments:** » President – Stockholm School of Entrepreneurship	**Supervisory Board:** » Member of the Supervisory Board of Intercell AG
Alexander Von Gabain **Member of the Supervisory Board** (Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Supervisory Board:** Member of the Supervisory Board – Functional Genetics » Chairman of the Supervisory Board – INiTSUniversitäresGründerservice Wien GmbH » Member of the Governing Board of the European Institute of Innovation and Technology (EIT) » Chairman of the Governing Board of the European Institute of Innovation and Technology (EIT) » Chairman of the Supervisory Board - Intercell Austria AG **Other functions and appointments:** » Professor of microbiology – Max Perutz Laboratories of the University of Vienna » Foreign Associate Professor - Karolinska Institute » Scientific advisor - Zytoprotec Ltd. » Member of the WHO Stop Tuberculosis Committee	**Supervisory Board:** » Member of the Supervisory Board – Intercell AG » Member of the Supervisory Board – TVM Capital **Other functions and appointments:** » Scientific and strategy consultant for the Management Board – Intercell AG
Anne-Marie Graffin **Member of the Supervisory Board** (Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Directorships:** » Member of the Board of Directors – Themis Bioscience GmbH **Supervisory Board** Member of the Supervisory Board – Nanobiotix » Member of the Supervisory Board - Intercell Austria AG **Other mandates:** » Managing Partner of SARL SMAG Consulting	**Directorships:** 2008 to 2010: Member of the Board of Directors - Sanofi Pasteur MSD S.A Spain » Member of the Board of Directors - Sanofi Pasteur MSD S.A Portugal » Member of the Board of Directors - Sanofi Pasteur MSD Limited UK » Member of the Board of Directors - Sanofi Pasteur MSD Limited Ireland » Member of the Board of Directors - Sanofi Pasteur MSD S.A Portugal

Frédéric Grimaud - Chairman of the Supervisory Board (age 49): After setting up a company providing services to businesses in the field of motivational management of human resources and quality, he joined the Grimaud family group in 1988, initially taking on commercial responsibilities in France. At the beginning of the 1990s, he headed the group's

international development and later become involved in initiating *biotech* projects before assuming general management responsibilities and finally the chairmanship of the Management Board of Grimaud Group in the early 2000s.

Alain Munoz - Supervisory Board member (age 64): A graduate in cardiology and anaesthesia/resuscitation, Alain Munoz is a doctor, former staff doctor and hospital clinic manager. After being Vice-President of international development at Sanofi, he was Senior Vice-Chairman of the pharmaceutical division of the Fournier Group for ten years. Under his management, a number of drugs received international marketing licences (in particular Adenocard®, Cordarone®, Plavix®, Tricor®, and Esclim®). Dr Munoz is a former member of the Scientific Council ("Scientific Advisory Board") of the Drugs Agency (*Agence du Médicament)*. He runs his own company focusing on the development of drugs and is an Management Board member of several European biotechnology companies.

Michel Greco - Supervisory Board member (age 70): Michel Greco is a graduate of the Institute of Political Science (*Institut d'Etudes Politiques*) in Paris (1965) and holds an MBA from Western Ontario University / Richard Ivey Business School (Canada, 1968). Deputy Managing Director and Management Board member of Aventis Pasteur for five years, Michel Greco has 35 years' experience in the pharmaceutical and vaccine industry. He is currently member of the Board of Immutep, Texcell, Noraker and Synthelis.

James Sulat – Supervisory Board member (age 63) - Mr Sulat, an American national, holds Master's Degrees in Business Administration and Health Administration from Stanford University. Mr Sulat has been a member of the Intercell AG Supervisory Board since January 2005. Mr Sulat currently serves as Vice-Chair of the Supervisory Board and Chairman of the Company's Audit and Governance Committee. He has also served as a member of the Board of Directors of the biopharmaceutical company Momenta Pharmaceuticals, Inc. since June 2008 and as Chairman of the Board of Momenta since December 2008. Mr Sulat served as Chief Executive Officer and Chief Financial Officer of the biopharmaceutical company Maxygen, Inc. from October 2009 until June 2013, while also serving on the Board of Directors. He also served as Chief Executive Officer, President, Chief Financial Officer and member of the Board of Directors of Memory Pharmaceuticals Corp. Mr Sulat further served as Chief Financial Officer of R.R. Donnelley & Sons Co., of Chiron Corporation and of Stanford Health Services, Inc.

Hans Wigzell – Supervisory Board member (age 75) - A Swedish national, Professor Wigzell holds Doctorates in medicine and science from Karolinska Institute. Prof. Wigzell has been a member of the Intercell AG Supervisory Board since May 2006. He also sits on the Boards of Directors of Karolinska Development AB,Raysearch AB, SOBI AB and Sarepta

Therapeutics. He has been President of the Stockholm School of Entrepreneurship since 2000.

Alexander Von Gabain – Supervisory Board member (age 64) - An Austrian national, Professor Alexander von Gabain holds a Doctorate in molecular biology from the University of Heidelberg, Germany. One of the co-founders of Intercell AG, Professor von Gabain was elected as a member of the Intercell AG Supervisory Board by the General Meeting of Shareholders of 10 June 2011. His term began on 1 July 2011. He currently serves as a scientific and strategy consultant for the Management Board of Intercell AG. He is a Professor of microbiology at the Max Perutz Laboratories of the University of Vienna and a foreign Associate Professor at Karolinska Institute in Stockholm, Sweden. He has acted as scientific consultant for the biotechnology company Zytoprotec Ltd. in Vienna since 2012 and as a member of the Supervisory Board of Functional Genetics in Gaithersburg since 2009. He also serves as Chairman of the Supervisory Board of INiTS Universitäres Gründerservice Wien GmbH, an organisation associated with Viennese universities that aims to provide entrepreneurial support for new companies. Finally, he is a member of the WHO Stop Tuberculosis Committee. He has had a seat on the Governing Board of the European Institute of Innovation and Technology (EIT) since 2008, and has served as Chairman of the Board since September 2011.

Anne-Marie Graffin – Supervisory Board member (age 52) – A French national, Ms Anne-Marie Graffin holds a degree from ESSEC Paris. After beginning her pharmaceutical career in the group Fournier (URGO Soin et Santé) and Johnson & Johnson (RoC SA), Ms Graffin joined Sanofi Pasteur MSD in 1998. She rose from the position of Executive Director to that of Vice-President for Business Management, and finally to European Vice-President President Office with a seat on the Executive Committee until 2010. Today, Ms Graffin is an expert and independent director for industrial pharmaceutical companies and biotechnology firms. Ms Anne-Marie Graffin is a director of the Austrian company Themis Bioscience GmbH and of the company Nanobiotix.

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

As far as the Company is aware:

+ apart from Frédéric Grimaud, second cousin of Franck Grimaud, Management Board member of the Company, there are no other family ties between the other members of the Company's Supervisory Board;
+ no member of the Supervisory Board has been convicted of fraud over the last five years;

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

Supervisory Board operating procedures as set out in the Company's Articles of Association

See Section 3.2.1.2 - “Corporate Governance”, of this Registration Document.

Internal Rules of the Management Board

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

Independence and duty to speak

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

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

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

Independence and conflict of interest

Each Member shall do his or her best effort to avoid any conflict arising between his or her interests and the Company’s corporate interest. He or she shall inform the Board as soon as

he or she becomes aware of any conflict of interests or potential conflict of interests, and subsequently refrain from taking part in discussions and voting on any related resolutions.

Loyalty and good faith

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

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

Confidentiality

In accordance with article L.225-92 of the French Commercial Code, each Member and Attendee shall be bound by professional secrecy with respect to discussions and deliberations of the Board and committees of the Board, as well as any information he or she may receive in the course of his or her duties.

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

Insider policy

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

Diligence

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

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

Professionalism

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

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

Committees – common provisions

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

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

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

3.1.1.3 Committees

Nomination and compensation Committee

Composition

The nomination and compensation Committee is composed of 4 Members, as follows:

+ Alain MUNOZ, Chairman of the Committee
+ Michel GRECO
+ Alexander VON GABAIN
+ Anne-Marie GRAFFIN

The Committee meets as often as the interests of the Company require, and at least two (2) times per year.

Mission

The Committee issues proposals to the Board on all aspects of managers' appointment and remuneration.
It draws up succession plans for corporate officers and Members of the Supervisory Board so as to be able to propose replacements to the Supervisory Board when a seat falls vacant.
As part of its mission, the Committee shall have the following specific responsibilities:

a) With respect to appointments, the Committee shall:

+ issue recommendations on the appropriateness of appointments, revocation, dismissal and renewal of appointment of the Members and Chairman of the supervisory Board, of members and Chairman of the Committees and of members and Chairman of the Management Board, and to issue recommendations on the candidates consid-

ered, in terms of expertise, availability, appropriateness and complementarity with other Members and Management Board members;

+ be in a position at any time to formulate proposals on potential successors to the Chairman of the Management Board or to the Chairman of the Supervisory Board; and
+ issue recommendations, upon Management Board request, on the acceptance of and resignation by the Company from any office as member of the board of directors or any equivalent body of another company and on the appointment and dismissal of permanent representatives of the Company on such board of directors or equivalent bodies;

b) In the area of remuneration, the Committee shall:

+ examine and make proposals with respect to the various components of corporate officers' (including Management Board members) remuneration, the allocation of incentive bonuses and all the provisions relating to retirement benefits and any other kind of benefit;
+ ensure the consistency of these rules with the annual assessment of the corporate officer's performance and with the Company's strategy, and verify that these rules are applied properly;
+ make recommendations to the Supervisory Board relating to the overall amount of Members' attendance fees to be proposed to the general meeting of shareholders and on the allocation of these attendance fees between Members of the Supervisory Board;
+ examine the Management Board's policy and projects with respect to rights issues reserved to employees; and
+ assist the Board in the drafting of sections of the annual report that fall within its scope.

Audit and governance Committee

Composition

The Audit and Governance Committee is composed of 3 Members, as follows:

+ James SULAT, Chairman of the Committee
+ Michel GRECO
+ Hans WIGZELL

The Committee meets as often as the interests of the Company require, and at least two times per year.

Mission

The Committee shall deal with questions of accounting and audit and prepare the adoption of the financial statements and monitor the implementation of proper risk management processes. In addition, the Committee shall monitor the independence of the statutory auditors, especially with respect to the additional services provided to the Company (audit-related and non-audit-related services).The Committee shall review the reports issued by the statutory auditors, the Management Board and the Supervisory Board.

The Committee shall also provide advice on and monitor the implementation of the corporate governance and corporate compliance policies of the Company.

As part of its purpose, the Committee shall have the following specific responsibilities:

- review, audit and monitor the implementation of and issue recommendations on the following items:
  - scope of consolidation , accounting methods and audit procedures ;
  - quarterly, half-yearly and annual financial statements, and in particular provisions, material risks and off-balance sheet commitments;
  - accounting positions relating to material transactions;
  - proposed adoptions of material changes to accounting methods;
  - Company's financial position;
  - review by the statutory auditors of the half year and annual statutory accounts and consolidated financial statements; and
  - procedures for preparing information provided to shareholders and to the market and Company press releases relating to accounting and financial information;
- oversight of the statutory auditors and monitoring of the independence of the statutory auditors:
  - steering of the selection procedure applicable to the statutory auditors;
  - submission of recommendations to the Board on the Management Board 's proposals to the general meeting of shareholders with respect to appointing, replacing and reappointing the statutory auditors;
  - assessment of the amount of fees paid to the statutory auditors and recommendation thereon to the Management Board; and
  - monitoring that the statutory auditors comply with the rules governing their independence;

- oversight of internal audit procedures and monitoring the efficiency of internal and risk management procedures:
  - » submission of recommendations on the mission and organization of the Company's internal audit department and its action plan;
  - » review of the main conclusions made by the internal audit department within its work, followed by a report to the Board; and
  - » review of the contribution of the internal audit department within the evaluation of the risk management process and of the internal control.

The Committee meets prior to any Supervisory Board meeting called to deliberate on the review or approval of the financial statements, the financial management report, presentation of budgets for the coming year, or the review of risks and internal control procedures.

The Committee's review of the financial statements shall be accompanied by a presentation by the statutory auditors highlighting the key points not only of the results but also of the accounting choices made, and a presentation by the finance department of the Company's risk exposure and significant off-balance sheet commitments.

Strategy Committee

A strategy Committee has been provided within the Internal Rules of the Supervisory Board. However, this Committee is not yet effective.

The main provisions relating to this Committee in the Internal Rules of the Supervisory Board are hereinafter detailed:

Composition and operation

The strategy Committee shall be composed of at least three Members or their permanent representatives appointed by the Supervisory Board.

The Committee shall meet as often as the interests of the Company require, and at least two times per year.

Quorum and majority

Decisions of the Committee shall be valid if taken by a simple majority of votes cast at the meeting with no casting vote for the Chairman in the event of a tie. Such decisions shall be validly adopted only if at least half of the members are present or represented or are deemed to be present.

Mission

The Committee shall:

- review and issue recommendations to the Supervisory Board on projects for the strategic plans and annual budgets of the Company drawn up by the Management Board. In this respect, the Committee may interview the Management Board members on the assumptions applied in drawing up the said plans;
- review and issue recommend at ions to the Supervisory Board on the creation of any business division or subsidiary, on investments in any business division or on the acquisition of any equity interest in a country in which the Company does not operate;
- review and issue recommendations to the Supervisory Board on all proposed mergers, spin-offs or asset transfers in connection with the Company; and
- review and issue recommendation s to the Supervisory Board on any transaction entailing a significant alteration in the scope of the business activities of the Company and its subsidiaries.

3.1.1.4 Other members of the executive management

For a description of those members, please refer to section 4.2.1 of the Report by the Chairman of the Supervisory Board on the preparation and organization conditions of the Supervisory Board and the internal control procedures implemented by the Company, in compliance with the provisions of article L225-68 subsection 7 of the French commercial code, in Section 3.1.2 of this Registration Document.

3.1.1.5 Conflict of interests and service contracts

The Management Board and the Supervisory Board are respectively currently composed of three and seven members such as listed above (3.1.1.1 and 3.1.1.2 sections).

In addition to the Committees mentioned above (Section 3.1.1.3), the Company has five members of the Supervisory Board of the Company believes that they meet the independence criteria defined by the Code MiddleNext published in December 2009 (Recommendation # 8), namely:

"Four criteria are used to justify the independence of board members, which is characterized by the absence of contractual financial relationship or family that could compromise the independence of judgment:

- - Not being an employee or corporate officer of the company or of its affiliates and has not been during the last three years;
- - Not being a customer, supplier or banker of the company, its group or to which the Company or its Group represents a significant part of the activity;
- - Not being a reference shareholder of the company;

+ - Not having close family ties with a corporate officer or a significant shareholder;
+ - Not having been an auditor of the company for the past three years."

Moreover, with the exception of Frédéric Grimaud who is second cousin of Franck Grimaud, Management Board member of the Company, there is no family relationship between any other Supervisory Board members of the Company;

It should also be noted that until the merger in May 2013, Valneva (ex-Vivalis) was a subsidiary of Groupe Grimaud, in which Frédéric Grimaud is the CEO, and as such, Valneva has received benefits from its sister companies or its parent company until 31 December 2013. Indeed, under the terms of a "*Convention d'animation de groupe et d'autres prestations de services"*, Groupe Grimaud had the role to manage Vivalis/Valneva, member of the group, and to ensure its consistency and profitability. For this, Group Grimaud defined and controlled the policies and strategies in key functions: marketing, production, purchasing, research and development, human resources, finance, information systems, management and administration of companies.

In addition, the Grimaud Group had employees who performed for the Company, including the provision of services in the following areas:

+ Human Resources (including payroll),
+ Accounting, Tax, Treasury, Controlling and Finance, Purchasing,
+ IT, including:
  - » Access to networks group,
  - » Access to data servers,
  - » Access to internet, intranet and extranet,
  - » Use of hosted software, or whose licenses have been acquired, or have been the subject of internal development,
  - » Management of mail boxes.
+ Legal.

Where appropriate, Groupe Grimaud could also use external service providers specialized in the above fields to provide these services to the subsidiary.

In consideration of the items listed above, to the best knowledge of the Company, there is no potential conflict of interest between the duties, in respect of the Company, of the members of the Management Board and the Supervisory Board and their private interests and / or other duties.

To the best knowledge of the Company, there are no agreements or any agreement with certain major shareholders, customers, suppliers or others, pursuant to which a member of the Management Board or the Supervisory Board of the Company has been appointed in that capacity.

However, some restrictions were accepted in 2013 by the Management Board members of the Company, for the sale of their stake in the Company. Please, refer to Section 15.2 of the Annual Management Board Report 2013 of the Company, concerning the Shareholders ' agreement signed on July 5, 2013, between *Groupe Grimaud La Corbière*, *Bpifrance Participations*, M. Franck Grimaud, M. Majid Mehtali, M. Thomas Lingelbach and M. Reinhard Kandera.

3.1.2 Report of the Chairman of the Supervisory Board on the preparation and organization conditions of the supervisory board and the internal control procedures implemented by the company, and Report and the Statutory Auditors

VALNEVA
Société Européenne with a Management Board and a Supervisory Board
Share capital: €8,390,317.14
Registered office: 70, rue Saint Jean de Dieu, 69007 Lyon
Lyon Companies Register (RCS) No.: Identification no.: 422 497 560

REPORT BY THE CHAIRMAN OF THE SUPERVISORY BOARD ON THE PREPARATION AND ORGANIZATION CONDITIONS OF THE SUPERVISORY BOARD AND THE INTERNAL CONTROL PROCEDURES IMPLEMENTED BY THE COMPANY

IN COMPLIANCE WITH THE PROVISIONS OF ARTICLE L225-68 SUBSECTION 7 OF THE FRENCH COMMERCIAL CODE

To the shareholders,

In accordance with the provisions of article L. 225-68, subsection 7, I hereby report to you the terms of the report on:

- the composition of your board;
- the conditions for the preparation and organization of the work of your Supervisory Board for the fiscal year ended 31 December 2013;
- special procedures relating to participation of shareholders in the general meeting;
- the internal control procedures implemented by the company;
- risk management procedures;
- the principles and rules established for determining remuneration and benefits granted to officers.

This report was approved by the Supervisory Board on April 18, 2014.

This report was drawn up in the light of market recommendations and in particular guidelines established for small and mid-caps within the framework of the AMF recommendations set forth in the "Internal Control Reference Framework" published on 22 July 2010.

Name	Appointment	Shares owned as of 21 March 2014	Number of equity warrants at 21 March 2014
Frédéric Grimaud Chairman of the Supervisory Board	(Appointed by the EGM of 12 December 2012, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	235,127	0
Alain Munoz Member of the Supervisory Board	(Appointed by the EGM of 12 December 2012, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	41,800	3,750
Michel Greco Member of the Supervisory Board	(Appointed by the EGM of 12 December 2012, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	100	7,500
James Sulat Vice Chairman of the Supervisory Board Member of the Supervisory Board	(Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	13,500	0
Hans Wigzell Member of the Supervisory Board	(Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	0	0
Alexander Von Gabain Member of the Supervisory Board	(Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	» 22,048 ordinary shares » » 22,048 preferred shares	0
Anne-Marie Graffin Member of the Supervisory Board	(Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	0	0

In 2010 the Supervisory Board adopted the corporate governance code for small and mid-caps published in December 2009 by MiddleNext. The Company applies most recommendations of this code and presents in this report those recommendations not adopted and the reasons for this decision according to the "comply or explain" principle.

Furthermore, at its meeting on 21 March 2014, the Supervisory Board reviewed again the "vigilance points" of the MiddleNext code.

This report is based in large part on analysis and information collected by a steering committee under the direction of the Chairman of the Supervisory Board.

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Valneva SE (hereinafter “the Company” or “Valneva”) is a new European biotech company focusing on vaccines and antibodies, striving to become a leader in its field.

1. COMPOSITION OF THE SUPERVISORY BOARD

1.1 – Your Supervisory Board has seven members, all being individuals.

Frédéric Grimaud - Chairman of the Supervisory Board (age 49): After setting up a company providing services to businesses in the field of motivational management of human resources and quality, he joined the Grimaud family group in 1988, initially taking on commercial responsibilities in France. At the beginning of the 1990s, he headed the group's international development and later become involved in initiating *biotech* projects before assuming general management responsibilities and finally the chairmanship of the Management Board of Grimaud Group in the early 2000s.

Alain Munoz - Supervisory Board member (age 64): A graduate in cardiology and anaesthesia/resuscitation, Alain Munoz is a doctor, former staff doctor and hospital clinic manager. After being Vice-President of international development at Sanofi, he was Senior Vice-Chairman of the pharmaceutical division of the Fournier Group for ten years. Under his management, a number of drugs received international marketing licences (in particular Adenocard®, Cordarone®, Plavix®, Tricor®, and Esclim®). Dr Munoz is a former member of the Scientific Council ("Scientific Advisory Board") of the Drugs Agency (*Agence du Médicament)*. He runs his own company focusing on the development of drugs and is an Management Board member of several European biotechnology companies.

Michel Greco - Supervisory Board member (age 70): Michel Greco is a graduate of the Institute of Political Science (*Institut d'Etudes Politiques*) in Paris (1965) and holds an MBA from Western Ontario University / Richard Ivey Business School (Canada, 1968). Deputy Managing Director and Management Board member of Aventis Pasteur for five years, Michel Greco has 35 years' experience in the pharmaceutical and vaccine industry. He is currently member of the Board of Immutep, Texcell, Noraker and Synthelis.

James Sulat – Supervisory Board member (age 63) - Mr Sulat, an American national, holds Master's Degrees in Business Administration and Health Administration from Stanford University. Mr Sulat has been a member of the Intercell AG Supervisory Board since January 2005. Mr Sulat currently serves as Vice-Chair of the Supervisory Board and Chairman of the Company's Audit and Governance Committee. He has also served as a member of the Board of Directors of the biopharmaceutical company Momenta Pharmaceuticals, Inc. since June 2008 and as Chairman of the Board of Momenta since December 2008. Mr Sulat served as Chief Executive Officer and Chief Financial Officer of the biopharmaceutical company Maxygen, Inc. from October 2009 until June 2013, while also serving on the Board of Directors. He also served as Chief Executive Officer, President, Chief Financial Officer and member of the Board of Directors of Memory Pharmaceuticals Corp. Mr Sulat further served

as Chief Financial Officer of R.R. Donnelley & Sons Co., of Chiron Corporation and of Stanford Health Services, Inc.

Hans Wigzell – Supervisory Board member (age 75) - A Swedish national, Professor Wigzell holds Doctorates in medicine and science from Karolinska Institute. Prof. Wigzell has been a member of the Intercell AG Supervisory Board since May 2006. He also sits on the Boards of Directors of Karolinska Development AB,Raysearch AB, SOBI AB and Sarepta Therapeutics. He has been President of the Stockholm School of Entrepreneurship since 2000.

Alexander Von Gabain – Supervisory Board member (age 64) - An Austrian national, Professor Alexander von Gabain holds a Doctorate in molecular biology from the University of Heidelberg, Germany. One of the co-founders of Intercell AG, Professor von Gabain was elected as a member of the Intercell AG Supervisory Board by the General Meeting of Shareholders of 10 June 2011. His term began on 1 July 2011. He currently serves as a scientific and strategy consultant for the Management Board of Intercell AG. He is a Professor of microbiology at the Max Perutz Laboratories of the University of Vienna and a foreign Associate Professor at Karolinska Institute in Stockholm, Sweden. He has acted as scientific consultant for the biotechnology company Zytoprotec Ltd. in Vienna since 2012 and as a member of the Supervisory Board of Functional Genetics in Gaithersburg since 2009. He also serves as Chairman of the Supervisory Board of INiTS Universitäres Gründerservice Wien GmbH, an organisation associated with Viennese universities that aims to provide entrepreneurial support for new companies. Finally, he is a member of the WHO Stop Tuberculosis Committee. He has had a seat on the Governing Board of the European Institute of Innovation and Technology (EIT) since 2008, and has served as Chairman of the Board since September 2011.

Anne-Marie Graffin – Supervisory Board member (age 52) – A French national, Ms Anne-Marie Graffin holds a degree from ESSEC Paris. After beginning her pharmaceutical career in the group Fournier (URGO Soin et Santé) and Johnson & Johnson (RoC SA), Ms Graffin joined Sanofi Pasteur MSD in 1998. She rose from the position of Executive Director to that of Vice-President for Business Management, and finally to European Vice-President President Office with a seat on the Executive Committee until 2010. Today, Ms Graffin is an expert and independent director for industrial pharmaceutical companies and biotechnology firms. Ms Anne-Marie Graffin is a director of the Austrian company Themis Bioscience GmbH and of the company Nanobiotix.

(b) Supervisory Board members elected by employees: none.

(c) Shareholders' Observers (Censeurs): Maïlys FERRERE, BpiFrance Participations, Directrice d'investissement

(d) Co-optations: none

(e) Number of qualifying shares to be held by each Supervisory Board member: none

(f) Number of women members: in compliance with Article L225-37 of the French commercial code (law of 27 January 2011), we hereby report to you on the application of the principle for a balanced representation of women and men on the Board. Our Supervisory Board has one female member. If the proportion of female members in the Supervisory Board remains the same at the June 2014 shareholder meeting, the Company will not be in compliance with the statutory requirement that not less than 20% of Supervisory Board members are female as from the date of that meeting.

(g) Mandate period: Recommendation 10 of the MiddleNext code does not impose provisions with respect to the term. In contrast, it is recommended that the Board ensure that the terms of appointments be adapted, within the limits established by the law to the specific characteristics of the company. The terms of Supervisory Board members are set by the Article of Associations at three years (one year being understood as the period between two consecutive annual general assemblies), in accordance with the law.

1.2 Other appointments held by Supervisory Board members and permanent representatives

Name	Appointments and functions exercised by Supervisory Board members outside the Company in 2013	Other appointments and functions exercised by Supervisory Board members outside the Company in the last five years
Frédéric Grimaud **Chairman of the Supervisory Board** (Appointed by the EGM of 12 December 2012, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Management functions and appointments:** » Chairman of the Management Board of the Grimaud Group » Chairman of Grimaud Frères Sélection SAS » Chairman of Hypharm SAS » Chairman of Filavie SAS » Chairman of HUBBARD SAS until 31 January 2013 » Permanent representative of Hubbard Holding SAS as CEO of HUBBARD SAS since 1 February 2013 » Chief Executive Officer of HUBBARD HOLDING SAS » Chairman of the Board of Directors of Chengdu Grimaud Breeding Farm Ltd » Chairman of the Board of Directors of Grimaud (Putian) Breeding Farm Co Ltd (China) » Chairman of the Board of Directors of Grimaud (Deyang) Animal Health Co Ltd (China) » Chairman of Hubbard LLC (United States) » Chairman of Novogen » Member of the Steering and Management Committee of La Couvée SAS » Chairman of Grimaud Vietnam Company » Chairman of Choice Genetics SAS » Chairman of the Board of Directors of Pen Ar Lan SA » Chairman of GALOR SAS since 18 November 2013 » Chairman of BLUE GENETICS HOLDING since 31 May 2013 » Chairman of the Board of Directors of Blue Genetics Mexico since 26 July 2013 **Other directorships:** » Grimaud Italia SRL (Italy) » Choice Genetics USA LLC » Chairman of the Council of Choice Genetics Vietnam since 20 January 2013 **Supervisory Board:** » Supervisory Board member of Hubbard Polska Sp Zoo (Poland) » Permanent representative of the Grimaud Group as Supervisory Board member of France Food Alliance SAS » Supervisory Board member - Intercell Austria AG	**Management functions and appointments:** » Chairman of Grimaud Freres Selection SAS » Chairman of the Board of Directors of La Canarderie de la Ronde SA until 19 June 2006 » Chairman of the Board of Directors of Couvoir du Moulin Brûlé SA until 29 April 2008 » Chairman of the board and CEO of Grimaud Farms of California Inc. (United States) until 31 July 2008 » - Chairman of Canarderie de la Ronde until 25 June 2009 **Directorships:** » Director of Hubbard Co Ltd (Asia) (Thai company voluntary liquidated on 12 February 2010) » Director of Hubbard Holding co Ltd (Thai company voluntary liquidated on 12 February 2010) » Director of Bucolica NV (Holland) until 13 March 2010 » Chairman of the Board of Directors of Grimaud (Malaysia) SDN BHD (voluntary liquidated)

Name	Appointments and functions exercised by Supervisory Board members outside the Company in 2013	Other appointments and functions exercised by Supervisory Board members outside the Company in the last five years
Alain Munoz[1] **Member of the Supervisory Board** (Appointed by the EGM of 12 December 2012, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Supervisory Board:** » Member of the Supervisory Board of Zealand Pharma (Denmark) » Member of the Supervisory Board of Auris Pharma (Switzerland) » Member of the Supervisory Board of Medesis Pharma SA » Member of the Supervisory Board of Genticel SA » Supervisory Board member - Intercell Austria AG **Director:** » Director of Hybrigenics SA **Other appointments:** » Manager: SARL Science and Business Management	**Management functions and appointments:** » Chairman of Amistad Pharma SAS **Supervisory Board:** » Chairman of the Supervisory Board of Novagali Pharma » Member of the Supervisory Board of Erytech SA
Michel Greco[1] **Member of the Supervisory Board** » (Appointed by the EGM of 12 December 2012, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Chairman:** » Noraker SAS (France) **Chairman of the Board:** » Glycovaxyn (Switzerland) **Director:** » Immutep » Texcell **Supervisory Board:** » - Supervisory Board member - Intercell Austria AG **Other appointments:** » Chairman of Hospital St-Joseph, St-Luc de Lyon » Director of the Fourvière Hospital of Lyon » Deputy Administrator and Director of the Industrial Pharmacy Institute of Lyon (IPIL) » WHO: Chairman of the " Measles Project" group and the "new vacccines STOP TB Working Group"	**Supervisory Board:** » Chairman of the Supervisory Board - Intercell (Austria) until December 2012 **Directorships:** » Director - Vakzine Project management (VPM) (Germany) until September 2008 » Director of Vaxgen (United States) (2003-2008) » Director of IVI "International Vaccine Institute" (Korea) until 2010 » Director of Argos Therapeutics (United States) until start of 2012 » Director of IAVI (New York) – 2003-2012 » Director or Aeras TB Vaccines Foundation (Washington 2003-2012)
James Sulat[1] **Member of the Supervisory Board** (Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Directorships:** » Chairman of the Board of Directors – » Momenta Pharmaceuticals Inc. **Supervisory Board:** » Vice-Chairman Supervisory Board - Intercell Austria AG **Management functions and appointments:** » Chief Executive Officer, Chief Financial Officer and Member of the Board of Directors – Maxygen Inc.	**Supervisory Board:** » Member of the Supervisory board of Intercell AG (2005 to present) **Directorships:** » Chairman of the Board of Directors – Momenta Pharmaceuticals Inc. (2008 to present) **Management functions and appointments:** » Chief Executive Officer, President, Chief Financial Officer and Member of the Board of Directors – Memory Pharmaceuticals Corp. (2005-2008)

Name	Appointments and functions exercised by Supervisory Board members outside the Company in 2013	Other appointments and functions exercised by Supervisory Board members outside the Company in the last five years
Hans Wigzell[1] **Member of the Supervisory Board** (Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Directorship:** » Member of the Board of Directors– Karolinska Development AB » Member of the Board of Directors – Raysearch AB » Member of the Board of Directors – SOBI AB » Member of the Board of Directors – Sarepta Therapeutics **Supervisory Board:** » Member of the Supervisory Board - Intercell Austria AG **Other functions and appointments:** » President – Stockholm School of Entrepreneurship	**Supervisory Board:** » Member of the Supervisory Board of Intercell AG
Alexander Von Gabain[1] **Member of the Supervisory Board** (Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Supervisory Board:** » Member of the Supervisory Board – Functional Genetics » Chairman of the Supervisory Board – INiTSUniversitäresGründerservice Wien GmbH » Member of the Governing Board of the European Institute of Innovation and Technology (EIT) » Chairman of the Governing Board of the European Institute of Innovation and Technology (EIT) » Chairman of the Supervisory Board - Intercell Austria AG **Other functions and appointments:** » Professor of microbiology – Max Perutz Laboratories of the University of Vienna » Foreign Associate Professor - Karolinska Institute » Scientific advisor - Zytoprotec Ltd. » Member of the WHO Stop Tuberculosis Committee	**Supervisory Board:** » Member of the Supervisory Board – Intercell AG » Member of the Supervisory Board – TVM Capital **Other functions and appointments:** » - Scientific and strategy consultant for the Management Board – Intercell AG
Anne-Marie Graffin **Member of the Supervisory Board** (Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Directorships:** » Member of the Board of Directors – Themis Bioscience GmbH **Supervisory Board** » Member of the Supervisory Board – Nanobiotix » Member of the Supervisory Board - Intercell Austria AG **Other mandates:** » Managing Partner of SARL SMAG Consulting	**Directorships:** 2008 to 2010: » Member of the Board of Directors - Sanofi Pasteur MSD S.A Spain » Member of the Board of Directors - Sanofi Pasteur MSD S.A Portugal » Member of the Board of Directors - Sanofi Pasteur MSD Limited UK » Member of the Board of Directors - Sanofi Pasteur MSD Limited Ireland » Member of the Board of Directors - Sanofi Pasteur MSD S.A Portugal

[1] *Independent Member*

The AMF report on corporate governance and internal control of 8 December 2009 (§ 1.3.1) draws attention to the issue of multiple appointments. The different members of the Supervi-

sory Board comply with the rules governing the holding of multiple appointments provided for in articles L225-21 and L233-16 of the French commercial code. Indeed, the members of the Supervisory Board do not simultaneously hold more than five appointments as Director or member of the Supervisory Board of companies, the head office of which is located in France, being understood that are not taken into account the directorships or supervisory board membership of companies which are controlled, within the meaning of Article L. 233-16, by the Company of which concerned member of the Supervisory Board is a director, and that directorships of companies whose shares are not quoted on a regulated stock market within the meaning of Article L. 233-16, and that are held by a single company, count as one directorship, subject to the number of such directorships held not exceeding five.

1.3 Independence of members of the Supervisory Board

1.3.1 Criteria for independence of the Supervisory Board members

We apply the criteria for the definition of independent Supervisory Board members as set forth in the MiddleNext code (recommendation No. 8):

“Four criteria have been retained to determine the independence of members of the board defined as the absence of any material financial, contractual or family relationship that could compromise their free exercise of judgment and notably, board members shall not:

- be a current employee or corporate officer of the company or a company of its group or have been so within the past three years;
- be a significant customer, supplier or banker of the company or its group, or for which the company or its group represents a significant part of its business;
- be a main shareholder of the company;
- be related by close family ties to an executive officer or a main shareholder;
- have been an auditor of the corporation within the previous three years."

1.3.2 Number of Supervisory Board members qualified as independent

According to the criteria for independence defined above, the Company considers that Messrs. Greco, Munoz, Sulat, Von Gabain and Wigzell meet all these criteria and are consequently independent members. Accordingly, in compliance with the recommendation of the MiddleNext code, the Board includes at least two independent members (recommendation no. 8).

1.3.3 Conflicts of interest involving the Management Board, Supervisory Board and general management bodies

With the exception of Frédéric Grimaud who is second cousin of Franck Grimaud, Management Board member of the Company, there is no family relationship between any other Supervisory Board members of the Company;

It should be noted that until the merger in May 2013, Valneva (ex-Vivalis) was a subsidiary of Groupe Grimaud, in which Frédéric Grimaud is the CEO, and as such, Valneva has received benefits from its sister companies or its parent company until 31 December 2013. Indeed, under the terms of a "*Convention d'animation de groupe et d'autres prestations de services"*, Groupe Grimaud had the role to manage Vivalis/Valneva, member of the group, and to ensure its consistency and profitability. For this, Group Grimaud defined and controlled the policies and strategies in key functions: marketing, production, purchasing, research and development, human resources, finance, information systems, management and administration of companies.

In addition, the Grimaud Group had employees who performed for the Company, including the provision of services in the following areas:

- Human Resources (including payroll),
- Accounting, Tax, Treasury, Controlling and Finance, Purchasing,
- IT, including:
  - Access to networks group,
  - Access to data servers,
  - Access to internet, intranet and extranet,
  - Use of hosted software, or whose licenses have been acquired, or have been the subject of internal development,
  - Management of mail boxes.
- Legal.

Where appropriate, Groupe Grimaud could also use external service providers specialized in the above fields to provide these services to the subsidiary.

In consideration of the items listed above, to the best knowledge of the Company, there is no potential conflict of interest between the duties, in respect of the Company, of the members of the Management Board and the Supervisory Board and their private interests and / or other duties.

To the best knowledge of the Company, there are no agreements or any agreement with certain major shareholders, customers, suppliers or others, pursuant to which a member of the Management Board or the Supervisory Board of the Company has been appointed in that capacity.

However, some restrictions were accepted in 2013 by the Management Board members of the Company, for the sale of their stake in the Company. Please, refer to Section 15.2 of the Annual Management Board Report 2013 of the Company, concerning the Shareholders ' agreement signed on July 5, 2013, between *Groupe Grimaud La Corbière*, *Bpifrance Participations*, M. Franck Grimaud, M. Majid Mehtali, M. Thomas Lingelbach and M. Reinhard Kandera.

1.3.4 Other persons present at Supervisory Board meetings

Management Board members are invited to attend every Supervisory Board meeting. Thomas Lingelbach, Chairman of the Management Board, Franck Grimaud, Managing Director, and Reinhard Kandera, CFO, have been present at all Supervisory Board meetings held since the merger with Intercell AG.

Also attending these meetings are Frédéric Jacotot, General Counsel and Secretary, and Maïlys FERRERE, as Observer.

The joint auditors are also invited to those Supervisory Board meetings that examine the half-year and annual financial statements.

2. CONDITIONS OF PREPARATION AND ORGANISATION OF THE WORK OF THE SUPERVISORY BOARD FOR THE FISCAL YEAR ENDED 31 DECEMBER 2013

2.1 - ROLE AND WORK OF THE SUPERVISORY BOARD OF VALNEVA

2.1.1 Role of the Board

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

It shall appoint the members of the Management Board and set their remuneration. It shall designate the Chairman of the Management Board and possibly the chief executive officers. It may also pronounce their dismissal under the conditions provided by law and by the Articles of Association of the Company.

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

It shall carry out the verifications and inspections which it considers appropriate at any time of the year and may order the forwarding of documents which it considers necessary for carrying out its mission.

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

(i) any assignment of property in kind;
(ii) any total or partial assignment of investments;
(iii) any establishment of sureties, as well as securities, endorsements and guarantees; and
(iv) any agreement referred to in article 22 of these Articles of association and subject, according to article L. 229-7 of the Commercial Code, to the rules set forth in articles L. 225-89 through L. 225-90 of the Commercial Code, which relates to the Supervisory Board's approval of regulated agreements, to the exception of agreements related to standard transactions concluded under ordinary conditions.

With a majority representing more than half of its members in office (i.e. for the first Supervisory Board, by a majority of 4 out of the 7 members in office), the Supervisory Board authorizes, prior to their conclusion, the following agreements and transactions:

(i) approval of the annual budget;
(ii) approval of the business plan;
(iii) appointment and revocation of the members of the Management Board (*Directoire*) and executive officers, decision on their remuneration and leaving terms;
(iv) submission of draft resolutions to the shareholders' meeting relating to any distribution (including distribution of dividends or reserves) to the shareholders;
(v) approval of material changes in accounting policies;
(vi) submission of draft resolutions to the extraordinary shareholders' meeting and exercise of delegations of authority or delegations of powers granted by the shareholders' meeting and relating to the issue of shares or securities granting access, immediately and/or in the future, to the share capital of the Company;
(vii) share capital reductions and share buy-back programs;
(viii) submission of draft resolutions to the shareholders' meeting relating to any amendment of the articles of association;
(ix) acquisition and disposal of business branches, equity interests or assets for an amount exceeding EUR 1 million as well as any lease management (*location-*

gérance) of all or part of the *fonds de commerce*, except for the transactions previously submitted and approved as part of the annual budget or business plan;

(x) assignments of rights relating to, and the licensing of antibodies, vaccines or related products for an amount exceeding EUR 1.5 million;

(xi) implementation of any capital expenditure for an amount exceeding EUR 1 million not previously submitted and approved as part of the annual budget;

(xii) implementation of any expense for recruiting a team for a total annual gross compensation (including social charges and withholding taxes) of EUR 1.5 million in the first year, and not previously submitted and approved as part of the annual budget;

(xiii) any implementation, refinancing or amendment to the terms of any borrowings (including any bonds) for an amount exceeding EUR 1 million, and not previously submitted and approved as part of the annual budget;

(xiv) allocation of options entitling their holders to subscribe to newly issued shares (*options de souscription d'actions*) or to acquire existing shares (*options d'acquisition d'actions*), allocation of free shares or other plans in favour of the Management Board members and key employees (*i.e* employees with an annual gross compensation in excess of EUR 100,000) ;any merger, spin-off , contribution, winding-up, liquidation or other reorganisation;

(xv) any merger, demerger, asset contribution, dissolution, liquidation or other restructurings;

(xvi) any settlement or compromise relating to any litigation of an amount exceeding EUR 500,000, provided that any settlement or compromise relating to a litigation of an amount exceeding EUR 250,000 will be reviewed by the audit committee of the Supervisory Board;

(xvii) any material change in the business; and

(xviii) any agreement or undertaking to do any of the foregoing.

At the annual Ordinary General Meeting, the Supervisory Board shall present its observations on the report by the Management Board, as well as on the annual financial statements to the Annual Ordinary General Meeting of shareholders.

The Supervisory Board may grant all of the special mandates or specific missions to one or several of its members, for one or several given objects.

The Supervisory Board may also appoint, from among its members, one or several specialised committees, the composition and attributions of which it shall set and which shall carry out their activities at its liability, without the said attributions having the object of delegating to the committees the powers exclusively attributed to the Supervisory Board by the law or

these Articles of Association, or the effect of reducing limiting the powers of the Supervisory Board.

2.1.2 Holding of the board meetings and attendance rate

Vivalis / Valneva Supervisory Board met 14 times in the 2013 fiscal year. The average attendance rate of the Supervisory Board such as composed prior to the merger was of 90% (over 5 meetings). The average attendance rate of the Supervisory Board such as newly composed pursuant to the merger was of 92,06% (over 9 meetings). The Supervisory Board members adhere in this respect to recommendation No. 7 of the MiddleNext code relating to Board conduct of business rules and notably meeting attendance.

A record of attendance is signed by all Supervisory Board members present.

However, it has to be noted that all members of the Supervisory Board, in its composition as of before and further to the merger with the company Intercell AG, could not necessarily be present at the mixed general meetings of shareholders held on March 7, 2013 and 28 June 2013; therefore, the Company did not comply in this respect with part of recommendation no. 7 of the MiddleNext code relating to Board conduct of business and notably meeting attendance.

Draft minutes are proposed for each meeting of the Supervisory board, that note all decisions of items on the agenda that are amended during the meeting as necessary. The minutes are submitted to every Supervisory Board member before the next Supervisory Board meeting, and are then approved and signed during such next Supervisory Board meeting.

2.1.3 Notification of meetings to Supervisory Board members and statutory auditors

Valneva establishes a provisional schedule for Supervisory Board meetings in year n for year n +1.

Furthermore, Valneva sends the Supervisory Board meeting notice approximately 8 days before it is to be held, by email to the Supervisory Board members, and by registered letter with acknowledgment of receipt for the joint auditors.

In advance of the Supervisory Board meeting, all documents, technical files and information necessary for the performance of their duties is provided to the seven members. The Management Board may inform Supervisory Board members of major events and provide all additional information outside meetings. The Company in consequence applies Recommendation 11 of the MiddleNext code.

Furthermore, Supervisory Board members are reminded of the confidential nature of items provided to them, including both the documents themselves as well as the accompanying e-mails or correspondence (MiddleNext Code Recommendation no. 7).

2.1.4 Purpose of meetings

For the period ended, the Supervisory Board, as composed under Vivalis, then for Valneva, reviewed and/or rendered decisions concerning the following subjects, classified by theme:

- Guarantee for Novartis International AG;
- Review of the statutory accounts for the period ended 31 December 2012, the Management Board report and the Management Board special reports;
- Review of the consolidated financial statements for the fiscal year ended 31 December 2012, and of the Management Board report related to these statements;
- Drafting of the Supervisory Board's report to the Annual General Assembly;
- Agenda and resolutions of the Annual General Assembly;
- Agreements of article L.225-86 of the Commercial Code;
- Review and agreement on the report of the Chairman of the Supervisory Board on the conditions for the organisation and preparation of the work of the Supervisory Board and internal control procedures implemented by the Company;
- Study of the policy with respect to equal treatment in the workplace and wages;
- Management Board report;
- Reviews of quarterly reports for 4 meetings out of 14;
- Validation of achievement of objectives as a condition for variable compensation of Management Board members for fiscal year 2012;
- Compensation of the Chairman of the Management Board and the Management Board members for the year 2013;
- Remuneration of Majid MEHTALI and Céline BREDA with respect to their employment agreement;
- Remuneration of the Chairman and Vice Chairman of the Supervisory Board;
- Appointment of the Management Board members from the registration of the company as *Société Européenne* in the Trade and Companies Register of Lyon;
- Compensation of the Chairman of the Management Board and the Management Board members from the merger;
- Appointment of the Vice Chairman of the Supervisory Board from the registration of the company as *Société Européenne* in the Trade and Companies Register of Lyon;
- Renewal of joint auditors' mandates and appointment of joint auditors;
- Guarantee to be granted to the company Biotech Growth N.V;

+ Review of the agenda et draft resolutions of the Combined Shareholder meeting 2013;
+ Powers to be granted to Michel Gréco, in order to appoint him President of the Combined Shareholder meeting 2013; confirmation of such power;
+ Information on the company's activities and status of the merger;
+ Review and modification of the internal rules of the Supervisory Board, change on the Committees' name.
+ Review and approval of the internal rules of the Management Board;
+ Appointment of Committees members
+ Amounts to be paid to the former members of the Supervisory Board of Intercell AG for the period between October 1, 2012 and May 27, 2013;
+ Information on the new health insurance coverage for the corporate officers of Valneva SE;
+ Approval on the Management agreement to be signed with Franck Grimaud, Managing Director;
+ Approval on the Management agreement to be signed with Majid Mehtali, Member of the Management Board;
+ Information on the share capital increase, and other financing (planning, main conditions, approval on the declaration of the working capital to be included in the prospectus filed within the AMF;
+ Preparation of the next Supervisory Board meeting to be held on july 2 and 3, 2013 in Lyon;
+ Confirmation of the share capital increase launch and signature of the guarantee agreement with Crédit Agricole Corporate, Investment Bank and Société Générale;
+ Review and approval of the minutes;
+ Authorization for the asset transfer agreement to be signed with the fully-owned subsidiary of BE Vaccine PTE Limited;
+ Agreement on the sale of the building A, 6 Rue Alain Bombard, 44821 Saint-Herblain, France;
+ Allocation of attendance fees;
+ Termination of the Group management Agreement with Grimaud Group;
+ Review of interim financial statements for the period ended 30 June 2013 and the report on operations of the Management Board;
+ Authorization of an intra-group loan agreement;
+ Strategic Projects update;
+ Closure of Vivalis Toyama Japan K.K., subsidiary of Valneva;

- Approval of the Code of Conduct;
- Authorization for the modification of the Management Board organization;
- Appointment of Ms. Anne-Marie GRAFFIN as member of the Nomination and Compensation Committee;
- Approval concerning the issuance of stock-options by the Management Board;
- Approval for the payment of the variable target-based compensation of Majid MEHTALI set for the year 2013, as a result of his capacity as Management Board member;
- JEV update;
- IC43-202 Steering Committee appointment;
- Additional provisions concerning the Management Board members that will benefit from the stock-option plan authorized by the Combined shareholders meeting dated June 28, 2013, and approved by the Supervisory Board dated August 29, 2013;
- Approval of an intercompany loan agreement between Valneva SE and Valneva Austria GmbH;
- Adjustments on the number of option that the Management Board is willing to grant for the new stock-option plan “Valneva 2013”;
- Review and approval of a loan transaction between Biopharma Secured Investments III Sub, S.À R.L. (“Biopharma”) on the one hand, and the Company, its Austrian subsidiary “Valneva Austria GmbH” ”Valneva Austria”) and its indirect subsidiary “Valneva Scotland Ltd” (“Valneva Scotland”) on the other hand; this transaction to include, among other things, a loan of USD 30,000,000 (as the principal amount) from Biopharma to Valneva Austria, a personal guarantee from the Company for the benefit of Biopharma, and a pledge of all Valneva Austria shares owned by the Company, as securities for all amounts owed to Biopharma under this loan;
- Guarantee to be given by the Company for the lease taken out by its subsidiary “Valneva Austria GmbH”;
- Change in the loan transaction approved by the Supervisory Board on December 6, 2013 (lender replacement);
- Expiration of share purchase warrants;
- Reports and proposals from Committees;
- 2014 Budget;
- Corporate and Strategic Development.

2.1.5 Internal Rules of the Supervisory Board

In compliance with recommendation no. 6 of the MiddleNext Code, the Valneva Supervisory Board has Internal Rules, which can be consulted on the Valneva site: www.valneva.com. A hardcopy can also be requested from the following address: VALNEVA, 6, rue Alain Bombard, 44821 SAINT-HERBLAIN CEDEX, FRANCE, or at the following e-mail address: investors@valneva.com.

This charter sets forth the missions and objectives of the Supervisory Board and its committees, as well as its operating procedures.

2.1.6 Evaluation of the work of the Supervisory Board

In compliance with Recommendation 15 of the MiddleNext Code, the Supervisory Board conducted an evaluation of its work on March 21, 2014, by responding to the self-evaluation questions associated with the checkpoints stated in the Middlenext Code.

2.2 COMMITTEES

In compliance with Recommendation no. 12 of the MiddleNext Code, the Company creates committees in light of its own situation.

2.2.1 Nomination and compensation Committee

Composition

The nomination and compensation Committee is composed of 4 Members, as follows:

- Alain MUNOZ, Chairman of the Committee
- Michel GRECO
- Alexander VON GABAIN
- Anne-Marie GRAFFIN

The Committee meets as often as the interests of the Company require, and at least two (2) times per year.

Mission

The Committee issues proposals to the Board on all aspects of managers' appointment and remuneration.

It draws up succession plans for corporate officers and Members of the Supervisory Board so as to be able to propose replacements to the Supervisory Board when a seat falls vacant.

As part of its mission, the Committee shall have the following specific responsibilities:

a) With respect to appointments, the Committee shall:

- issue recommendations on the appropriateness of appointments, revocation, dismissal and renewal of appointment of the Members and Chairman of the supervisory Board, of members and Chairman of the Committees and of members and Chairman of the Management Board, and to issue recommendations on the candidates considered, in terms of expertise, availability, appropriateness and complementarity with other Members and Management Board members;
- be in a position at any time to formulate proposals on potential successors to the Chairman of the Management Board or to the Chairman of the Supervisory Board; and
- issue recommendations, upon Management Board request, on the acceptance of and resignation by the Company from any office as member of the board of directors or any equivalent body of another company and on the appointment and dismissal of permanent representatives of the Company on such board of directors or equivalent bodies;

b) In the area of remuneration, the Committee shall:

- examine and make proposals with respect to the various components of corporate officers' (including Management Board members) remuneration, the allocation of incentive bonuses and all the provisions relating to retirement benefits and any other kind of benefit;
- ensure the consistency of these rules with the annual assessment of the corporate officer's performance and with the Company's strategy, and verify that these rules are applied properly;
- make recommendations to the Supervisory Board relating to the overall amount of Members' attendance fees to be proposed to the general meeting of shareholders and on the allocation of these attendance fees between Members of the Supervisory Board;
- examine the Management Board's policy and projects with respect to rights issues reserved to employees; and
- assist the Board in the drafting of sections of the annual report that fall within its scope.

2.2.2 Audit and governance Committee

Composition

The Audit and Governance Committee is composed of 3 Members, as follows:

- James SULAT, Chairman of the Committee
- Michel GRECO
- Hans WIGZELL

The Committee meets as often as the interests of the Company require, and at least two times per year.

Mission

The Committee shall deal with questions of accounting and audit and prepare the adoption of the financial statements and monitor the implementation of proper risk management processes. In addition, the Committee shall monitor the independence of the statutory auditors, especially with respect to the additional services provided to the Company (audit-related and non-audit-related services).The Committee shall review the reports issued by the statutory auditors, the Management Board and the Supervisory Board.

The Committee shall also provide advice on and monitor the implementation of the corporate governance and corporate compliance policies of the Company.

As part of its purpose, the Committee shall have the following specific responsibilities:

- review, audit and monitor the implementation of and issue recommendations on the following items:
  - scope of consolidation , accounting methods and audit procedures ;
  - quarterly, half-yearly and annual financial statements, and in particular provisions, material risks and off-balance sheet commitments;
  - accounting positions relating to material transactions;
  - proposed adoptions of material changes to accounting methods;
  - Company's financial position;
  - review by the statutory auditors of the half year and annual statutory accounts and consolidated financial statements; and
  - procedures for preparing information provided to shareholders and to the market and Company press releases relating to accounting and financial information;
- oversight of the statutory auditors and monitoring of the independence of the statutory auditors:
  - steering of the selection procedure applicable to the statutory auditors;
  - submission of recommendations to the Board on the Management Board 's proposals to the general meeting of shareholders with respect to appointing, replacing and reappointing the statutory auditors;

- » assessment of the amount of fees paid to the statutory auditors and recommendation thereon to the Management Board; and
- » monitoring that the statutory auditors comply with the rules governing their independence;

+ oversight of internal audit procedures and monitoring the efficiency of internal and risk management procedures:
  - » submission of recommendations on the mission and organization of the Company's internal audit department and its action plan;
  - » review of the main conclusions made by the internal audit department within its work, followed by a report to the Board; and
  - » review of the contribution of the internal audit department within the evaluation of the risk management process and of the internal control.

The Committee meets prior to any Supervisory Board meeting called to deliberate on the review or approval of the financial statements, the financial management report, presentation of budgets for the coming year, or the review of risks and internal control procedures.

The Committee's review of the financial statements shall be accompanied by a presentation by the statutory auditors highlighting the key points not only of the results but also of the accounting choices made, and a presentation by the finance department of the Company's risk exposure and significant off-balance sheet commitments.

2.2.3 Strategy Committee

A strategy Committee has been provided within the Internal Rules of the Supervisory Board. However, this Committee is not yet effective.

The main provisions relating to this Committee in the Internal Rules of the Supervisory Board are hereinafter detailed:

Composition and operation

The strategy Committee shall be composed of at least three Members or their permanent representatives appointed by the Supervisory Board.

The Committee shall meet as often as the interests of the Company require, and at least two times per year.

Quorum and majority

Decisions of the Committee shall be valid if taken by a simple majority of votes cast at the meeting with no casting vote for the Chairman in the event of a tie. Such decisions shall be validly adopted only if at least half of the members are present or represented or are deemed to be present.

Mission

The Committee shall:

- review and issue recommendations to the Supervisory Board on projects for the strategic plans and annual budgets of the Company drawn up by the Management Board. In this respect, the Committee may interview the Management Board members on the assumptions applied in drawing up the said plans;
- review and issue recommend at ions to the Supervisory Board on the creation of any business division or subsidiary, on investments in any business division or on the acquisition of any equity interest in a country in which the Company does not operate;
- review and issue recommendations to the Supervisory Board on all proposed mergers, spin-offs or asset transfers in connection with the Company; and
- review and issue recommendation s to the Supervisory Board on any transaction entailing a significant alteration in the scope of the business activities of the Company and its subsidiaries.

3. SPECIAL PROCEDURES FOR THE PARTICIPATION OF SHAREHOLDERS IN GENERAL MEETINGS

Procedures concerning the participation of shareholders in general meetings are described in article 27 of the Articles of Association of the company that can be consulted (in French) at Valneva' website: www.valneva.com. A hardcopy can also be requested from the following address: VALNEVA, 6, rue Alain Bombard, 44821 SAINT-HERBLAIN CEDEX, FRANCE, or at the following e-mail address: investors@valneva.com.

4. INTERNAL CONTROL PROCEDURES RELATING TO OPERATING AND FUNCTIONAL PROCESSES

4.1 Purpose of internal control procedures and inherent limitations

The purpose of internal control is to ensure:

- compliance with laws and regulations;
- the application of instructions and priorities set by the Management Board;
- the effective functioning of internal control procedures of the Company; notably contributing to safeguarding its assets;
- the reliability of financial information.

The objective of the internal control system is to prevent and manage risks inherent in the company's operations and the risks of errors or fraud, particularly in the accounting and finance areas. As in all systems of control, it cannot provide an absolute guarantee of eliminating these risks.

4.2 General organisation and implementation of internal control procedures

4.2.1 –Participants in internal control processes

Given the size of the Company, Valneva does not currently have a dedicated internal control department. In contrast, a number of parties are responsible for and intervene in the area of internal control, including first and foremost, the Management Board, the Supervisory Board and its two committees. In addition, the Executive Committee, the Financial department, the Legal department, and the quality assurance team also play a major role.

The Management Board

The Management Board defines the objectives of the Company as well as the resources to be deployed to attain these objectives. To this purpose, the Management Board ensures compliance with these objectives.

The Management Board must ensure that acts of management or the conduct of operations as well as the behaviour of personnel adhere to the framework defined by the priorities set for the Company's activities by the corporate bodies, the laws and applicable regulations and by the values, standards and internal rules of the Company.

The Supervisory Board

The role of the Supervisory Board in the area of internal control is presented in the first part of this report. This board is assisted in this mission by two committees.

The Executive Committee

The EC currently includes seven members:

+ Thomas Lingelbach, CEO
+ Franck Grimaud, CBO
+ Reinhard Kandera, CFO
+ Frédéric Jacotot, General Counsel
+ Kerstin Westritschnig, Clinical and Medical Affairs
+ Nick Maishman, Manufacturing
+ Frédéric Legros, Business Development

The Executive Committee is chaired by the CEO.

The Executive Committee meets once a month to review the performance of the company, notably from a commercial and management perspective. The EC confirms that the objectives set by the Management Board and approved by the Supervisory Board are respected. It also considers all operating and organisational issues placed on the agenda by each of its members.

At the end of each meeting, a report is drafted and given to all participants with a list of action points.

The Finance department

The Chief Finance Officer ensures the conformity with accounting and financial regulations. He also provides the Management Board with cost accounting and financial information serving as tools for the budget management of the company.

The Legal department

The General Counsel is responsible for safeguarding the Company's legal interests and ensuring compliance with applicable laws and regulations.

Quality assurance

Valneva manufactures marketed vaccines pre-clinical and clinical batches of vaccines and proteins. Valneva also manufactures master cell or virus banks. For this purpose, Valneva must comply with regulations developed by several governmental authorities and is subject to inspection by regulatory authorities.

To ensure compliance with the regulatory requirements, Valneva has a quality assurance department and quality assurance systems. In compliance with Good Manufacturing Practice (GMP), internal and external audits are conducted to ensure compliance with GMP and implementation of the relevant procedures.

4.2.2 Internal control procedures

4.2.2.1 Analysis of risks

Valneva conducted an in-depth analysis of its risks. Risks incurred by Valneva are described in detail in Section 3 of the Annual Management Board Report 2013 of the Company. These include:

+ Risks relating to the Company's business
+ Financial risks
+ Legal risks
+ Market risks

4.2.2.2 Internal control procedures implemented other than those relating to the production of accounting and financial information

Procedures are established to ensure that the main risks are managed internally in accordance with the objectives defined by the Company's Management Board.

In respect of business-related risks, meetings of each department head and the Chief Executive Officer are organised.

With respect to scientific matters, the Company also retains the services of consultants on certain specific topics to validate its choices.

Concerning intellectual property risks, the Company has an intellectual property manager that ensures permanent oversight by conducting notably reviews of the status of intellectual property with the assistance of a specialised firm. For every new activity launched, studies are conducted. Studies are also conducted regularly for the older technologies. The Company can in this way determine if there is a need to acquire a new licence.

As an additional measure, the Company has taken out insurance policies covering the main insurable risks for amounts that it deems to be compatible with the nature of its business. For example, risks related to product liability are covered up to twenty million euros.

The Company thus safeguards its property and intangible assets. The Company has in addition established systems for the double storage of data and its cells at different sites.

For market and financial risks, the Company monitors its cash position on a monthly basis.

In the light of current volatility in financial markets, the Company applies a conservative and prudent strategy of financial management. The Company's assets are allocated among several French, UK and Austrian banking institutions with several different vehicles in each (open-end investment funds, mutual funds, fixed-term accounts, etc.).

With respect to UCITS funds, the company favours use of money market funds. Valneva excludes use of SICAV open-ended investment funds and mutual funds that seek to boost their performance by investing in risk assets.

For risks related to accounting and financial information, details on procedures adopted are presented in the following section.

4.2.3 Internal control procedures relating to the preparation of accounting and financial information

4.2.3.1 - Internal control objectives relating to accounting and financial information

Internal control procedures relating to the processing of accounting and financial information are destined to ensure:

- Reliability of the Company's financial statements established in accordance with French GAAP;
- Reliability of the Company's consolidated financial statements established in accordance with IFRS;
- Effective management of risks of errors, fraud, inaccuracies or omissions of material information in the financial statements concerning the financial position and the assets and liabilities of the Company.

4.2.3.2 - Participants

These include the Management Board, the financial department, under the oversight of the Supervisory Board and the Audit Committee.

The accounting and financial organisation is based on the principle of the separation of functions and the knowledge of the responsibilities of each function.

The separation of functions is effective as the finance department is split into accounting and controlling function, whereas the purchasing department is a separate department.

Concerning the knowledge of the responsibilities of each, an organisation chart exists with a description of each function. In addition, a number of procedures exist, particularly in the area of purchasing.

4.2.3.3 - Forward-looking management tools

The medium-term business plan is an internal document drafted by the Management Board. Its purpose is to define the objectives of the Company over a period of a few years with a breakdown of specific objectives for each activity. It is updated on a regular basis in the light of decisions concerning strategic priorities and market developments.

The budget is established according to IFRS after the Management Board has defined the strategic priorities. Every year, the controlling function meets with all department managers and project heads. The controlling function then gives the different options to the Management Board. The Management Board, according to the priorities developed in the business plan, makes choices concerning operating expenses, capital expenditure and human resources. This budget is presented to the Executive Committee. The budget is then submitted to the Supervisory Board for approval.

The Supervisory Board is informed of the Company's cash position monthly, and is given a detailed presentation of the profit and loss statement and cash position in comparison to the budget in quarterly meetings.

All these documents are for internal use only and are not available to the public.

4.2.3.4 – Intermediate balances

Every month the financial department produces an IFRS statement of intermediate balances that applies the general principles for annual closings with the exception of corporate income tax and the calculation of the research tax credit and calculation of deferred revenues. These intermediate balances are also restated in a cost accounting format by project to serve as a tool for monitoring business performances.

A schedule for producing monthly balances is drafted by Valneva's financial department and the accounting departments of the Group including a breakdown of tasks, the party responsible for each task and deadlines for completion. The deadlines for the remittance of documents according to this schedule are validated by all parties.

Intermediate balances are established by combining information from financial and cost accounting data. For cost accounting data, the accounting department has different software applications to record the amount of time worked by each employee, and a software application for managing purchases of consumables by project.

Intermediate monthly financial reports are provided to each manager and department head for his or her area of responsibility and to the Executive Committee, the Management Board and the Supervisory Board, thus providing a tool to monitor actual results in relation to budget.

All these documents are for internal use only and are not available to the public.

In the light of its size, Valneva is not subject to obligations relating to the prevention of corporate difficulties. In consequence, it does not make financial documents and reports designed for this purpose.

4.2.3.5 - Preparation of financial statements

(a) Participants

The preparation and processing of the separate annual and consolidated financial statements and the interim consolidated financial statements is assured by the Head of Corporate Accounting and Tax of Valneva and the accounting departments of the various Valneva group entities.

For tax matters, the team also uses the service of tax lawyers that have two primary missions as:

+ consultants on questions relating to tax, tax techniques or the interpretation of regulations;

+ controllers of year-end tax statements prepared by the accounting department (statement 2065 and related schedules).

(b) Information collection and processing

Information is collected in the same way as for intermediate balances.

For the annual consolidated and unconsolidated financial statements, a work program for tasks is drafted by the Valneva's financial department providing a detailed breakdown of tasks, the party responsible for each task and deadlines for completion. The deadlines for the remittance of documents according to this schedule are validated by all parties.

The financial department also drafts a document listing all points that need to be verified to identify risks and avoid any risk of fraud or errors.

Furthermore, accounting options relating to key points (for example the treatment of development expenditure and the amortisation of capitalised development expenditure, the evaluation of inventory, the interpretation of complex material contracts) are discussed in meetings organised prior to the closing of annual and interim financial statements. This is also the case for changes in accounting principles that would have a material impact on the presentation of financial statements. Participants include the Chief Financial Officer, the Chief Business Officer, the Chief Executive Officer of Valneva, Valneva's Head of Corporate Accounting and Tax.

A meeting is subsequently organised for the purpose of taking into account the observations of the joint auditors. This meeting is attended by the Chief Financial Officer, the Chief Business Officer, the Chief Executive Officer of Valneva Management Board, Valneva's Head of Corporate Accounting and Tax, Group accountant and the Chief accountant of Valneva SE. The joint auditors are also present at the meeting.

Additional meetings may be organised as needed to ensure that accounting and financial information contained in the different statutory documents (Management Board reports, Management Board meeting minutes, Supervisory Board reports, Supervisory Board meeting minutes, agendas and draft resolutions of shareholders' meetings) remain coherent with the accounting.

The consolidated financial statements of Valneva Group and the separate financial statements are audited by the joint auditors, Deloitte et Associés, represented by Mr. Gros and PwC, represented by Mr. Charron.

The half year interim financial statements are subject to a limited review by the joint auditors, whereas the quarterly interim financial statements are not reviewed by the joint auditors.

(c) Accounting and financial information systems

The accounts for the fiscal year 2013 are maintained on an AS400 mainframe using an accounting application and Microsoft Dynamics AX ("AX"). Since the beginning of 2014, all entities of the Valneva group have switched to the Microsoft Dynamics AX system, as the ERP system of the Valneva group, in the context of post-merger integration activities.

The "GAEL" accounting application interfaces with two other applications used by companies of the Grimaud Group for cash management and payroll. "AX" interfaces with the payroll. Valneva performs regular reconciliations between these different applications.

Fixed assets and depreciation and amortization are also processed by GAEL. In addition, Valneva benefits from a software application developed by the Grimaud Group to meet requirements under new accounting standards entering into force on 1 January 2005 and monitoring fixed assets and the calculation of depreciation and amortisation expenses. Valneva carries out a reconciliation of these two applications at least once a quarter.

Fixed assets and depreciation and amortization of the Ex-Intercell Business is processed directly in AX. From the beginning of 2014, all entities of the Valneva group have been using the AX system.

Given the limited volume processed by Valneva, supplier and customer invoices were, until end of 2013, recorded in the accounts without using specialised software applications designed for these purposes. Since the beginning of 2014, supplier invoices are recorded through the ERP system "AX".

At year-end, GAEL accounting data for the Valneva SE entity is then transferred to the « *Etats Comptables et Fiscaux* » software application of SAGE in order to:

- establish separate annual financial statements under French GAAP on the basis of the official format;
- establish the 2065 tax declaration and the related schedules;
- electronically transmit the tax statement.

With respect to the consolidated financial statements, accounting data from AS400 is imported into AX and consolidated in AX.

Regularly, computer data is backed up and stored on magnetic tapes that are themselves stored for safekeeping in a safe.

As for source data (contracts, minutes, etc.), an original and a copy exist for each document. A copy of each of these documents is maintained at one of the Valneva sites (generally, at

the site concerned by such document), while copies are shared through the internal network of the Company (with restricted access).

(d) Identification and analysis of risk affecting accounting and financial information

When the financial statements are prepared, the financial department follows a document listing all tasks, operations and controls that need to be verified to identify risks and avoid any risk of fraud or errors.

In addition, Valneva has documented the key processes by identifying the key controls.

(e) Oversight

The Company carries out normal oversight for example on account closings such as conducting inventories, or performing bank reconciliations.

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

(f) Other accounting and financial information destined for shareholders

In connection with special corporate actions (the issue of stock options, the exercise of the corresponding rights, capital increases, etc.), it may be necessary to provide shareholders with accounting and financial information. This information is, according to its nature and the specific obligations that apply to the operation in question, prepared in coordination with Valneva's Management and the General Counsel to be incorporated in statutory documents.

These operations are frequently subject to a report of the joint auditors and/or and equity auditor.

4.2.3.6 Financial and accounting communication

The finance and legal departments have established a schedule for the publication of mandatory disclosures.

The Registration Document is drafted jointly by the finance and legal departments and reviewed by the Company's auditors.

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

Obligations on disclosures relating to limitations imposed by the Supervisory Board on the powers of the Managing Director concern only French public limited companies (*sociétés anonymes*) governed by a Board of Directors. Valneva is a *Société Européenne* with a dual system of governance composed of a Management Board and Supervisory Board, and therefore, is not concerned.

6. PRINCIPLES AND RULES TO DETERMINE REMUNERATION

The Company applies Recommendation 2 of the MiddleNext Code on the definition and transparency of compensation of directors and officers. The Company presents below the principles governing its compensation policy.

6.1 Combination of employment contracts with position of corporate officer

MiddleNext Code recommendation 1 provides that the suitability of holding an employment while serving as a corporate officer shall be determined by the Board and in light of regulations.

For companies with a Management Board and a Supervisory Board, this recommendation applies to the Chairman of the Management Board.

The Chairman of the Company's Management Board does not have any employment contract with Valneva SE; however, he has such a contract with Valneva SE's subsidiary "Valneva Austria GmbH". This contract complies with Austrian laws and was entered into prior to the Vivalis/Intercell merger and the appointment of Mr. Lingelbach as Chairman of the Company's Management Board.

6.2 Fixed remuneration

Management Board members receive fixed remuneration as well as fringe benefits.

For information, the fixed remuneration is based on an assessment of the market, the individual performances of the officer and his or her responsibilities (Middlenext Code, recommendation no. 2).

Concerning the fringe benefits, one member of the Management Board has unemployment insurance whose cost is incurred by the Company. The Company provides also payment for a revocable (combined) death and endowment insurance, whose cost is at the charge of the Company.

Detailed information on fixed remuneration and fringe benefits of the Management Board members for fiscal year 2013 is provided in Section 17 of the Annual Management Board Report 2013.

6.3 Variable remuneration

Board members will receive variable remuneration, with the variable part representing a percentage of the fixed remuneration.

The variable portion is paid only after the Supervisory Board has determined that objectives have been met. These objectives are set by the Board based on recommendations made by the Nomination and Compensation Committee.

The Supervisory Board is authorised to grant variable remuneration only on the basis of defined rules.

The objectives are defined for each officer according to the objectives of the Company. A coefficient is associated with each objective.

Generally, a progress review on the achievement of objectives is undertaken in the middle of each year by the Nomination and Compensation Committee.

Detailed information on variable remuneration of the Management Board members for fiscal year 2013 is provided in Section 17 of the Annual Management Board Report 2013 of the Company.

6.4 Stock option and/or bonus share plans

Concerning stock option and bonus share plans, for the purpose of providing incentives and developing loyalty of each member of its team, the Company has always been willing to make its employees benefit from stock-options or free shares, through implementation of several plans (see Section 12 of the Annual Management Board Report 2013 of the Company).The Company consequently applies MiddleNext code recommendation 5 on stock-options and free shares grant conditions. The number granted to each employee depends notably on his or her classification.

One allocation of free shares and another of stock-options have been made during 2013. Corporate officers have been concerned by the new stock-options plan set by the Company on October 2, 2013.

As for the case of corporate officers, grants of free shares or options have been linked to achievement of major objectives of the Company. However, certain stock options or bonus shares may be granted to corporate officers without reference to performance criteria. In this respect, the Company does not apply the MiddleNext code recommendation 5 on the exercise and vesting conditions for bonus shares and stock options. In contrast, the Company links the vesting of grants or the exercise of stock options to criteria of attendance (except in case of divestitures) given that the primary objective of the Company is to provide incentives for the retention of its officers and/or key management that may also be employees. The Company in this way ensures that it provides an attractive level of compensation in line with that generally applied in the pharmaceutical industry. However, as the Company cannot provide the same level of remuneration as that of the pharmaceutical industry, the grant of stock options and/or bonus shares provides a means for offsetting this difference.

It is furthermore provided that a percentage of bonus shares of shares issued from stock-options plans be held by the Corporate officers in registered form until the officers no longer exercise their functions.

Most of the plans for stock options and bonus shares are not concerned with discount. Indeed, only the latest stock-options plan set up in 2013 applied, on the exercise price of the options, a discount exceeding 5% with respect to the average closing share price of Valneva shares on the twenty stock exchange trading days on Euronext Paris preceding the date the options were granted.

More detailed information on stock-options/free shares grants to company officers is available in the special reports of the Management Board made in accordance with articles L.225-177 to L.225-186 of the French Commercial Code, and L.225-197-1 to L.225-197-3 of the French Commercial Code, as well as in Section 17 of the Annual Management Board Report 2013 of the Company.

6.5 Severance benefits

MiddleNext Code recommendation 3 provides provisions with regard to the allocation of Severance Benefits to corporate officers of a company.

The Company has set severance benefits conditions concerning Franck Grimaud, through its “Management Agreement” concluded with the Company, as well as concerning Thomas Lingelbach and Reinhard Kandera, who are under an “Employment and Management Agreement” with the subsidiary Valneva Austria GmbH.

Please, refer to Section 15.10 of the Annual Management Board Report 2013 of the Company for further details on the severance benefits clauses set for the Management Board members of the Company.

In consideration of the foregoing, it appears that certain aspects of the severance benefits allocated to the corporate officers of the Company do not comply with MiddleNext Code recommendation 3.

6.6 supplementary retirement schemes

The Company has no supplementary retirement scheme. In consequence, MiddleNext Code 4 is not applicable to the Company.

6.7 Attendance fees

Further to the merger with Intercell AG, on June 28 2013, the shareholders' general meeting voted to allocate attendance fees of €240,000 from June 1, 2013 until May 31, 2014. These attendance fees were granted by the Supervisory Board to the members of the Supervisory Board. In contrast to the guidelines of MiddleNext Code recommendation 14, this allocation is not linked to meeting attendance. In effect, the Company has not experienced any difficulties in respect of attendance (cf. §2.2.2 of this report), as its members remain present and available to fulfil the duties of their appointment.

7. In compliance with Article L225-100-3 of the French commercial code, we inform you that information concerning the structure of the capital and items with a potential impact on public offerings is provided in Section 15 of the Annual Management Board Report 2013 of the Company.

April 18, 2014

Frédéric Grimaud

Chairman of the Supervisory Board

PricewaterhouseCoopers Audit

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92208 Neuilly sur Seine

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

VALNEVA (formerly VIVALIS)

Société Anonyme

Gerland PlazaTechSud
70, rue Saint-Jean-de-Dieu
69007 LYON

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

Year ended December 31, 2013

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

As Statutory Auditors of Valneva and in accordance with Article L. 225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-68 of the French Commercial Code for the year ended December 31, 2013.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by Article L. 225-68 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information; and
- to attest that the Chairman's report sets out the other information required by Article

L. 225-68 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

Professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and the existing documentation;
- determining whether any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the report of the Chairman of the Supervisory Board, prepared in accordance with Article L. 225-68 of the French Commercial Code.

Other information

We attest that the report of the Chairman of the Supervisory Board sets out the other information required by Article L. 225-68 of the French Commercial Code.

Neuilly-sur-Seine and Marseille, April 18, 2014

The Statutory Auditors

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

3.1.3 Global amount of compensation for the Management and Supervisory Board members and special reports of the Management Board per articles L.225-177 through L.225-186, and L.225-197-1 through L.225-197-3 of the French Commercial code, for FY 2013

The information given herein takes account of the merger with the company “Intercell AG”. Therefore, the presentation of the global amount of compensation for the Management and Supervisory Board members is made in separate parts, with respect to the pre-merger period and the post-merger period, in order to take into consideration the changes in the composition of each Board.

In accordance with the AMF recommendations, the information given herein includes compensation allocated to the members of the Management and Supervisory Boards by:

- the Company;
- the companies controlled, pursuant to article L.233-16 of the French Commerical code, by the Company in which the mandate is exercised;
- the companies controlled, pursuant to article L.233-16 of the French Commerical code, by the Company(ies) controlling the Company in which the mandate is exercised;
- the company(ies) controlling pursuant to the same article the Company in which the mandate is exercised;
- in consideration of the services they provided to companies of the Group.

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

The Management Board

Global amount of compensation with respect to the pre-merger period

Remuneration

Franck Grimaud, Chairman of the Management Board, CEO	**2013**		**2012**	
	Amounts due	Amounts paid (until May 28, 2013)	Amounts due	Amounts paid
Fixed	€157,590 (Amount set by the Supervisory Board of Vivalis for the year 2013)	€52,530	€ 153,000	€ 153,000
Annual variable remuneration	€0 (Amount fixed with respect to the 2013 objectives not yet fixed by the Supervisory Board of Vivalis for the pre-merger period. The Supervisory Board of Vivalis indicates that this amount will be set when the merger is done.)	€17,671.50 (Amount paid with respect to the 2012 objectives)	€ 53,550 (Amount fixed with respect to the 2012 objectives)	€20,000 (for 2011)
Multi-year variable remuneration	0	0	0	0
Exceptional remuneration	0	0	0	0
Attendance fees	0	0	0	0
Fringe benefits[1]	€6,357 (for the year 2013)	€2,119	€6,661	€6,660.96
TOTAL	***€163,947***	***€72,320.50***	***€ 213,211***	***€ 179,660.96***

[1] *A Social Insurance Contract for Company Directors and Managers (Convention Garantie Sociale des Chefs et Dirigeants d'Entreprise or GSC) has been granted to Franck Grimaud, member of the Management Board. The purpose of this Contract is to guarantee the payment of compensation in case of unemployment (up to 70% of the last professional income filed with the tax authorities). This GSC was set up pursuant to an authorization of the Board of Directors of 26 October 2000. The expense incurred by the Company for 2013 for the GSC was €6,357 compared with €6,660.96 for 2012.*

Majid Mehtali, Management Board member, Managing Director*	**2013**		**2012**	
	Amounts due	Amounts paid (until May 28, 2013)	Amounts due	Amounts paid
Fixed	€189,519.96 (Amount set by the Supervisory Board of Vivalis for the year 2013)	€63,173.32	€ 183,999.96	€ 183,999.96
Annual variable remuneration	€0 (Amount fixed with respect to the 2013 objectives not yet fixed by the Supervisory Board of Vivalis for the pre-merger period. The Supervisory Board of Vivalis indicates that this amount will be set when the merger is done.)	€39,284.00 (Amount paid with respect to the 2012 objectives)	€ 64,400 (Amount fixed with respect to the 2012 objectives)	€34,000 (for 2011)
Multi-year variable remuneration	0	0	0	0
Exceptional remuneration	0	0	0	0
Attendance fees	0	0	0	0
Fringe benefits	0	0	0	0
TOTAL	***€189,519.96***	***€102,457.32***	***€ 248,399.96***	***€ 217,999.96***

** These amounts were paid in connection with an employment contract.*

Options to subscribe for or purchase shares granted to each Management Board member by the Company (Vivalis) or by any Group company prior to the merger:

	Plan No. and date	Nature of options (purchase or sub-scription)	Measure-ment of options according to IFRS 2	Number of options granted in the period	Exercise price	Exercise period
Franck Grimaud, Chairman of the Manage-ment Board	None					
Majid Mehtali, Management Board member, Managing Director	None					
Céline Breda, Management Board member, Managing Director	None					

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

Franck Grimaud, Chairman of the Management Board	**Plan No. and date**	**Number of options exercised in the period**	**Exercise price**
	None		
Total			
Majid Mehtali, Management Board member, Managing Director	**Plan No. and date**	**Number of options exercised in the peri-od**	**Exercise price**
	None		
Total			
Céline Breda, Management Board member, Managing Director	**Plan No. and date**	**Number of options exercised in the peri-od**	**Exercise price**
	None		
Total			

Performance shares granted to each Management Board member prior to the merger

Performance shares granted by the shareholders' general meeting in the period to each company officer by the issuer or any company of the group	Plan No. and date	Number of shares granted in the period	Measurement of shares according to the method used for the consolidated financial statements	Vesting date	Date of availability	Conditions of performance
Franck Grimaud, Chairman of the Management Board	None					
Majid Mehtali, Management Board member, Managing Director	None					
Céline Breda, Management Board member, Managing Director	None					

Fully vested performance shares received by each Management Board member, after expiry of the vesting period and prior to the merger

Performance shares becoming available for each company officer	Plan No. and date	Number of shares becoming available in the period	Vesting conditions
Franck Grimaud, Chairman of the Management Board	None		
Majid Mehtali, Management Board member, Managing Director	Plan 1 Allotment 6 22 February 2010	17,666	2-year vesting period, assuming presence
	Plan 2 Allotment 1 22 February 2010	15,667	2-year vesting period, assuming presence
Céline Breda, Management Board member, Managing Director	None		

Global amount of compensation with respect to the post-merger period

Remuneration

Thomas Lingelbach, Chairman of the Management Board, CEO	**2013**	
	Amounts due	**Amounts paid (from May 28, 2013 until December 31, 2013)**
Fixed	€320,000 (payable in 14 equal installments) (as set by the Supervisory Board of Valneva for 2013)	€228,571.43
Annual variable remuneration[1]	Maximum 60% of the Annual gross salary i.e. €192,000 (as set by the Supervisory Board of Valneva for the objectives of the year 2013)	€133,000 (Amount paid for the objectives set for the year 2012 by Intercell AG, as well as for the period from January 2013 to May 2013)
Multi-year variable remuneration	0	0
Exceptional remuneration	0	€640,000[3]
Attendance fees	0	0
Fringe benefits		
- Leasing car	Max. €1,100 per month, i.e. €13,200 for a year	€7,261.77
- Death and endowment policy[2]	€1,000 per month, i.e. €12,000 for a year	€7,000
TOTAL	***€537,200***	***€1,015,833.20***

[1]The variable portion is linked to annual performance and depends on the achievement of quantitative and qualitative objectives relating to the strategy of the Company, research programs and earnings. These objectives have been set according to the recommendation of the Compensation and Nomination Committee. A preliminary performance review is to be undertaken by the Compensation and Nomination Committee. Achievement of objectives is to be then validated by the Supervisory Board on the recommendation of the Compensation and Nomination Committee. Amounts indicated under the heading "Amounts due" represent the maximum amounts that may be granted if all the objectives are met.
A Death and endowment policy payable by Company has been subscribed. Monthly premiums are of €1,000 for the year 2013.
Amount paid in July 2013 under a Conditional Settlement Agreement dated as of December 16, 2012 between Intercell AG, Vivalis SA and Thomas Lingelbach. This payment was in consideration for a waiver of the rights granted by Intercell AG to Mr. Lingelbach in case of change of control of the company "Intercell AG" (rights granted by a "Change of Control Agreement" signed in November 2009 and amended in May 2011), and was also intended to allow Mr. Lingelbach to acquire shares of the Company after the Vivalis / Intercell merger.

Franck Grimaud, Member of the Management Board, Managing Director, CBO	**2013**	
	Amounts due	**Amounts paid (from May 28, 2013 until December 31, 2013)**
Fixed	€153,000, increased up to €240,000 during the next 3 years on a linear basis – payable in 12 equal installments (as set by the Supervisory Board of Valneva for 2013)	€114,707.39
Annual variable remuneration[1]	Maximum 60% of the Annual gross salary i.e., from €91,800 up to €144,000 (as set by the Supervisory Board of Valneva for the objectives of the year 2013)	0
Multi-year variable remuneration	0	0
Exceptional remuneration	0	0
Attendance fees	0	0
Fringe benefits		
- GSC[2]	€6,357 (for the year 2013)	€4,238
TOTAL	***From €251,157 up to 390,357€***	***€118,945.39***

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

[2] A Social Insurance Contract for Company Directors and Managers (Convention Garantie Sociale des Chefs et Dirigeants d'Entreprise or GSC) has been granted to Franck Grimaud, member of the Management Board. The purpose of this Contract is to guarantee the payment of compensation in case of unemployment (up to 70% of the last professional income filed with the tax authorities). This GSC was set up pursuant to an authorization of the Board of Directors of 26 October 2000. The expense incurred by the Company for 2013 for the GSC was €6,357 compared with €6,660.96 for 2012.

Reinhard Kandera, Member of the Management Board, CFO	**2013**	
	Amounts due	**Amounts paid (from May 28, 2013 until December 31, 2013)**
Fixed	€240,000 (payable in 14 equal instalments) (as set by the Supervisory Board of Valneva for 2013)	**€**171,428.57
Annual variable remuneration[1]	Maximum 60% of the Annual gross salary i.e. €144,000 (as set by the Supervisory Board of Valneva for the objectives of the year 2013)	**€**100,000 (Amount paid for the objectives set for the year 2012 by Intercell AG, as well as for the period from January 2013 to May 2013)
Multi-year variable remuneration	0	0
Exceptional remuneration	0	€240,000[3]
Attendance fees	0	0
Fringe benefits		
- Leasing Car	Max. €1,100 per month, i.e. €13,200 for a year	**€**3,603.36
- Death and endowment policy[2]	€12,000 for a year	0
TOTAL	***€409,200***	***€515,031.93***

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

[2] A Death and endowment policy payable by Company has been subscribed.

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

Majid MEHTALI, Member of the Management Board, CSO	**2013**	
	Amounts due	**Amounts paid (from May 28, 2013 until December 31, 2013)**
Fixed	€184,000, increased up to €240,000 during the next 3 years on a linear basis (as set by the Supervisory Board of Valneva for 2013)	€74,686.78
Annual variable remuneration[1]	Maximum 60% of the Annual gross salary i.e., from €110,400 up to €144,000 (as set by the Supervisory Board of Valneva for the objectives of the year 2013)	€67,466.67 (Amount paid for the objectives set for the year 2013)
Multi-year variable remuneration	0	0
Exceptional remuneration	0	0
Attendance fees	0	0
Fringe benefits	0	0
TOTAL	***From €294,400 up to 384,000€***	***€142,153.45***

[1] The variable portion is linked to annual performance and depends on the achievement of quantitative and qualitative objectives relating to the strategy of the Company, research programs and earnings. These objectives have been set according to the recommendation of the Compensation and Nomination Committee. Achievement of objectives has been validated by the Supervisory Board on the recommendation of the Compensation and Nomination Committee, following the passing of Majid Mehtali. The amounts set out in the "Amounts due" column represent the maximum amounts that may be granted if all the objectives are met.

Options to subscribe for or purchase shares granted to each Management Board member by the Company or any Valneva Group company as from the merger:

	Plan No. and date	Nature of options (purchase or subscription)	Measurement of options according to IFRS 2, with respect to the full vesting period	Number of options granted in the period	Exercise price	Exercise period
Thomas Lingelbach, Chairman of the Management Board, CEO	Plan n° 7 dated October 2, 2013	Subscription shares	€160,936.47	100,000	€3.21	From October 2, 2015 for 50% of the options granted and from October 2, 2017 for the remaining 50%
Franck Grimaud, Management Board member, Managing Director, CSO	Plan n° 7 dated October 2, 2013	Subscription shares	€160,936.47	100,000	€3.21	From October 2, 2015 for 50% of the options granted and from October 2, 2017 for the remaining 50%
Reinhard Kandera, Management Board member, CFO	Plan n° 7 dated October 2, 2013	Subscription shares	€160,936.47	100,000	€3.21	From October 2, 2015 for 50% of the options granted and from October 2, 2017 for the remaining 50%
Majid MEHTALI, Member of the Management Board, CSO	NONE					

Options to subscribe for or purchase shares exercised by each Management Board member as from the merger

Thomas Lingelbach, Chairman of the Management Board	**Plan No. and date**	**Number of options exercised in the period**	**Exercise price**
	None		
Total			
Franck Grimaud, Management Board member	**Plan No. and date**	**Number of options exercised in the period**	**Exercise price**
	None		
Total			
Reinhard Kandera, Management Board member	**Plan No. and date**	**Number of options exercised in the period**	**Exercise price**
	None		
Total			
Majid MEHTALI, Member of the Management Board, CSO	**Plan No. and date**	**Number of options exercised in the period**	**Exercise price**
	April 5, 2005 (Plan n°4)	385 (i.e. 45,580 shares)	€1.80
	April 3, 2006 (Plan n°4 bis)	160 (i.e. 17,280 shares)	€1.80
	April 3, 2006 (Plan n°5)	290 (i.e. 31,320 shares)	€1.80
Total		**835 (i.e. 90,180 shares)**	

Performance shares granted to each Management Board Member as from the merger

Performance shares granted by the shareholders' general meeting in the period to each company officer by the issuer or any company of the group	Plan No. and date	Number of shares granted in the period	Measurement of shares according to the method used for the consolidated financial statements	Vesting date	Date of availability	Conditions of performance
Thomas Lingelbach, Chairman of the Management Board, CEO	None					
Franck Grimaud, Management Board member, Managing Director, CSO	None					
Reinhard Kandera, Management Board member, CFO	None					
Majid MEHTALI, Member of the Management Board, CSO	None					

Fully vested performance shares granted, after expiry of the vesting period, to each Management Board Member, from the merger

Performance shares becoming available for each company officer	Plan No. and date	Number of shares becoming available in the period	Vesting conditions
Thomas Lingelbach, Chairman of the Management Board, CEO	None		
Franck Grimaud, Management Board member, Managing Director, CSO	None		
Reinhard Kandera, Management Board member, CFO	None		
Majid MEHTALI, Member of the Management Board, CSO	None		

Summary of remuneration, options and shares granted to each Management Board member

	2013	2012
Thomas Lingelbach, Chairman of the Management Board of Valneva SE		
Remuneration payable for the period	€537,200	n.a.
Valuation of options granted in the period	€160,936.47	n.a.
Valuation of performance shares granted in the period	None	n.a.
Total Thomas Lingelbach	**€698,136.47**	
Franck Grimaud, former Chairman of the Management Board of Vivalis SA, then member of the Management Board and Managing Director of Valneva SE		
Remuneration payable for the period	€163,947, then from €251,157 up to 390,357€ after the merger	€ 213,211
Valuation of options granted in the period	€160,936.47	None
Valuation of performance shares granted in the period	None	None
Total Franck Grimaud	**€324,883, then from €412,093.47 up to €551,293.47**	**€ 213,211**
Reinhard Kandera, Member of the Management Board of Valneva SE		
Remuneration payable for the period	€409,200	n.a.
Valuation of options granted in the period	€160,936.47	n.a.
Valuation of performance shares granted in the period	None	n.a.
Total Reinhard Kandera	**€570,136.47**	
Céline Breda, former Management Board member and Managing Director of Vivalis SA		
Remuneration payable for the period	€131,786.96	€ 127,487.48
Valuation of options granted in the period	None	None
Valuation of performance shares granted in the period	None	None
Total Céline Breda	**€131,786.96**	**€ 127,487.48**
Majid Mehtali, former Management Board member and Managing Director of Vivalis SA		
Remuneration payable for the period	€189,519.96, then from €294,400 up to 384,000€ after the merger	€ 248,399.96
Valuation of options granted in the period	None	None
Valuation of performance shares granted in the period	None	None
Total Majid Mehtali	**€189,519.96, then from €294,400 up to 384,000€ after the merger**	**€ 248.399,96**

Management Board members	Employment contract		Supplemental retirement plan		Indemnities or benefits payable on termination or change of functions		Indemnities relating to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Thomas Lingelbach (Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	x[1]			x	x[5]		x[4]	
Franck Grimaud (Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)		x		x	x[2&5]		x[4]	
Reinhard Kandera (Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	x[1]			x	x[5]		x[4]	
Majid Mehtali (Appointed on 24 March 2004, effective end of term of office on August 10, 2013)	x[3]			x		x		x
Céline Breda (Appointed on 27 June 2005, effective end of term of office on May 28, 2013)	x[3]			x		x		x

[1] With the subsidiary Valneva Austria GmbH.
[2] A Social Insurance Contract for Company Directors and Managers (Convention Garantie Sociale des Chefs et Dirigeants d'Entreprise or GSC) was granted to Franck Grimaud, member of the Management Board. The purpose of this Contract is to guarantee the payment of compensation in case of unemployment (up to 70% of the last professional income filed with the tax authorities). This GSC was set up pursuant to an authorisation of the Board of Directors of 26 October 2000.
[3] At the date of appointment of Majid Mehtali and Céline Breda as Management Board member, an employment agreement had already been signed between the company and Majid Mehtali and the Company and Céline Breda. Those agreements have not been terminated until the merger with Intercell concerning Majid Mehtali, and until resignation of Céline Breda on November 2013, as they were implementing operational duties and responsibilities different from their management board duties.

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Thomas Lingelbach Employee of Valneva Austria GmbH Under an Employment and Management Agreement (*EMA*) with Valneva Austria GmbH	**Franck Grimaud** Under a Management Agreement (*MA*) with Valneva SE	**Reinhard Kandera** Employee of Valneva Austria GmbH Under an Employment and Management Agreement (*EMA*) with Valneva Austria GmbH
The Board Member is subject to the legal restraint on competition pursuant to Sec 79 of the Austrian Stock Corporation Act (Aktiengesetz).	In case the Supervisory Board of Valneva SE does not waive the following, the Board Member shall - for a period of one year following the termination of his *MA* - not be gainfully employed with a competitor for whichever reason, especially in the fields of serums.	The Board Member is subject to the legal restraint on competition pursuant to Sec 79 of the Austrian Stock Corporation Act (Aktiengesetz).
In case the Supervisory Board of Valneva SE does not waive the following, the Board Member shall - for a period of one year following the termination of his *EMA* - not be gainfully employed with a competitor for whichever reason, especially in the fields of serums.	"Being gainfully employed" means in particular (but not limited to) that the Board Member:	In case the Supervisory Board of Valneva SE does not waive the following, the Board Member shall - for a period of one year following the termination of his *EMA* - not be gainfully employed with a competitor for whichever reason, especially in the fields of serums.
"Being gainfully employed" means in particular (but not limited to) that the Board Member:	- enters into a contractual relationship with a competitor of Valneva SE/ Valneva Austria GmbH, be it as white-collar employee, consultant or in a similar position;	"Being gainfully employed" means in particular (but not limited to) that the Board Member:
- enters into a contractual relationship with a competitor of Valneva Austria GmbH, be it as white-collar employee, consultant or in a similar position; - becomes direct or indirect owner or shareholder of a home or foreign competitor of Valneva Austria GmbH , except for the investment in listed stock corporations for investment reasons only; - becomes member of a legal (representative) body of a competitor of Valneva Austria GmbH, especially in the management board, the supervisory board or as counsel or consultant, even if the services are not remunerated.	- becomes direct or indirect owner or shareholder of a home or foreign competitor of Valneva SE/ Valneva Austria GmbH , except for the investment in listed stock corporations for investment reasons only; - becomes member of a legal (representative) body of a competitor of Valneva SE/ Valneva Austria GmbH, especially in the management board, the supervisory board or as counsel or consultant, even if the services are not remunerated.	- enters into a contractual relationship with a competitor of Valneva Austria GmbH, be it as white-collar employee, consultant or in a similar position; - becomes direct or indirect owner or shareholder of a home or foreign competitor of Valneva Austria GmbH , except for the investment in listed stock corporations for investment reasons only; - becomes member of a legal (representative) body of a competitor of Valneva Austria GmbH, especially in the management board, the supervisory board or as counsel or consultant, even if the services are not remunerated.
In any case, this non-competition clause shall apply in the case of justified termination of the *EMA*/revocation of the board membership on cause by Valneva Aus-	In any case, this non-competition clause shall apply in the case of justified termination of the *MA*/revocation of the board membership on good cause by the Company, or for termination of the *MA* by the Board Member, except if this termination is due to circumstances involving legal, functional or actual diminution of the Board	In any case, this non-competition clause shall apply in the case of justified termination of the *EMA*/revocation of the board membership on cause by Valneva Aus-

Thomas Lingelbach Employee of Valneva Austria GmbH Under an Employment and Management Agreement (*EMA*) with Valneva Austria GmbH	**Franck Grimaud** Under a Management Agreement (*MA*) with Valneva SE	**Reinhard Kandera** Employee of Valneva Austria GmbH Under an Employment and Management Agreement (*EMA*) with Valneva Austria GmbH
tria GmbH (Sec 27 Austrian White Collar Workers Act [Angestelltengesetz]) or unjustified premature termination on cause by the Board Member (Sec 26 Austrian White Collar Workers Act) . In the case of any other termination mode, this non-competition clause shall only apply, if the Board Member has served the Company and/or Valneva Austria GmbH as Board Member for at least three years on the whole, and provided that the entire remuneration is paid for the 12 months' non-compete period. Furthermore, the Board Member shall not - for a period of 12 months following the termination of his *EMA* - induce personnel, freelancer, consultants or members of the Scientific Board in whichever form to terminate their employment contracts with Valneva Austria GmbH.	Member's responsibilities within his Management Board member function or similar position within the Valneva Group, such diminution not being itself due to circumstances likely to justify a revocation for good cause or any applicable similar ground of removal under the relevant jurisdiction. In the case of any other termination mode, this non-competition clause shall only apply, if the Board Member has served the Company and/or Valneva Austria GmbH as Board Member for at least three years on the whole, and provided that the entire remuneration is paid for the 12 months' non-compete period. Furthermore, the Board Member shall not - for a period of 12 months following the termination of his *MA* - induce personnel, free- lancer, consultants or members of the Scientific Board in whichever form to terminate their employment contracts with Valneva SE.	tria GmbH (Sec 27 Austrian White Collar Workers Act [Angestelltengesetz]) or unjustified premature termination on cause by the Board Member (Sec 26 Austrian White Collar Workers Act) . In the case of any other termination mode, this non-competition clause shall only apply, if the Board Member has served the Company and/or Valneva Austria GmbH as Board Member for at least three years on the whole, and provided that the entire remuneration is paid for the 12 months' non-compete period. Furthermore, the Board Member shall not - for a period of 12 months following the termination of his *EMA* - induce personnel, freelancer, consultants or members of the Scientific Board in whichever form to terminate their employment contracts with Valneva Austria GmbH.

[5] *Please, refer to section 15.10 of the Company's Management Board Annual Report 2013.*

Summary of past stock option grants

STOCK OPTION PLANS[12]								
	Plan 1	**Plan 2**	**Plan 3**	**Plan 4**	**Plan 4 bis**	**Plan 5**	**Plan 6**	**Plan 7**
Decision to grant options	General Meeting: 29/06/2001 Meeting of the Board of Directors: 12/07/2001	General Meeting: 23/05/2002 Meeting of the Management Board: 23/05/2002	General Meeting: 29/11/2002 Meeting of the Management Board: 20/12/2002 01/09/2003 06/10/2003 05/01/2005 01/02/2005	General Meeting: 03/11/2004 Meeting of the Management Board: 05/04/2005 05/10/2005	General Meeting: 03/11/2004 Meeting of the Management Board: 03/04/2006	General Meeting: 13/09/2005 Meeting of the Management Board: 03/04/2006	General Meeting: 09/06/2009 Meeting of the Management Board: 01/10/2010	General Meeting: 28/06/2013 Meeting of the Management Board: 02/10/2013
Duration of plan (as from the date of the Management Board's decision)	Until 12/07/2011	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Starting date for the exercise of options	12/07/2005	23/05/2006	01/09/2004 06/10/2007 05/01/2009 01/02/2009 and upon achievement of objectives	05/04/2009 05/10/2009 and upon achievement of objectives	Upon achievement of objectives	Upon achievement of objectives	Upon achievement of objectives	02/10/2015 02/10/2017[13]
Option/share conversion ratio[14]	1:108	1:108	1:114	1:114	1:114	1:114	1:1	1:1
Subscription price	€0.30	€0.45	€1.80	€1.80	€1.80	€1.80	€5.19	€3.21

[12] *Valneva has only issued stock options.*

[13] *50% of options may be exercised after being held for two years, the remaining 50% becoming exercisable after being held for four years.*

[14] *In accordance with article L228-99 of the French commercial code, any company granting capital securities or transferable securities giving access to the capital must take the necessary steps to protect the interests of the holders of the rights created if they decide to proceed, regardless of their form, with the issue of new capital securities with a preferential subscription rights reserved for its shareholders.*
On 28 July 2010, the Management Board recorded for the record the completion of the capital increase.
On 27 August 2010 ex-Vivalis' Management Board decided, in accordance with articles L. 228-99, R. 228-91, 1, a) and R. 225-140 of the French commercial code, to adjust the number of shares available to be taken up by exercising options so that the exercise price of the options remains unchanged after the rights issue maintaining the preferential subscription rights of shareholders.
In consequence, a stock option to subscribe for shares, giving a right before this rights issue to subscribe for 100 shares, gave a right to subscribe for 108 shares at €1.80 per share.
Further to a new capital increase on July 5, 2013, the Management Board of Valneva decided on July 24, 2013, in accordance with articles L. 228-99, R. 228-91, 1, a) and R. 225-140 of the French commercial code, to adjust the number of shares available to be taken up by exercising options so that the exercise price of the options remains unchanged after the rights issue maintaining the preferential subscription rights of shareholders.
In consequence, a stock option to subscribe for shares, giving a right before this rights issue to subscribe for 108 shares, gives now a right to subscribe for 114 shares at €1.80 per share.

STOCK OPTION PLANS[12]									
		Plan 1	Plan 2	Plan 3	Plan 4	Plan 4 bis	Plan 5	Plan 6	Plan 7
Exercise		Vesting period of 4 years	Vesting period of 4 years	Vesting period of 4 years and on achievement of objectives	Vesting period of 4 years and on achievement of objectives	Vesting period of 4 years and on achievement of objectives	Vesting period of 4 years and on achievement of objectives	Achievement of objectives	Vesting period of 2 years for the exercise of 50% of the options granted, and 2 further years for the exercise of the remaining 50% of options granted
Total number of shares available for take up at 31December 2013		0	0	10,260	79,800	18,240	10,260	7,000	1,014,600
of which shares able to be taken up by corporate officers[15]	**Thomas Lingelbach**	0	0	0	0	0	0	0	100,000
	Franck Grimaud	0	0	0	79,800	18,240	10,260	0	100,000
	Reinhard Kandera	0	0	0	0	0	0	0	100,000
	Céline Breda	0	0	0	0	0	0	0	0
	Majid Mehtali	0	0	0	0	0	0	0	0
Number of options exercised at 31 December 2013		1,320	1,310	2,709	1,360	160	290	0	0
Number of shares subscribed at 31 December 2013		132,664	135,000	287,326	149,646	17,280	31,320	0	0

[15] No Supervisory Board members holds options.

STOCK OPTION PLANS[12]								
	Plan 1	**Plan 2**	**Plan 3**	**Plan 4**	**Plan 4 bis**	**Plan 5**	**Plan 6**	**Plan 7**
Number of options null and void at 31 December 2013	1,100	500	426	240	0	150	7,000	38,350
Remaining stock-options at 31 December 2013	0	0	90	700	160	90	7,000	1,014,600

Summary of past free share grants

SUMMARY OF PAST BONUS SHARE GRANTS																
	Plan 1						Plan 2							Plan 3	
	Allotment 1	Allotment 2	Allotment 3	Allotment 4	Allotment 5	Allotment 6	Allotment 1	Allotment 2	Allotment 3	Allotment 4	Allotment 5	Allotment 6	Allotment 7	Allotment 1	Allotment 2
General Assembly Meeting date	31/03/2007	31/03/2007	31/03/2007	31/03/2007	31/03/2007	31/03/2007	09/06/2009	09/06/2009	09/06/2009	09/06/2009	09/06/2009	09/06/2009	09/06/2009	10/06/2010	07/06/2011 04/06/2012
Management Board meeting date	04/09/2007	25/07/2008	23/07/2009	23/07/2009	22/02/2010	22/02/2010	22/02/2010	22/02/2010	22/02/2010	01/10/2010	01/10/2010	06/09/2011	06/09/2011	24/07/2013	24/07/2013
Total granted, of which the number granted to the Management Board members at 31 December 2013:	296,000	60,500	18,500	10,000	33,334	17,666	15,667	33,333	6,500	9,500	38,000	6,000	28,500	7,500	44,500
Thomas Lingelbach	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Franck Grimaud	65,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reinhard Kandera	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Majid Mehtali	77,000	0	0	0	33,334	17,666	15,667	33,333	0	0	0	0	0	0	0
Céline Breda	20,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inception date for the full vesting period	Date of individual grant notice	Date of individual grant notice	Date of individual grant notice	Date of individual grant notice	Date of individual grant notice	Date of individual grant notice	Date of individual grant notice	Date of individual grant notice	Date of individual grant notice	Date of individual grant notice	Date of individual grant notice	Date of individual grant notice	Date of individual grant notice	Date of individual grant notice	Date of individual grant notice
Price on grant date	€ 9.72	€ 4.55	€ 8.99	€ 8.99	€ 9.40	€ 9.40	€ 9.40	€ 9.40	€ 9.40	€ 6.60	€ 6.60	€ 6.29	€ 6.29	€3.53	€3.53

SUMMARY OF PAST BONUS SHARE GRANTS																
	Plan 1						Plan 2							Plan 3	
	Allotment 1	Allotment 2	Allotment 3	Allotment 4	Allotment 5	Allotment 6	Allotment 1	Allotment 2	Allotment 3	Allotment 4	Allotment 5	Allotment 6	Allotment 7	Allotment 1	Allotment 2
Exercise	Vesting period of 4 years and lock-up period of 2 years for em-ployees *** Vesting period of 2 years and lock-up period of 2 years for 75% of the grant con-cerning the Man-age-ment Board mem-bers and an obliga-tion to hold 25% until the end of their man-date	Vesting period of 4 years and lock-up period of 2 years for em-ployees *** Vesting period of 2 years and lock-up period of 2 years for 75% of the grant con-cerning the Man-age-ment Board mem-bers and an obliga-tion to hold 25% until the end of their man-date	Vesting period of 4 years and lock-up period of 2 years for em-ployees	Vesting period of 2 years and lock-up period of 2 years for em-ployees	Vesting period of 2 years and lock-up period of 2 years for 80 % of the grant con-cerning the Man-age-ment Board mem-bers and an obliga-tion to hold 20% until the end of their term man-date	Vesting period of 2 years from January 1st, 2011, and lock-up period of 2 years for 80 % of the grant con-cerning the Man-age-ment Board mem-bers and an obliga-tion to hold 20% until the end of their term man-date	Vesting period of 2 years from January 1st, 2011, and lock-up period of 2 years for 80 % of the grant con-cerning the Man-age-ment Board mem-bers and an obliga-tion to hold 20% until the end of their term man-date	Vesting period of 2 years and lock-up period of 2 years for 80 % of the grant con-cerning the Man-age-ment Board mem-bers and an obliga-tion to hold 20% until the end of their term man-date	Vesting period of 4 years and lock-up period of 2 years for em-ployees	Vesting period of 4 years and lock-up period of 2 years for em-ployees	Vesting period of 2 years and lock-up period of 2 years for em-ployees	Vesting period of 4 years and lock-up period of 2 years for em-ployees	Vesting period of 2 years and lock-up period of 2 years for em-ployees	Vesting period of 4 years and lock-up period of 2 years for em-ployees	Vesting period of 2 years and lock-up period of 2 years for em-ployees
Number of fully-vested free shares in the period	0	0	10,500	0	0	17,666	15,667	0	0	0	0	0	10,000	0	0
Number of bonus shares lapsed at 31 Decem-ber 2013	30,000	16,000	8,000	5,000	0	0	0	0	2,500	4,000	5,000	1,500	18,500	2,000	0
Number of shares remain-ing at 31 Decem-ber 2013	0	0	0	0	0	0	0	33,333	4,000	5,500	0	4,500	0	5,500	44,500

Stock-options and free shares granted to, fully-vested or exercised by top 10 employed beneficiaries

STOCK- OPTIONS GRANTED TO AND EXERCISED BY TOP 10 EMPLOYED BENEFICIARIES WHO ARE NOT CORPORATE OFFICERS	Total number of options granted/shares subscribed	Weighted average price	Plan 1	Plan 2	Plan 3	Plan 4	Plan 4bis	Plan 5	Plan 6	Plan 7
Options granted during 2013	130,700 options[1&2]	€3.21	0	0	0	0	0	0	0	130,700
Options exercised during 2013	893 options - 100,524 shares	€1.80	0	0	392	501	0	0	0	0

[1] Two employees who each received 9,900 options during FY 2013 have not been included in this amount.
[2] The minimum number of options per employee to be taken into account for the calculation of this amount is 9,900.

FREE SHARES GRANTED TO TOP 10 EMPLOYED BENEFICIARIES WHO ARE NOT CORPORATE OFFICERS, AND FULLY VESTED FREE SHARES	Total number of bonus shares granted	Weighted average price
Free shares granted during 2013	43,500[1&2]	€3.53
Free shares fully vested during 2013	19,500[3&4]	€3.90

[1] Seventeen employees who each received 500 fully vested free shares during FY 2013 have not been included in this amount.

[2] The minimum number of free shares per employee to be taken into account for the calculation of this amount is 500.

[3] Two employees who each received 500 fully vested free shares during FY 2013 have not been counted in this value.

[4] The minimum number of free shares per employee to be taken into account for the calculation of this amount is 500.

The Supervisory Board

Pre-merger period

Attendance fees and other remuneration received by non-executive officers

	Amounts paid until May 28, 2013	Amounts paid in 2012
Frédéric Grimaud, Chairman of the Supervisory Board		
Attendance fees	0	0
Other remuneration	0	0
Joseph Grimaud, Vice-Chairman of the Supervisory Board		
Attendance fees	0	0
Other remuneration	0	0
Grimaud La Corbière Group SA, Supervisory Board member		
Attendance fees	0	0
Other remuneration		
- In connection with the group management agreement	€111,726.36 (VAT included)	€198.000
- In connection with loan guarantees	€36,528.77 (VAT included)	€22,330.44
- In connection with normal operation	€108,347.30 (VAT included)	€242,205.59
Renée Grimaud, permanent representative of Grimaud La Corbière Group SA		
Attendance fees	0	0
Other remuneration	0	0
Thomas Grimaud, Supervisory Board member		
Attendance fees	0	0
Other remuneration	0	0
Alain Munoz, Supervisory Board member		
Attendance fees	€10,000	€20,000
Other remuneration	0	0
Michel Greco, Supervisory Board member		
Attendance fees	€10,000	€20,000
Other remuneration	€0	0
TOTAL	**€276,602.43**	**€502,536.03**

Post-merger period

Attendance fees and other remuneration received by non-executive officers

	Amounts paid from May 28, 2013 until December 31, 2013	Amounts paid in 2012
Frédéric Grimaud, Chairman of the Supervisory Board		
Attendance fees	€25,000	0
Other remuneration	0	
Alain Munoz, Supervisory Board member		
Attendance fees	€18,333	€20,000
Other remuneration	0	0
Michel Greco, Supervisory Board member		
Attendance fees	€18,333	€20,000
Other remuneration - Attendance fees paid with respect to his Supervisory Board member mandate within Intercell AG, for the period between October 1, 2012 and December 16, 2012	€9,206.52	n.a.
Anne-Marie Graffin, Supervisory Board member		
Attendance fees	€15,000	n.a.
Other remuneration	0	n.a.
James Sulat, Supervisory Board member		
Attendance fees	€20,000	n.a.
Other remuneration - Attendance fees paid with respect to his Supervisory Board member mandate within Intercell AG, for the period between October 1, 2012 and May 27, 2013	€28,574.28	n.a.
Hanz Wigzell, Supervisory Board member		
Attendance fees	15,000€	n.a.
Other remuneration - Attendance fees paid with respect to his Supervisory Board member mandate within Intercell AG, for the period between October 1, 2012 and May 27, 2013	€27,500	n.a.
Alexander Von Gabain, Supervisory Board member		
Attendance fees	€15,000	n.a.
Other remuneration - Attendance fees paid with respect to his Supervisory Board member mandate within Intercell AG, for the period between October 1, 2012 and May 27, 2013 - Consulting services between January 2013 to March 2013 – remuneration paid by Intercell Austria GmbH in August 2013	€26,666.67 €28,500	n.a.
TOTAL	**€247,113.47**	**€40,000**

Summary of equity warrant grants

Please, refer to Section 3.2.2.3.3 of this Registration Document.

VALNEVA
Société Européenne with a Management Board and a Supervisory Board
Share capital: €8,390,317.14
Registered office: 70, rue Saint Jean de Dieu, 69007 Lyon
Lyon Companies Register (RCS) No.: Identification no.: 422 497 560

SPECIAL REPORT OF THE MANAGEMENT BOARD TO THE ANNUAL ORDINARY GENERAL MEETING OF JUNE 26, 2014

ON TRANSACTIONS UNDERTAKEN IN THE FISCAL YEAR ENDED 31 DECEMBER 2013

IN ACCORDANCE WITH THE PROVISIONS OF ARTICLES L.225-177 TO L.225-186

OF THE FRENCH COMMERCIAL CODE

To the Shareholders,

In accordance with the provisions of Article L.225-184 of the French commercial code, we hereby report to you on transactions undertaken by virtue of the provisions of Articles L.225-177 à L.225-186 of said code, relating to the stock-options of fiscal year ended 31 December 2013.

We inform you below of the maturity dates and the price of stock-options that, during the year ended, and by virtue of the appointments and functions exercised in the Company, were granted to each of the corporate officers by the Company or by companies affiliated thereto, in accordance with the provisions of Article L.225-180 of the French commercial code.

Beneficiaries	No. of options granted	Subscription price in euros	Maturity date	Company concerned	Appointments
Thomas LINGELBACH	100,000	€3.21	02.10.2015 02.10.2017[1]	Valneva SE	(Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)
Franck GRIMAUD	100,000	€3.21	02.10.2015 02.10.2017[1]	Valneva SE	(Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)
Reinhard KANDERA	100,000	€3.21	02.10.2015 02.10.2017[1]	Valneva SE	(Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)

[1]50 % of the options can be exercised from 02.10.2015, and the remaining 50 % from 02.10.2017.

Summary of options exercised by a beneficiary, as corporate officer of the Company in the fiscal year ended 31 December 2013:

Option exercise and share subscription date	Grantees	Number of options exercised	Subscription price	Number of shares*
29 May 2013	Majid Mehtali	385	€1.80	41,580
29 May 2013	Majid Mehtali	290	€1.80	31,320
29 May 2013	Majid Mehtali	160	€1.80	17,280
TOTAL		**835**		**90,180**

We also report to you on options granted to employees who are not corporate officers, and/or exercised in the year, by the Company or companies or economic interest groups affiliated thereto, in accordance with the provisions of Article L.225-184 of the French commercial code.

"ESOP Plan" n°7

General Assembly Date	June 28, 2013
Management Board decision	October 2, 2013
Number of options granted	752,950
Subscription price	€3.21
Beneficiaries	The options have been proposed to all employees of the Group that are not corporate officers.
Exercise period	50 % of the options can be exercised from 02.10.2015, and the remaining 50 % from 02.10.2017.

Summary of options exercised by employees in the fiscal year ended 31 December 2013:

Option exercise and share subscription date	Plan number and date	Number of options exercised*	Subscription price	Number of shares issued*
May 6, 2013	Plan n°3, allotment 5 *** Management Board decision: 01.02.2005	63	€1.80	6,804
July 31, 2013	Plan n°3, allotment 3 *** Management Board decision: 06.10.2003	150	€1.80	16,200
September 16, 2013	Plan n°3, allotment 5 *** Management Board decision: 01.02.2005	179	€1.80	20,406
October 16, 2013	Plan n°4, allotment 3 *** Management Board decision: 05.04.2005	244	€1.80	27,816
October 23, 2013	Plan n°4, allotment 4 *** Management Board decision: 05.10.2005	257	€1.80	29,298
TOTAL		**893**		**100,524**

Finally, in accordance with article L.225-184 of the French Commercial code, we report you on stock- options granted to, and exercised by, the top 10 employed beneficiaries of the Company and its affiliates, who are not corporate officers.

STOCK- OPTIONS GRANTED TO AND EXERCISED BY TOP 10 EMPLOYED BENEFICIARIES WHO ARE NOT CORPORATE OFFICERS	Total number of options granted/shares subscribed	Weighted average price	Plan 1	Plan 2	Plan 3	Plan 4	Plan 4bis	Plan 5	Plan 6	Plan 7
Options granted during 2013	130,700 options[1&2]	€3.21	0	0	0	0	0	0	0	130,700
Options exercised during 2013	893 options - 100,524 shares	€1.80	0	0	392	501	0	0	0	0

1 Two employees who each received 9,900 options during FY 2013 have not been included in this amount.
2 The minimum number of options per employee to be taken into account for the calculation of this amount is 9,900.

We remain at your disposal to provide any further details and information.

Roissy, March 20, 2014

THE MANAGEMENT BOARD

*Each option confers a right to 100 shares since the Company's share was admitted for trading on Eurolist Euronext Paris and the General Meeting's decision of 31 March 2007 to proceed with a 100-for-1 stock split resulting in a decrease in the nominal from €15 to €0.15 and the corresponding multiplication of the number of shares by 100.

** In accordance with article L228-99 of the French commercial code, any company granting capital securities or transferable securities giving access to the capital must take the necessary steps to protect the interests of the holders of the rights created if they decide to proceed, regardless of their form, with the issue of new capital securities with a preferential subscription rights reserved for its shareholders.

On 28 July 2010, the Management Board recorded for the record the completion of the capital increase.

On 27 August 2010 ex-Vivalis' Management Board decided, in accordance with articles L. 228-99, R. 228-91, 1, a) and R. 225-140 of the French commercial code, to adjust the number of shares available to be taken up by exercising options so that the exercise price of the options remains unchanged after the rights issue maintaining the preferential subscription rights of shareholders.

In consequence, a stock option to subscribe for shares, giving a right before this rights issue to subscribe for 100 shares, gave a right to subscribe for 108 shares at €1.80 per share.

Further to a new capital increase on July 5, 2013, the Management Board of Valneva decided on July 24, 2013, in accordance with articles L. 228-99, R. 228-91, 1, a) and R. 225-140 of the French commercial code, to adjust the number of shares available to be taken up by exercising options so that the exercise price of the options remains unchanged after the rights issue maintaining the preferential subscription rights of shareholders.

In consequence, a stock option to subscribe for shares, giving a right before this rights issue to subscribe for 108 shares, gives now a right to subscribe for 114 shares at €1.80 per share.

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SPECIAL REPORT OF THE MANAGEMENT BOARD TO THE ANNUAL ORDINARY GENERAL MEETING OF JUNE 26, 2014

ON TRANSACTIONS UNDERTAKEN IN THE FISCAL YEAR ENDED 31 DECEMBER 2013

IN ACCORDANCE WITH THE PROVISIONS OF ARTICLES L 225-197-1 TO L 225-197-3

OF THE FRENCH COMMERCIAL CODE

To the Shareholders,

In compliance with the provisions of Article L225-197-4 subsection 1 of the French commercial code, we hereby report to you on transactions undertaken by virtue of Articles L225-197-1 to L225-197-3 of said code relating to the grant of free shares in the fiscal year ended 31 December 2013.

We inform you below of the number and value of free shares granted in the period ended, and which, by virtue of the appointments and functions exercised in the Company, were granted to each corporate officer by the Company and by companies affiliated thereto, in accordance with the provisions provided for under Article L.225-197-2 and L233-16 of the French commercial code:

Beneficiaries	Appointment	Number of bonus shares	Value of the share
	None		

Number and values of free shares fully vested in the period by corporate officers:

Beneficiaries	Appointment	Number of bonus shares	Value of the share
Majid Mehtali	Management Board member	17,666	€6.67
		15,667	€6.67

We also inform you of free shares granted by the Company or companies or economic interest groups affiliated thereto, in accordance with the provisions of article L225-197-4 of the French commercial code, to employees who are not corporate officers.

Plan n°3 – Allotments 1 and 2

Allotment 1

General Assembly Date	June 10, 2010
Management Board decision	July 24, 2013
Number of free shares granted	7,500
Beneficiaries	Employees
Vesting period	4 years from the date of receipt, by the beneficiary, of his/her letter informing of the grant of free shares
Lock-up period	2 years from the end of the vesting period

Allotment 2

General Assembly Date	June 7, 2011 and June 4, 2012
Management Board decision	July 24, 2013
Number of free shares granted	44,500
Beneficiaries	Employees
Vesting period	2 years from the date of receipt, by the beneficiary, of his/her letter informing of the grant of free shares
Lock-up period	2 years from the end of the vesting period

Fully vested shares by employees in 2013

20,500 shares were fully vested by employees in the period.

Date of granting	Plan number and date	Number of fully-vested free shares
By a Management Board decision dated July 24, 2013	Plan n°1, allotment 3 *** Management Board decision: 23.07.2009	500
		500
		500
		6,000
		500
		500
		500
		500
		500
		500
By a Management Board decision dated October 9, 2013	Plan n°2, allotment 7 *** Management Board decision: 06.09.2011	5,000
		5,000
TOTAL		**20,500**

Finally, in accordance with article L.225-197-4 of the French Commercial code, we report you on free shares granted to, and fully vested by, the top 10 employed beneficiaries of the Company and its affiliates, who are not corporate officers, during 2013.

FREE SHARES GRANTED TO TOP 10 EMPLOYED BENEFICIARIES WHO ARE NOT CORPORATE OFFICERS, AND FULLY VESTED FREE SHARES	Total number of bonus shares granted	Weighted average price
Free shares granted during 2013	43,500[1&2]	€3.53
Free shares fully vested during 2013	19,500[3&4]	€3.90

[1] Seventeen employees who each received 500 fully vested free shares during FY 2013 have not been included in this amount.
[2] The minimum number of free shares per employee to be taken into account for the calculation of this amount is 500.
[3] Two employees who each received 500 fully vested free shares during FY 2013 have not been counted in this value.
[4] The minimum number of free shares per employee to be taken into account for the calculation of this amount is 500.

We remain at your disposal to provide any further details and information.

Roissy, March 20, 2014

THE MANAGEMENT BOARD

3.1.4 Agreements entered into by the Group with its senior executives or principal shareholders and Statutory Auditors' Report

NEW AGREEMENTS ENTERED INTO BY THE GROUP WITH ITS SENIOR EXECUTIVES OR PRINCIPAL SHAREHOLDERS DURING FISCAL YEAR 2013

For fiscal year 2013, the following new regulated agreements were concluded:

Guarantee agreement for the company Biotech Growth N.V.;

A loan agreement of € 20 million was granted on 7 May 2012 by Biotech Growth NV to the company Intercell AG, Intercell Biomedical LTD being guarantor.

A royalty's agreement, dated May 7, 2012, between the company Intercell AG and Biotech Growth NV has been associated with the € 20 million loan agreement, this royalty's agreement including the payment to Biotech Growth NV of a percentage of sales generated by the vaccine IXIARIO, as a guarantee of the € 20 million loan.

Prior to the merger, Intercell AG established a 100% subsidiary called Intercell AG Austria; this subsidiary has received a portion of Intercell AG assets. Biotech Growth NV agreed to this operation of partial transfer of assets, and a contract acting of the transfer to Intercell Austria AG of the two contracts described above was accordingly signed on 7 May 2013 (contract entitled "Master Agreement Amendment ").

It has also been provided in this agreement that Intercell Austria AG would repay the loan before August 15, 2013, a total of 27 million euros. If the reimbursement would intervene later, i.e. before September 30, 2013, the amount would be of € 28 million.

In this context, Biotech Growth NV wanted a guarantee from Vivalis as acquiring company of Intercell AG, for the fulfilment of commitments by Intercell AG, Intercell Biomedical Ltd, and Intercell Austria AG.

The Supervisory Board authorized the Management Board of Vivalis to provide a guarantee to Biotech Growth NV, whereby Vivalis should ensure compliance by Intercell AG, Intercell Biomedical Ltd, and Intercell Austria AG, of their commitments under the following contracts:

+ The loan agreement signed on May 7, 2012 between the company Intercell AG, Intercell Biomedical Ltd and the Biotech Growth NV, and other agreements associated with the royalty's agreement signed on May 7, 2012 between the company Intercell AG and Biotech Growth NV;

+ The Master Agreement Amendment signed between Intercell AG and Biotech Growth NV, dated 7 May 2013, from the effective date of the merger with Intercell AG and as long as the obligations described in the above contracts are in force under the terms of these contracts.
+ The guarantee agreement signed between Vivalis and Biotech Growth N.V. expired when the loan with Biotech Growth N.V has been reimbursed in August 2013.

There has been no charge for the Company with respect to this contract in 2013.

Management agreement signed with Franck Grimaud, Member of the Management Board and Managing Director of the Company;

This Agreement has been concluded in order to state the compensation conditions for M. Franck Grimaud from the date of registration of the Company as *Société Européenne*, in the Trade and Company register of Lyon, pursuant to the merger with Intercell AG.

Please, refer to section 3.1.3 of the Registration Document for further details.

In 2013, the charges for the Company with respect to this contract were of €214,606.46.

Management agreement to be signed with Majid Mehtali, Member of the Management Board of the Company;

This Agreement has been concluded in order to state the compensation conditions for M. Majid Mehtali from the date of registration of the Company as *Société Européenne*, in the Trade and Company register of Lyon, pursuant to the merger with Intercell AG.

Please, refer to section 3.1.3 of the Registration Document for further details.

In 2013, the charges for the Company with respect to this contract were of € 166,672.39.

Intercompany loan agreement between the Company and its subsidiary, Valneva Austria GmbH;

This agreement has been concluded so that the Company can participate to the development of its Austrian subsidiary Valneva Austria GmbH, by granting it a loan for an amount of 30 million €.

The debtor (Valneva Austria GmbH) had to repay the amount of the loan and any applicable interest to the creditor (Valneva SE) not later than on December 31, 2013, unless such date is postponed by mutual agreement of the parties - in this respect, it should be noted that the reimbursement date has effectively been delayed through mutual agreement.

The above-mentioned interest equals to the 3-month EURIBOR plus 1%, or to such other rate as may be determined by the parties to this Loan Agreement on the basis of a study report from an independent consulting firm.

In 2013, the income for the Company with respect to this contract was of €161,977.85.

Loan Agreement between Biopharma Secured Investments Holdings Cayman LP on the one hand, and the Company, its Austrian subsidiary Valneva Austria GmbH, and its indirect subsidiary Valneva Scotland Ltd, on the other hand; this transaction including, among other things, a loan of USD 30,000,000 (as the principal amount) from Biopharma to Valneva Austria, a personal guarantee from the Company for the benefit of Biopharma, and a pledge of all Valneva Austria shares owned by the Company, as securities for all amounts owed to Biopharma under this loan;

For the description of this agreement and the modalities concerning the guarantee offered by the Company, please refer to section 1.4 of this Registration Document;

+ It has to be added that the Supervisory Board of Valneva noted, on December 13, 2013, the substitution of the initial lessor « Biopharma Secured Investments III Sub, S.A.R.L. », then replaced by « Biopharma Secured Investments Holdings Cayman LP ».

The global amount to be paid by Valneva Austria GmbH over the life of the loan, and for which Valneva SE gave its guarantee, has been set at €34,979,000.

Comfort letter signed by the Company for the lease taken out by its subsidiary "Valneva Austria GmbH";

At the time of the demerger made prior to the merger between Vivalis SA and Intercell AG, the lessor of the Vienna's facilities, where was established Intercell AG, did not consent to Intercell AG transferring the lease agreement to Intercell Austria GmbH (company resulting from said demerger). The lessor finally made this consent, conditional upon the signing of a comfort letter by which the Company would ensure that its subsidiary has all funds it needs to perform its obligations under the lease agreement, which was approved by the Supervisory Board of Valneva SE.

The global amount to be paid by Valneva Austria GmbH over the life of the lease, and for which Valneva SE gave its guarantee, has been set at €9,968,182.38.

Master Services Agreement with Vivalis Toyama Japan K.K;

Valneva (under ex-Vivalis) acquired the antibody discovery activity assets of a Japanese company named SC World Inc., including in particular certain patent rights and know-how

related to a high throughput technology enabling the capture and analysis of large numbers of lymphocytes at one time, each lymphocyte being isolated in a single well in a micro-array chip;

Simultaneously, Valneva set up an Affiliate in Japan, namely Vivalis Toyama Japan K.K. Vivalis Toyama Japan K.K is currently a wholly owned Affiliate.

Valneva wanted, within a Master and Services Agreement, to set forth the terms and conditions according to which Vivalis Toyama Japan K.K would provide to Valneva services consisting in the performance of research services using the VIVA|SCREEN® technology in order to discover antibodies, and further consisting in the improvement of such VIVA|SCREEN® technology.

In 2013, the charges for the Company with respect to this contract were of €758,440.56.

AGREEMENTS PREVIOUSLY CONCLUDED AND CONTINUED DURING FISCAL YEAR 2013

Group Management Agreement with Group Grimaud;

On 29 August 2012, the Supervisory Board of the Company authorised new conditions for the group management agreement with Grimaud Group. Therefore, under the terms of this agreement, Groupe Grimaud has the role to manage Vivalis/Valneva, member of the group, and to ensure its consistency and profitability. For this, Group Grimaud defines and controls the policies and strategies in key functions: marketing, production, purchasing, research and development, human resources, finance, information systems, management and administration of companies.

In addition, the Grimaud Group has employees who perform for the Company, including the provision of services in the following areas:

- Human Resources (including payroll),
- Accounting, Tax, Treasury, Controlling and Finance, Purchasing,
- IT, including:
  - Access to networks group,
  - Access to data servers,
  - Access to internet, intranet and extranet,
  - Use of hosted software, or whose licenses have been acquired, or have been the subject of internal development,

- » Management of mail boxes.

+ Legal.

Where appropriate, Groupe Grimaud can also use external service providers specialized in the above fields to provide these services to the subsidiary.

This agreement is concluded for a one-year period and is tacitly renewable. This agreement gives the modalities with regards to the valuation of the group management services: valuation of the services is made on the basis of the number of working hours dedicated, by the concerned persons, to the group management and to the centralized managements.

These hours are multiplied by an hourly rate, similar to those applied by persons intervening for similar tasks in the concerned functions. The overall amount obtained is then distributed between subsidiaries according to the following allocation key which aims to estimate the Groupe Grimaud' provided work consumption with respect to each of the subsidiaries in proportion with the others: the principle consists, first, in establishing a ratio between the size of the subsidiary and the amount of work provided by the Groupe Grimaud to the benefit of said subsidiary.

This ratio is calculated according to the same criteria than those set out by decree for evaluating the number of working hours necessary for the statutory auditors to implement their mission in French companies. These criteria are: the balance sheet total, the operating income and financial income before tax.

Coefficients of difficulty can then be applied according to the particular characteristics of each subsidiary, such as: the geographical distance, the experience and skills of the manager, the financial situation and the profitability of the company in question.

Thus, each subsidiary contributes to the overall amount obtained, multiplied by the above-mentioned ratio and coefficient.

Concerning other services (accounting, cash flow, payroll, IT), they are invoiced at the individual direct cost of the concerned persons and proportionally to their time of availability.

This Agreement allows the Company to consider operations that it could not consider during these growth years, due to the lack of technical and human resources.

It shall be noted that this Agreement is now terminated since December 31, 2013.

The charge recognised for fiscal year 2013 was €189.166,70.

Guarantee by Grimaud La Corbière Group for aggregate loans totalling €2,830,000;

The guarantee by Grimaud La Corbière Group for aggregate loans totalling €2,830,000 from the Caisse d'Epargne Pays de la Loire, Crédit Mutuel and Crédit Agricole remained in force according to the terms and conditions defined by the Supervisory Board on 3 November 2004.

The charge recognised for fiscal year 2013 was €3,313.02

Guarantee by Grimaud La Corbière Group for aggregate loans totalling €800,000;

The guarantee by Grimaud La Corbière Group for a loan of €800,000 from Caisse d'Epargne Pays de La Loire and Crédit Mutuel remained in force according to the terms and conditions defined by the shareholders' meeting of 11 June 2008.

The charge recognised for fiscal year 2013 was €1,132.84.

Guarantee by Grimaud La Corbière Group of a loan for €1,200,000;

The guarantee by Grimaud La Corbière Group of a loan for €1,200,000 from Crédit Mutuel for 0.75% of guaranteed amounts remained in force according to the terms and conditions defined by the Supervisory Board on 11 June 2008. The corresponding charge recognised for fiscal year 2013 was €3,244.32.

Guarantee by Grimaud La Corbière Group for aggregate loans totalling €1,500,000;

The guarantee by Grimaud La Corbière Group for aggregate loans totalling €1,500,000 from the Crédit Mutuel and LCL remained in force according to the terms and conditions defined by the Supervisory Board on 10 June 2010.

The corresponding charge recognised for fiscal year 2013 was €6,591.41.

Guarantee by Grimaud La Corbière Group of the loan for €500,000;

On 20 March 2013, the Supervisory Board authorized the guarantee by Grimaud La Corbière Group of the loan for €500,000 from Caisse d'Epargne Bretagne Pays de la Loire.

The charge recognised for fiscal year 2013 was €3,236.63.

Guarantee by Grimaud La Corbière Group of the overdraft privilege of €50,000;

On 20 March 2013, the Supervisory Board authorized the guarantee by Grimaud La Corbière Group of the overdraft privilege of €50,000 from Caisse d'Epargne Bretagne Pays de la Loire.

The charge recognised for fiscal year 2013 was €5.85.

Compensation agreement concluded with Majid Mehtali;

The compensation agreement with Majid Mehtali, Management Board member and Chief Scientific Officer of the Company to provide additional remuneration for inventions of employees in respect of the patent application of 14 September 2004 No. EP04292224.5 "*Method of screening by using conformation sensitive peptides*" and a patent application on 14 September 2005 No. PCT: FR2005/002303 remained in force according to the terms and conditions defined by the Supervisory Board du 30 June 2006.

No charge was recognised in the period.

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 (formerly VIVALIS)

Société Européenne

Gerland Plaza TechSud

70, rue Saint-Jean-de-Dieu

69007 LYON

Statutory auditors' special report on regulated agreements and commitments

Annual Shareholders' Meeting held to approve the financial statements for the year ended 31 December 2013

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 (formerly VIVALIS)
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Gerland Plaza TechSud
70, rue Saint-Jean-de-Dieu
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Statutory auditors' special report on regulated agreements and commitments

Annual Shareholders' Meeting held to approve the financial statements for the year ended 31 December 2013

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of your company, we hereby report to you on regulated agreements and commitments.

It is our responsibility to report to you, based on the information provided to us, on the main terms and conditions of agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of Article R. 225-58 of the French Commercial Code (Code de commerce), it is your responsibility to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to communicate to you the information required by Article R. 225-58 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Shareholders' Meeting.

We performed the procedures that we deemed necessary in accordance with the professional guidance issued by the French national auditing body (Compagnie Nationale des Commissaires aux Comptes) for this type of engagement. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

AGREEMENTS AND COMMITMENTS SUBMITTED TO THE APPROVAL OF THE SHAREHOLDERS' MEETING

Agreements and commitments authorised in 2013

In accordance with Article L. 225-88 of the French Commercial Code, we have been informed of the following agreements and commitments previously authorised by the Supervisory Board.

- Management agreement concluded in order to state the compensation and benefits of Mr. Franck Grimaud, Member of the Management Board and Managing Director of the Company, from the date of registration of VALNEVA as a *Société Européenne*, in the Trade and Company register of Lyon. In 2013, the charges for VALNEVA with respect to this agreement amounted to €214,606.46.

- Management agreement concluded in order to state the compensation and benefits of Mr. Majid Mehtali, Member of the Management Board, from the date of registration of VALNEVA as a *Société Européenne*, in the Trade and Company register of Lyon. In 2013, the charges for VALNEVA with respect to this agreement amounted to €166,672.39.

- Guarantee given by VALNEVA, as the absorbing company, to Biotech Growth N.V. in connection with a debt contracted by Intercell prior to the merger. The debt relating to this commitment, i.e. €26,575,142.26, was repaid on 13 August 2013.

- Guarantee given by VALNEVA to Biopharma Secured Investments as part of the debt contracted by its subsidiary, VALNEVA AUSTRIA GMBH and its indirect subsidiary VALNEVA SCOTLAND LIMITED. As part of this loan guarantee with Biopharma Secured Investments, VALNEVA has made the following commitments:
  - A personal guarantee,
  - A pledge of all the shares of VALNEVA AUSTRIA GMBH for the benefit of Biopharma Secured Investments,
  - A direct pledge from VALNEVA to pay all the amounts payable by VALNEVA AUSTRIA GMBH to Biopharma.

  As at 31 December 2013, the amounts to be disbursed by VALNEVA AUSTRIA GMBH to Biopharma for the entire term of the loan total €34,979,145.

- Guarantee given by VALNEVA to VBC 3 Errichungs GmbH, lessor of the Vienna premises occupied by VALNEVA AUSTRIA GMBH, in connection with the comfort letter under which VALNEVA ensured that its subsidiary, VALNEVA AUSTRIA GMBH, had the funds necessary to comply with its lease obligations.

  As at 31 December 2013, the amounts to be disbursed by VALNEVA AUSTRIA GMBH for the entire term of the lease total € €9,968,182.38.

Agreements and commitments not previously authorised

Pursuant to articles L. 225-90 and L. 823-12 of the French Commercial Code, we hereby inform you that the following agreements and commitments were not previously authorised by your Supervisory Board.

It is our responsibility to inform you of the reasons why the authorisation procedure was not carried out.

The following agreement could not be authorised by your Supervisory Board prior to its fulfilment due to the fact that on the date it was submitted to the Board (29 August 2013), the composition of the Supervisory Board of your Austrian subsidiary, then known as Intercell Austria AG, was identical to that of your company which, under the law, prevented the members of your company's Board from voting on the requested authorisation.

- The agreement covering a cash loan to your subsidiary VALNEVA AUSTRIA GMBH stipulating the interest on the cash advance calculated based on the Euribor 3 month rate + 1%. As at 31 December 2013, the cash advance to VALNEVA AUSTRIA GMBH amounted to €26,964,713.09. The 2013 interest income recognized by VALNEVA with respect to this cash loan amounted to €161,977.85.

We wish to inform you that this agreement was approved a posteriori during your Supervisory Board's meeting on 30 September 2013.

The following agreement was not previously authorised by your Supervisory Board because the specific compensation components had not been determined in 2013.

- The service provider agreement of your subsidiary, VIVALIS TOYAMA JAPON stipulated the remuneration for research services performed by your subsidiary based on the costs incurred and a margin of 5%. The 2013 expense recognised by VALNEVA with respect to this service provider agreement amounted to €758,440.56.

Agreements and commitments approved in previous years which remained in force during the year ended 31 December 2013

In accordance with Article R. 225-57 of the French Commercial Code, we have been informed of the following agreements and commitments approved in prior years and which remained in force during the year ended December 31, 2013.

- The guarantee by Grimaud La Corbière Group for aggregate loans totalling €2,830,000 from the Caisse d'Epargne Pays de la Loire, Crédit Mutuel and Crédit Agricole remained in force. The 2013 expense recognised by VALNEVA with respect to this guarantee amounted to €3,313.02.

- The guarantee by Grimaud La Corbière Group for a loan of €800,000 from Caisse d'Epargne Pays de La Loire and Crédit Mutuel remained in force. The 2013 expense recognised by VALNEVA with respect to this guarantee amounted to €1,132.84.

- The guarantee by Grimaud La Corbière Group of a loan for €1,200,000 from Crédit Mutuel remained in force. The 2013 expense recognised by VALNEVA with respect to this guarantee amounted to €3,244.32.

- The guarantee by Grimaud La Corbière Group for aggregate loans totalling €1,500,000 from the Crédit Mutuel (K€ 1,030) and LCL (K€ 470) remained in force. The interest on the La Corbière Group's guarantee given to VALNEVA for these loans amounted to 0.75% of the outstandings and the corresponding expense for 2013 totalled €6,591.41.

- The guarantee by Grimaud La Corbière Group of the loan for €500,000 from Caisse d'Epargne Bretagne Pays de la Loire. The 2013 expense recognised by VALNEVA with respect to this guarantee amounted to €3,236.63.

- The guarantee by Grimaud La Corbière Group of an overdraft facility for €50,000 from Caisse d'Epargne Bretagne Pays de la Loire. The 2013 expense recognised by VALNEVA with respect to this facility amounted to €5.85.

- The Group management agreement relating to the billing of management fees by Grimaud La Corbière Group. The 2013 expense recognised by VALNEVA with respect to this management agreement amounted to €189,166.70.

- The compensation agreement with Majid Mehtali to provide additional remuneration for inventions of employees in respect of the patent application of 14 September 2004 No. EP04292224.5 "*Method of screening by using conformation sensitive peptides*" and a patent application on 14 September 2005 No. PCT: FR2005/002303. No charge was recognised by VALNEVA for 2013.

Neuilly-sur-Seine and Marseille, 24 March 2014

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
French original signed by	French original signed by
Thierry CHARRON	**Vincent GROS**

3.1.5 Annual management report 2013

VALNEVA
Société Européenne with a Management Board and a Supervisory Board
Share capital: €8,390,317.14
Registered office: 70, rue Saint Jean de Dieu, 69007 Lyon
Lyon Companies Register (RCS) No.: Identification no.: 422 497 560

MANAGEMENT BOARD ANNUAL REPORT

TO THE ANNUAL ORDINARY GENERAL MEETING OF JUNE 26, 2014

FOR THE FISCAL YEAR ENDED 31 DECEMBER 2013

To the shareholders,

We have called you to this Annual Ordinary General meeting in accordance with the provisions of the law and the Company's Articles of Association to report to you on the activity of our Company and the Group for the year ended 31 December 2012, the results of its operations and outlook, and submit for your approval the separate and consolidated annual financial statements for the period.

The separate and consolidated annual financial statements of the period and the report were submitted to the Supervisory Board for review. You will also be presented with the Supervisory Board’s report.

All documents and items provided for by applicable regulations have been made available to you within the required deadlines.

The Statutory Auditors will provide in their report all information concerning the fair presentation of the separate and consolidated financial statements.

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

We provide below various pieces of information required under French regulation.

1 – SITUATION OF THE COMPANY AND THE GROUP AND ITS ACTIVITY IN THE YEAR UNDER REVIEW, RESEARCH AND DEVELOPMENT/PROGRESS MADE OR DIFFICULTIES ENCOUNTERED

1.1 COMPOSITION AND FORMATION OF THE VALNEVA GROUP

Valneva SE ("the Company"), with its affiliates, (hereinafter together "the Group") is a European biotechnology company focusing on the development of vaccines and antibody discovery.

The Company results from the June 28, 2013 merger between Intercell AG and Vivalis SA.

Valneva's mission is to excel both in antibody discovery, development and commercialization of vaccines, as well as in programs based on innovative technologies developed by the Company, conducted internally or through collaborations with industrial partners.

1.2 ACTIVITIES OF THE GROUP

Highlights of FY 2013 included:

- The merger between Vivalis and Intercell
- Bioproduction activity's divestiture by Valneva, to the indian biopharmaceutical company Biological E.,
- €40 million's share capital increase of the Company,
- Majid Mehtali's passing in August 2013,
- Signature of a $30 million's loan agreement at the end of December 2013,
- Update on Phase II/III interim analysis of Valneva's Pseudomonas aeruginosa vaccine candidate,
- Positive Phase I Results for Valneva's Clostridium Difficile Vaccine Candidate.
-

1.2.1 Merger between Vivalis and Intercell

Valneva SE was formed in May 2013 through the merger between Austrian biotech company Intercell AG and French biotech company Vivalis SA.

The merger was announced in December 2012 and approved in February/March 2013 by the Extraordinary Shareholders' Meetings of Intercell and Vivalis.

The aim of the merger was to create a fully integrated company specialized in vaccine development and antibody discovery with complementary skills and capabilities as well as diversified sources of revenues (marketed products and partnerships).

Intercell had been created in 1998 as a spin-off of the Research Institute of Molecular Pathology (IMP) in Vienna and was listed on the Vienna Stock Exchange since February 28,

2005. Intercell was manufacturing, marketing and distributing its own Japanese Encephalitis vaccine, had further vaccine candidates in clinical development, and proprietary platforms such as the IC31® adjuvant.

Vivalis had been created in 1999 as a spin-off of Groupe Grimaud, one of the world's leaders in animal genetic selection, and was listed on the Paris Stock Exchange since June 2007. The Nantes-based company had two proprietary technologies, the EB66® duck cell line – a novel vaccine production platform it was licensing to the world's leading pharmaceutical companies (GSK, Sanofi, Boehringer Ingelheim, etc) - and Viva|Screen®, a microarray-based single cell screening platform allowing rapid analysis and discovery of new and rare human monoclonal antibodies.

1.2.2 Bioproduction activity's divestiture by Valneva, to the Indian biopharmaceutical company Biological E.

In early June 2013, Valneva announced the sale of its Clinical Manufacturing Operations (CMO) in France to Biological E., a leading Indian biopharmaceutical company, as part of the Company's strategy to realize cost synergies of EUR 5 to 6 million annually. The sale was completed in November 2013.

1.2.3 €40 million's share capital increase of the Company

At the end of June 2013, Valneva launched a fully underwritten EUR 40 million capital increase with preferential subscription rights to strengthen the Company's financial profile and flexibility. The capital increase was oversubscribed by 146%, and the final gross proceeds amounted to EUR 40.2 million, with the issuance of around 15.2 million new shares. This share capital increase has been approved and recorded on July 5, 2013 by the Management Board of the Company.

1.2.4 Majid Mehtali's passing in August 2013

In August 2013, Valneva had to announce the passing of its Management Board member and Chief Scientific Officier, Majid Mehtali, at the age of 51. His passing was a great loss for the Company but the strong research team built by Majid Mehtali continued his work according to plan.

1.2.5 Signature of a $30 million's loan agreement at the end of December 2013

In December 2013, Valneva announced it had secured a USD 30 million financing from an investment fund managed by Pharmakon Advisors for its Austrian subsidiary Valneva Austria GmbH, to support the sales growth of the Group's Japanese encephalitis vaccine IXIARO®/JESPECT® and to advance the company's pipeline of clinical candidates.

In addition to the guarantee given by the Company, this loan is secured by the payment of income related to sales of IXIARO / JESPECT on a special account with restricted use, and by a pledge of Valneva Austria shares and Valneva Scotland shares. The loan has a fixed interest rate of 9.5%. From 2016, Valneva will pay a fee of 2.6% to Pharmakon on IXIARO® /JESPECT® vaccine sales revenues made during the loan term.

1.2.6 Positive Phase I Results for Valneva's Clostridium Difficile Vaccine Candidate

The Company announced positive Phase Ia/Ib results for the company's vaccine candidate IC84 to prevent diseases caused by the bacterium Clostridium difficile (C. difficile). The pathogen is one of the main causes of nosocomial diarrhea.

IC84 showed a favorable safety and tolerability profile (primary objectives) in both study populations, elderly subjects and adults.

The vaccine candidate was highly immunogenic in elderly subjects and was able to induce similar immune responses to Clostridium difficile toxins A and B as the ones observed in adults in part Ia of the study (secondary objective).

1.2.7 Update on Phase II/III interim analysis of Valneva's Pseudomonas aeruginosa vaccine candidate

The Company provided an update on the Phase II/III efficacy study interim analysis of its Pseudomonas aeruginosa vaccine candidate - Valneva's vaccine candidate, IC43, is a recombinant subunit vaccine consisting of two outer membrane proteins (OprF and OprI) of Pseudomonas aeruginosa. These outer membrane proteins have been shown to be disease-relevant targets in numerous preclinical and several early clinical trials.

The development partners – Valneva and Novartis Vaccines & Diagnostics have initiated discussions on trial continuation in agreement with the recommendations of a Data Monitoring Committee (DMC) following their data review on the primary efficacy endpoint and safety data from 394 patients.

Although the stringent pre-specified futility criterion in regards to the primary efficacy endpoint was formally met, the difference in all-cause mortality rates (at Day 28) between the vaccine and placebo group in this randomized, placebo controlled double blind study, was considered clinically meaningful and in line with the trend observed in the previous study. Additionally there were no concerns with regard to the observed safety profile.

2 – BUSINESS DEVELOPMENT, RESULTS AND FINANCIAL POSITION

2.1 Valneva group (IFRS)

The consolidated financial statements for the year 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union.

They are prepared under the historical cost convention as modified by the fair value of financial assets available for sale.

Insofar companies Valneva Austria GmbH (formerly Intercell AG), Valneva Scotland Ltd. (formerly Intercell Biomedical, ldt), Intercell USA and Elatos were acquired in May, said companies have been incorporated into the 2013 financial statements as at June 1st, 2013.

As part of the analysis of the evolution of the business, results and financial position of the Group, the data for 2013 are put into perspective in relation to the data of 2012, being recalled the evolution of the Group consolidation scope:

Name	Country	Interests held at december 31	
		2013	2012
Vivalis Toyama Japan KK	JP	100%	100%
Valneva Austria GmbH	AT	100%	-
Valneva Scotland Ltd.	RU	100%	-
Intercell USA, Inc.	US	100%	-
Elatos GmbH	AT	100%	-

Recurring operating income

Recurring operating income amounts to €35.9 million for fiscal year 2013 compared to €5.9 million for FY 2012.

Revenues and grants by business segment are broken down as follows:

In thousands of euros	FY ended on december 31	
	2013	2012
Revenues and grants by business segment *	**35,991**	**5,909**
EB66® Cell line	3,668	3,455
VivaIScreen® Technology	2,884	2,440
Ex-Intercell operations	29,362	-
Income not attributed to an operating segment	77	14

Revenue from collaboration agreements and license agreements concluded with the two main clients amounted respectively to €3.539 million (0 € in 2012), and €1.151 million (€1.994 million in 2012). Products sale to the main client generated €12.709 million (0€ in 2012).

Recurring operating expenses

Operating expenses for the year ended 31 December 2013 amounted to €56.8 million, compared to €18.7 million for the prior fiscal year.

R&D expenses represent 37.68% of total recurring operating expenses in 2013, vs. 59.19% in 2012.

GSA expenses represent 25.89% of total recurring operating expenses in 2013.

Staff expenses increased significantly between 2012 and 2013, due to the evolution in the average headcount linked to the merger between Intercell and Vivalis: during 2013, the Group's workforce averaged 193 employees, against 99 employees in 2012.

Financial charges with respect to employee benefits include the following:

In thousands of euros	FY ended on december 31	
	2013	**2012**
Salaries	13,335	5,137
Social security contributions	3,666	2,144
Training and education	317	139
Stock-options allocated to the employees and Management Board members	173	221
Other employee benefits	290	32
Total	**17,781**	**7,673**
Reclassification of business disposal	-	(514)
Employee benefit expenses	**17,781**	**7,159**

Other Revenue and Expenses – Net' include the following:

In thousands of euros	FY ended on december 31	
	2013	**2012**
Taxes, duties, fees, charges other than income taxes	(282)	(321)
Gain / (loss) on disposal of fixed assets, net	1,260	-
Miscellaneaous income/(expenses), net	180	-
Total	**1,157**	**(321)**
Reclassification of business disposal	-	28
Other income/(expenses), net	**1,157**	**(292)**

Net gains on sale of fixed assets include a gain of € 1.312 million resulting from the completion in November 2013 of the sale of the bioproduction activity (CMO) located in Nantes, to Biological E., a leading Indian biopharmaceutical company.

Raw material and other purchases increased from €2.3 million in 2012 to €3.3 million in 2013.

Operating profit/(loss)

Operating loss for 2013 came to €-20.8 million vs. €-12.8 million for FY 2012.

Net financial income/(expense)

FY 2013 yielded a loss of €2.969 million, compared to €56,000 in fiscal year 2012.

It should be noted that the Group has benefited from the assistance provided by the government for the negotiation of debt facilities which the Company could not otherwise benefit. The aid includes providing guarantees on outstanding amounts due.

Corporate income tax

The company recorded a €348,000 tax burden (vs. €96,000 for the previous years), being understood that the income tax includes tax payable of €(386,000) and deferred tax of €38,000.

Net income/(loss) from continuing activities

Continuing activities posted a loss of €24 million in 2013, compared to a loss of €13 million in 2012.

Result per share came to €(0.61) in 2013, as for 2012.

Result from assets held for sale or discontinued activities

This item posted a loss of €137,000 in 2013, compared to a loss of €1.8 million for 2012. The detailed breakdown is presented in section 20 in the appendix to the financial statements.

Net income/(loss)

Net yearly loss amounts to €-24.1 million in 2013 vs. €-14.8 million for the previous fiscal year.

Non-current assets

Group non-current assets amounts to €191.045 million at December 31, 2013, vs. €38.446 million at December 31, 2012.

The group's intangible assets and Goodwill amounted to €125 million in 2013 vs. €17 million in 2012. Intangible assets comprise essentially R&D projects, JEV vaccine, Pseudomonas vaccine and Viva|Screen® technology.

Property, plant and equipment assets increased between 2012 and 2013, from €12.1 million to €45.1 million, provided that the depreciation charges were allocated to research and development expenses for €2.344 million (against € 1.583 million in 2012), as well as to general, selling and administrative expenses for €86,000 (€200,000 in 2012).

Other non-current assets that were carried at €8.9 million at 31 December 2012 increased to €20.6 million at December 31, 2013.

Current assets

Current assets (including cash and cash equivalents) changed significantly over the period, from €15.1 million at 31 December 2012 to €63.3 million at the end of 2013; this change was essentially concentrated on treasury.

Shareholders' Equity

The evolution in shareholders' equity is detailed in the notes to the consolidated financial statements (items 21 and 22).

This variation is mainly to achieve the following two operations:

+ The merger between Intercell and Vivalis conducted May 28, 2013,
+ The capital increase of July 5, 2013 which resulted in the issuance of 15,165,215 new ordinary shares.

Liabilities

Total non- current liabilities increased over the year up to €17.6 million to €82.2 million.

Current liabilities meanwhile increased from €9.8 million for fiscal year 2012 to €28.1 million in 2013.

The total borrowings (current and non-current) increased from €6.7 million in 2012 against €71.2 million in 2013.

In this regard, we remind you that on December 9, 2013, the Group announced that it has secured a funding of $ 30 million, underwritten with an investment fund managed by Pharmakon Advisors, to the benefit of Valneva Austria GmbH, an Austrian subsidiary. The loan has a term of five years and was concluded at a fixed interest rate of 9.5%. From 2016, Valneva will pay to Pharmakon a fee corresponding to 2.6% of the sales made of IXIARO®/JESPECT® made over the life of the loan. The financing transaction was finalized on 20 December 2013. The fixed interest rate and the fees, arising in connection with the loan, are recorded as financial expenses.

Cash and Treasury

The Group's net cash position and current financial assets amount to €36.5 million and €3.6 million respectively at 31 December 2013, compared to €0.8 million and €11.2 million at the end of the previous year.

Net cash provided by (or used in) investing activities amounted to €21.8 million at 31 December 2013 against €4.3 million at 31 December 2012, corresponding in particular to:

+ The acquisition of other activities / cash gained from the merger between Vivalis and Intercell (€11.6 million against €(2.7) million in 2012)
+ Proceeds from sale of property, plant and equipment (€3.144 million in 2013 against 6,000€ in 2012), which corresponds to the sale by the Group, in November 2013, of

the bioproduction activities (CMO) located in Nantes, to the benefit of the company Biological E.

Detailed information on cash and cash equivalents is provided in Note 19 of the appendix to the annual financial statements.

2.2 – Valneva (statutory accounts - FR GAAP)

These financial statements have been prepared in accordance with French generally accepted accounting principles as defined by the French accounting standards committee (*comité de la réglementation comptable* or CRC).

Pursuant to the merger with Intercell AG effective as from 28 May 2013 and in accordance with the merger agreement, the statutory financial statements of Valneva SE take into account its retroactive effect for tax and balance sheet purposes from 1 January 2013.

Operating income

Operating income amounts to EUR 3.78 million, up from EUR 3.1 million for fiscal 2012.

Revenue came to EUR 1.7 million for 2013 compared to EUR 2.2 million in 2012.

Other operating income (mainly grants and licensing income) came to EUR 2.1 million in 2013, up from EUR 0.9 million the prior year. This change is attributable mainly to recognition of EUR 1.1 million for the FEDER grant in 2013 though with a period of eligibility covering 2009-2013.

Operating expenses

Operating expenses for the year ended 31 December 2013 amounted to EUR 16.5 million compared to EUR 18.3 million for the prior year.

Purchases of raw materials and external expenses represented EUR 7.1 million in 2013 compared to EUR 8.1 million in 2012.

Staff costs amounted to EUR 6.2 million in 2013 compared to EUR 6.8 million in 2012.

Allowances for depreciation and amortization represented EUR 2.8 million in 2013 compared to EUR 3.1 million in 2012.

The decline in expenses across all line items reflects mainly the discontinuation of the biologicals CMO operation associated with its sale to Biological E in the 2013 fourth quarter.

Income/(loss) from ordinary activities

The operating loss from ordinary activities for the year ended 31 December 2013 was EUR 12.7 million, down from EUR 15.2 million in the prior year.

Net financial income/(expense)

Net financial expense came to EUR 0.8 million for 2013 compared to net financial income of EUR 0.3 million in 2012, and reflecting mainly the merger as well as the partial write-down of Vivalis Toyama Japan shares linked to the discontinuation of R&D activity in Japan.

Net exceptional items

Net exceptional items resulted in the income of EUR 1.5 million in 2013 compared to EUR 0.2 million in 2012.

This change reflects mainly a net gain from the disposal of the clinical manufacturing operations based in Nantes to Biological E., an Indian biopharmaceutical company.

Corporate income tax

The negative income tax item corresponds to research tax credit (RTC). This came to EUR 2 million in 2013 compared to EUR 2.8 million in 2012 and is linked to the decline in operating expenses.

Net income/(loss)

The net loss for 2013 was EUR 10 million compared to EUR 12 million in the prior year.

Fixed assets

Fixed assets rose from EUR 30.5 million in 2012 to EUR 153 million in 2013 (net value).

This increase reflects in part the contribution of Intercell shares in connection with the merger and in part the disposal of assets associated with the biologicals contract manufacturing operation.

Current assets

Current assets came to EUR 56.4 million in 2013, up from EUR 25.6 million.

This increase is mainly due to the advance granted by the company to its Austrian subsidiary, recognition of the 2013 research tax credit and the reduction in prepaid expenses at 31 December 2012 for merger-related costs.

Shareholders' equity

Shareholders equity rose from EUR 34.4 million at 31 December 2012 to EUR 185.3 million at 31 December 2013 with detailed explanations on this change provided in the notes to the statutory accounts (point 4.3.10).

This change reflects mainly completion of the following two corporate actions:

+ The merger between Vivalis and Intercell completed on 28 May 2013,

+ The capital increase of 5 July 2013 resulting in the issuance of 15,165,215 new ordinary shares.

Liabilities

Total debt increased in the period from EUR 18.2 million to EUR 19.8 million.

Total borrowings rose from EUR 6.7 million in 2012 to EUR 11 million in 2013. This change reflects mainly the collateralization of research tax credit receivables that largely offset the repayment of loans for the biologicals contract manufacturing building sold and accordingly repaid before term.

Operating payables declined from EUR 4 million to EUR 2.7 million, mainly due to the discontinuation of the biologicals CMO activity in the last quarter of 2013.

Payables to suppliers of fixed assets declined from EUR 6.7 million at the end of 2012 to EUR 4.5 million at the end of 2013 with the last fixed-price payment for Humalys.

Cash

Cash came to EUR 14.1 million at 31 December 2013, up from EUR 12 million one year earlier.

It was directly impacted by the cash contribution from Intercell in connection with the merger (+ EUR 21.3 million).

+ Net cash used in operating activities represented outflows of EUR 38.2 million at 31 December 2013, up from EUR 13.5 million at 31 December 2012 and corresponding mainly to a EUR 30 million advance granted to the Austrian subsidiary.
+ Net cash from (used in) investing activities represented an inflow of EUR 1.5 million in 2013 compared to an outflow of EUR 5.1 million in 2012, and reflecting mainly:
+ EUR 5 million in proceeds from the sale of the building and equipment to Biological E.
+ The last fixed price payment under the Humalys financing arrangement for EUR 2 million.
+ Net cash from financing activities rose significantly (EUR 17.5 million in 2013 compared to EUR 0.2 million in 2012) in large part from the EUR 40.2 million capital increase of July 2013, the collateralization of research tax credit receivables for EUR 6.2 million and the repayment of Intercell's convertible bond debt contributed in connection with the merger or EUR 18.4 million.

3 - RISKS AND UNCERTAINTIES

There is an inherent risk of failure in biotechnological innovation, and the Group is thus exposed to specific industrial risks. Valneva is exposed to an additional risk as a result of the marketing of its first product, a vaccine against Japanese encephalitis, which has thus far not generated sufficient revenues to ensure the Group's sustainable development. Moreover, the Group, which has suffered significant losses since its inception, is exposed to liquidity risk and the risk of never achieving sustained profitability.

Risks associated with the Group's activity

Risk associated with dependence on a single product

To date, the Group only has one marketed product, namely its Japanese encephalitis (JE) vaccine, and is dependent on the sales results of this product**.** Future revenues from this product may be affected by a number of factors, including (i) the level of performance of the distributor that provides most of these revenues, (ii) serious adverse events linked or suspected to be linked to the product, or (iii) public distrust of vaccines or adjuvants.

Risk of marketing failure

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

Risks associated with production of the Japanese encephalitis vaccine

The Group's production facility in Livingston, Scotland, is and will continue to be an important facility for revenue growth and cost control in production. The manufacture of biological material is a complex undertaking and technical problems may occur. The Group may experience delays, fail to successfully manufacture, or encounter difficulties in aligning its capacity to manufacture its Japanese encephalitis vaccine with market demand. The manu-

facture of biological material is subject to detailed regulations and routine inspections. It is impossible to predict the changes that regulatory authorities may require during the life cycle of a new vaccine. Such changes may prove costly and affect the Group's sales, production and/or gross margins. Failure to comply with Good Manufacturing Practices or other regulatory requirements could potentially lead to suspension or revocation of production licenses, and impede the provision of products by the Group. The risk of suspension or revocation of a production license also exists for third parties with whom the Group has entered into manufacturing or supply agreements.

The Group's production facility in Livingston, Scotland, is the sole producer of the Japanese encephalitis vaccine. Destruction of the site by fire or for any other reason could lead to considerable losses. The Group's activity requires the use of hazardous materials, thereby increasing the Group's exposure to dangerous and costly accidents that could bring about accidental contamination, personal injury, or environmental impacts. The Company is subject to strict environmental and safety standards, in addition to other laws and regulations, which could generate compliance-related costs that may affect the performance of the Company and its financial position.

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

Marketing authorisations for veterinary vaccines produced in the EB66® cell line were obtained by the Chemo-Sero Therapeutic Research Institute (Kaketsuken), a co-development partner to GlaxoSmithKline (GSK), in Japan in 2012, and by FARVET SAC in Peru in 2014. However, European and American health authorities have not yet authorised marketing of a vaccine* produced on the EB66® cell line for human use.

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

To mitigate this risk, the Group has already contacted American and European regulatory authorities to verify its qualification policy of this cell line. Lastly, at the request of its clients, the Group can participate in formal or informal meetings on the regulatory qualification strategy for products manufactured by Group clients. Any failure or delay in development of the EB66® cell line could have a material adverse effect on the Group's activity, earnings, financial situation and prospects.

Development risks of Group licensee products

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

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

Development risks of Group products

a) Antibodies in oncology

Since 2013, the Group has carried out antibody research in the field of oncology, using its Viva|Screen platform. This research process is made up of several long, costly and uncertain phases.

Failure of this research program or delays in its execution would have a significant impact on the medium- and long-term potential of the Viva|Screen platform and thus on the Group's activity, earnings and prospects.

b) Vaccines

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

Risk of dependence vis-à-vis current and future strategic partners

To develop and market its products, the Group has entered and will enter into collaboration agreements, research licenses and commercial licenses with biopharmaceutical and pharmaceutical companies and, less frequently, with academic institutions. These agreements are necessary for the research, development, manufacture and marketing of the Group's

products. The Group may fail to keep these agreements in force or to establish new agreements on acceptable terms, which could significantly limit or delay its ability to develop and market its discoveries and inventions, and thus to reap the benefits of its R&D programmes and technologies. The success of strategic partnerships depends in part on the performance of the strategic partners, over which the Group has little or no control. Partners may postpone or terminate one or more of these strategic partnerships, develop alternative products independently or in collaboration with a third party, and thus compete with the Group's product candidates or technologies. They may also fail to commit sufficient resources to the development or marketing of Group product candidates that depend on partnerships or collaborations, or may not live up to the Group's expectations. If one of these risks were to occur, the development of certain products could be stopped and/or the marketing of certain products prevented or delayed, which would have a material adverse effect on the Group's activities, financial situation or operating results.

Risks associated with the need to maintain, attract and retain key employees

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

The Group will also need to recruit new management executives and qualified personnel to develop its activities. The Group competes with other companies and organisations to recruit and retain highly qualified individuals. This competition is extremely intense, and the Group may not be able to attract or retain key talent on terms that are acceptable from an economic standpoint.

The inability of the Group to maintain, attract and retain these key personnel could prevent it from achieving its overall objectives and have a material adverse effect on its activity, earnings, financial situation and prospects.

Risks associated with internal and external growth

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

Risks associated with the 2013 merger

Although most risks associated with the Vivalis-Intercell merger have been overcome to date, the following risks remain: (a) risks associated with litigation against former Intercell

shareholders as described in the “Disputes” paragraph of the legal risk section below; and (b) a residual risk that the Group fails to deliver all savings associated with the planned synergies, as explained below.

When the merger was announced, the parties envisaged that the new company would be able to realize synergies. A combination of scale savings on overhead costs, rationalization of R&D platforms, disposal of Intercell antibodies discovery platform, and disposal of Vivalis manufacturing for third parties business would allow Valneva to complete savings for an estimated amount of €5 to 6 million per year over two years following closure of the transaction. Already in the first seven months, Valneva was able to progress its integration process and implement changes, allowing it to achieve a number of the synergies sought. The sale of the CMO facility to Biological E was announced in June and completed in November 2013. This initiative alone will generate savings of up to EUR 3m.

However, the businesses coming from Vivalis and Intercell are very complementary. While this was one of the drivers of the merger, allowing Valneva to become a diversified company with several value propositions from R&D platforms to a commercial product, all synergies and resulting savings have not been implemented across all functions yet. Further harmonization is planned throughout 2014, and although the Company remains committed to achieving or even over-achieving its defined goal of €5 to 6 million annual savings, it will not be automatic: a residual risk remains that the organization will not be able to implement all changes required to reach this goal.

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

As part of its research and development, licensing and manufacturing, the Group relies on materials, equipment and services produced or provided by other companies. The quality and availability of these goods or services are key to the Group´s sustainability.

The Group is a client of these suppliers. If a supplier, for commercial, strategic or other reasons, were no longer to offer a given material, product or service or no longer to produce or provide it in sufficient quantities or to a standard of quality required by the Group, manufacturing and sale of the Group’s products, including product candidates, could be prevented, limited or delayed. This in turn would have a material adverse effect on the Group’s activities, financial situation and earnings.

For example, fetal bovine serum, a critical and scarce raw material used in the manufacturing of the Japanese encephalitis vaccine, may not be available in the required quantities in the future. Also, in connection with this vaccine, litigation is currently in arbitration with the supplier of an ingredient used for the manufacture of the vaccine. Litigation reserves have

been taken in the amount of EUR 350,000. This litigation could indirectly result in the supplier deciding to stop supplying this substance. The Group could thus have difficulties finding other suppliers that satisfy the particular specifications required for this ingredient

Risks related to competition

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

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

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

In case of non-compliance with regulations or of failure to obtain / withdrawal of required approvals, the Group would be subject to fines and could be forced to suspend all or part of its R&D activities. Compliance with environmental, health and safety regulations entails considerable costs, and the Group could be required to incur significant costs to comply with future laws and regulations.

While the Group considers that the security procedures it implements are in compliance with applicable regulations, the risk of accident or accidental contamination cannot be completely eliminated. In the event of accident or contamination, the Group’s liability may be incurred. This would oblige it to incur potentially significant costs to compensate victims and repair damage, and could have a negative impact on its results and financial position.

Financial Risks

Historical operating losses - Risks related to expected future losses

At 31 December 2013, cumulative net losses for the Group (retained earnings) under IFRS amounted to € 62.4 million including a loss of € 24.1 million for the fiscal year ended 31 December 2013.

The Group could sustain higher than expected operating losses over the coming years as its research and development and marketing activities continue, particularly due to: the transition of some of its products to preclinical or clinical development stages; the development of

its proprietary product business, which consumes significant research and development resources; increased regulatory requirements for product manufacture and testing; the growth of its portfolio of products through acquisition of new products or via licenses; and the development of its research and development activities and the purchase of new technologies, products or licenses.

An increase in these expenses, particularly in case of disruption or reduction of one or more sources of income, could have an adverse material effect on the Group's activities, earnings, financial situation and prospects.

Uncertainty of additional funding and future capital requirements

In 2013, the Group raised €38 million through a capital increase and obtained a USD 30 million loan. However, it still expects to require more capital in the near future to continue its research and development and develop its portfolio of new and existing products. The Group may be unable to finance its growth itself, which would lead it to seek other sources of financing, particularly through new capital increases. Inability to meet the expectations of its investors and/or unfavourable economic conditions or credit markets could affect the Group’s ability to obtain financing.

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

+ higher costs and slower progress than expected in its research and development programmes; cost of preparing, filing, defending and maintaining patents and other intellectual property rights;
+ costs of responding to technological and market developments, concluding collaboration agreements within the necessary timeframe and keeping them in force to ensure effective production and marketing of its products;
+ new opportunities to develop promising new products or to acquire technologies, products or companies; and higher costs and longer than expected wait time to obtain regulatory approvals, including time taken to prepare applications for regulatory authorities.

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

+ delay, reduce or even eliminate research and development programmes;
+ reduce its workforce;
+ close some of its sites;

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

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

If one or more of these risks were to materialise, they could have a material adverse effect on the Group's activity, earnings, financial situation and prospects, as well as on the situation of its shareholders.

Liquidity Risk

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

The Group is exposed to liquidity risk due to (a) the maturity of its financial liabilities and the fluctuations of its operating cash-flow (please refer to Note 3.1(c) of the consolidated financial statements and to the maturity table included therein), and (b) the potential implementation of early repayment clauses in loan or grant agreements, especially regarding the USD 30 million loan referred to above. Early repayment of this loan may be required in various situations, particularly in the event of a sharp decline in operating margins on sales of the Japanese encephalitis vaccine, default, sentence to pay damages of over €10 million not covered by insurance, or an event that has a material adverse effect on sales of the vaccine.

Dilution risk

Under its incentive policy for corporate officers, employees and consultants, the Company has, since its inception, regularly granted or issued stock options, free shares and warrants. In the future, the Company may grant or issue new instruments giving access to capital. The Company was also authorised by the General Meeting of Shareholders of 28 June 2013 to carry out capital increases via private placement representing up to 20% of the capital.

The exercise of instruments giving access to outstanding capital, any award or new issue of such instruments, or capital increase via private placement would result in significant dilution of shareholders' interests.

Risk of not collecting funds promised under subsidised research programmes

If the Group fails to comply with the terms of subsidy agreements or chooses to discontinue supported or subsidised research programmes, it may not receive the anticipated funding. Organisations providing subsidies may also suspend or terminate a programme based on the interim results obtained by the programme or some of its members.

These situations could affect the Group's ability to fund its research and development.

Risk of impairment of intangible assets

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

Risk of losing tax deficits

In the future, the Group may not be able to use its tax-loss carryforwards and may therefore be obliged to pay higher taxes than expected and/or to reimburse tax credits.

Legal Risks

Risks related to patents

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

The success of the Group's business depends on its ability to obtain, maintain and enforce its patents and intellectual property rights in Europe, the United States and other countries. However, it cannot be ruled out the possibility that:

+ the Group fails to develop new patentable inventions;

- patents issued or licensed to the Group or its partners are challenged and held to be invalid, or that the Group cannot enforce them;
- patent applications do not result in patents granted;
- the extent of protection offered by a patent is insufficient to protect the Group against counterfeiting or competition;
- third parties claim rights to products, patents or other intellectual property owned or licensed by the Group.

Granting of a patent does not guarantee its validity or application. Actions in court or at the relevant offices may be necessary to enforce the Group's intellectual property rights, protect its trade secrets or determine the validity or scope of its intellectual property rights. Litigation could entail substantial costs, reduce the Group's profits, and fail to provide the desired protection. The Group's competitors may successfully challenge the validity or scope of these patents. In addition, patents may be successfully infringed or bypassed. As a result, the rights of the Group to issue patents may not provide the expected protection against competition.

The issue of patents in the field of biology is highly complex and involves a range of legal, scientific and factual issues. General trends in the three major patent organisations in the United States, Europe and Japan tend to standardise the approach to the patentability of inventions in the field of cells and their uses. Nevertheless, uncertainties remain, especially with regards to the interpretation of the scope of claims which may be granted, a question that is still governed by national law.

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

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

Dependence on third parties and access to certain technologies

The Group has obtained licenses for certain technologies and products in specific projects. No assurance can be given that the in-licensed patents and patent applications will not be

challenged, declared invalid, or bypassed, or that they will provide effective protection against competition. In addition, Valneva expects, in particular for its pipeline products, that it may be necessary to obtain additional licenses on third-party patents to continue its research and development. if such licenses cannot be obtained on acceptable terms, Valneva may not be able to pursue certain developments and market select products. Also, licensors may be entitled to terminate the agreements if Valneva fails to meet its contractual obligations.

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

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

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

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

As the biotechnology industry grows, new patents on technologies and products are granted. The likelihood that the Group’s technologies and products may infringe the patents of third parties is thus increasing, especially for patents covering new techniques of producing viral

vaccines or recombinant proteins, specific components of these techniques or use of the platform for screening compounds of interest, especially for therapeutic purposes.

Legal action could thus be brought against the Group or its partners, which could entail substantial costs.

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

Any action against the Group for damages, preventing it from manufacturing or marketing infringing products or processes, or requiring it to obtain a license from a third party to continue its activities could negatively impact the Group's finances and prospects. There is no guarantee that the Group could successfully defend its position or obtain a license under economically acceptable terms.

Many lawsuits for infringement of intellectual property rights have been filed in the pharmaceutical and biotechnology industry. In addition to proceedings brought directly against the Group, the latter could be party to litigation such as opposition proceedings before the European Patent Office (EPO) or interference proceedings at the U.S. Patent and Trade mark Office (USPTO) relating to the intellectual property rights for its products and technologies.

Even in the event of a favourable ruling, defence costs could be substantial. Some Valneva competitors have much greater resources and could more easily bear the costs of complex litigation. Such proceedings could also be very time consuming for Group management. The uncertainty surrounding how to proceed in the event of a dispute could have a material adverse effect on the Group's competitiveness.

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

The Group may not be able to generate revenue from products based on its technology or from its own products if a third party does not grant to the Group or its licensees the licenses necessary, or if it offers such a license on unacceptable terms. The Group may then have to modify its potential technologies and products, or avoid/stop certain activities. The Group's licensees could experience similar problems.

If one or more of these risks were to materialise, they could have a material adverse effect on the Group's activity, earnings, financial situation and prospects.

Risks related to the Group's trademarks

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

Risks related to potential conflicts with licensees, partners and distributors

The Group has granted licenses to use its EB66® platforms and Viva|Screen, as well as rights to distribute its Japanese encephalitis vaccine; it co-finances the development of several products with Novartis under the Strategic Alliance Agreement. The Group may have difficulties collecting the amounts owed by its licensees, distributors and partners. The Group may have to spend large sums to recover these amounts due or may not be able to recover them at all.

Risks of failure to protect the confidentiality of information on the Group and its know-how

The Group regularly provides information and biological samples to public and private entities for the purpose of conducting tests for research or signing off on commercial projects. In both cases, the Group uses confidentiality agreements. Its business also depends on technologies, processes, know-how and unpatented own data that the Group considers trade secrets and that it protects in part though confidentiality agreements with employees, consultants and certain partners and subcontractors. These agreements or other means of protecting trade secrets may not provide the desired protection or may be violated. Moreover, the Group may have no appropriate solution to counter a violation, and trade secrets may be disclosed to competitors or be developed independently by the latter.

If one or more of these risks were to materialise, they could have a material adverse effect on the Group's activity, earnings, financial situation and prospects.

Product liability risk

The Group is exposed to risk of claims and potential liability for defective products in clinical trials on product candidates and in the marketing and sale of its vaccines. The Group's product and clinical trial liability insurance may not be sufficient, and the Group may be held liable for the use of these product candidates in clinical trials or the sale of current or future products. This could pose a serious threat to its activities, earnings, financial situation and prospects. In the future, this type of insurance might also cease to be available at a reasonable cost.

Disputes

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

Arbitral litigation involving a Valneva subsidiary and one of its suppliers is ongoing. Please refer to the paragraph "Risks related to the quality and availability of products delivered by suppliers" above.

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

Successfully marketing Group technologies and products depends in part on the market's acceptance of these technologies and products for the prevention or treatment of human or animal diseases. The use of genetic technologies and materials of animal origin could raise ethical, legal or social concerns and thus could affect the successful marketing of the Group's technologies and products.

Risks associated with concentration of ownership

The two largest shareholders of the Company, namely Groupe Grimaud and Bpifrance Participations, hold a significant percentage of the share capital and the voting rights (21.63% and 10.05%, respectively, on the date of this report). Such concentration may have a significant adverse effect on the Company's share price.

Market risk

Currency risk

The Group, through its marketing & distribution partners, conducts some sales and manufactures its products outside the euro zone and is therefore exposed to currency risk, particularly with respect to the U.S. dollar and the British pound. The Group has not entered into a hedging agreement to date, and its operating results could be affected if effective hedging

arrangements are not made in the future. Please refer to Note 3.1(a) to the consolidated financial statements for more on currency risk.

Interest rate risk

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

Please refer to Note 3.1(a) to the consolidated financial statements for more on liquid assets and indebtedness.

Price risk

The Company is not exposed to a risk on the price of its own shares except (i) with respect to the treasury shares resulting from the merger process, and (ii) under the liquidity contract with Natixis. The conditions under which the contract was carried out over the period are described in this report.

4 - FORECASTED TRENDS AND OUTLOOK

As part of the management of its business activities, the Group prepares operational and financial targets for the current and subsequent financial years. When preparing its targets, the Group's management used the same accounting rules it adopted for its IFRS-compliant financial statements. Based on information currently available, the Group has set the following financial targets for 2014:

+ Valneva anticipates continued growth of in-market sales of IXIARO®/JESPECT® and a significant increase in the profitability of its JEV vaccine in 2014 following the amendment of its Marketing and Distribution Agreement (MDA) with its main distribution partner.
+ The Company expects 2014 overall IFRS revenue to grow to € 40 – 45 million and – together with merger synergies - to contribute to significant reduction of operating loss, while continuing to progress its key development programs.

5 – SIGNIFICANT EVENTS BETWEEN CLOSING DATE OF THE FISCAL YEAR AND DATE THIS REPORT IS PREPARED

Significant events and transactions that occured between 31 December 2013, and the date on which this report was prepared, are as follows:

+ - At the beginning of January, Valneva amended its agreement with Novartis (NVD) for the marketing and distribution of its vaccine against Japanese encephalitis IXIARO®. The amendment included commitments on minimum targets for sales growth during the coming years. Valneva also transferred to its partner the responsibility of the sales to the U.S. military, Valneva now accounting only two-thirds of the

sales of the product in the U.S. Army. This allow reducing the marketing activities in the United States .

+ - In late February, Valneva announced the initiation of a fourth program for monoclonal antibody discovery with Sanofi Pasteur, the vaccines division of Sanofi (Euronext : SAN and NYSE: SNY), on its proprietary platform for screening cell, Viva|Screen®. Under the terms of the agreement signed with Sanofi Pasteur in June 2010, Sanofi Pasteur obtained exclusive worldwide rights for the development and commercialization of the discovered antibodies. On its side, Valneva may receive, if successful, payments of up to €35 million by infectious disease, paid at different stages of development, as well as royalty payments associated with products sales. Sanofi Pasteur finances, in addition, collaborative research activities related to the assessed infectious diseases.
+ - Early March, Valneva announced the signing of a new research agreement with Emergent BioSolutions Inc. (NYSE: EBS), and the transfer of an existing commercial agreement, for the development of vaccines on Valneva's EB66® cell line.
+ Mid- March, Valneva issued a statement released by Aeras on the initiation of a Phase II clinical trial for its vaccine candidate against tuberculosis (TB) Aeras-404, using the Valneva proprietary adjuvant IC31®.

6 – EQUITY INVESTMENTS DURING THE FISCAL YEAR

Apart from the consequences of the merger that occurred between Vivalis and Intercell on May 28, 2013 (and notably the equity investment of Valneva Austria GmbH (formely Intercell Austria GmbH), Valneva Scotland ltd (formerly Intercell Biomedical Ltd), Intercell USA and Elatos), the Company has not made any other equity investments during the fiscal year 2013.

7 – SUBSIDIARIES AND PARTICIPATIONS

7.1. – VIVALIS TOYAMA JAPAN K.K.

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

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

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

At December 31, 2013, the team was composed of 8 employees, among which 6 are now dismissed.

Key figures of the subsidiary at 31 December 2012 were (in ¥):

- Net worth: 8,045,488
- Operating revenue: 102,882,260
- Result: -23,690,252
- Total assets: 110,150,994

7.2 – SMOL THERAPEUTICS

SMOL THERAPEUTICS is a French simplified corporation (*société par actions simplifiée*) with a capital of €1,000, created on March 18, 2011.

Given this entity's lack of activity, its sole shareholder, Valneva SE, resolved to dissolve the subsidiary without liquidation via a universal transfer of its assets (TUP) to the Company, on December 30, 2013. Removal of SMOL THERAPEUTICS from the Trade and Companies Registry was effective on January 23, 2014.

7.3 – VALNEVA AUSTRIA GMBH

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

At December 31, 2013, the team was composed of 128 employees.

The subsidiary Valneva Austria GmbH currently holds three wholly owned subsidiaries:

- INTERCELL USA, Inc.: a subsidiary responsible for marketing and sales of the vaccine against Japanese encephalitis to the U.S. army and the private market, as well as international sales through distribution partners. At December 31, 2013, the team was composed of 6 employees.
- VALNEVA SCOTLAND Ltd.: This subsidiary is primarily involved in the production of the IXIARO®/JESPECT® vaccine against Japanese encephalitis. At December 31, 2013, the team was composed of 85 employees.
- ELATOS GmbH: a subsidiary created in January 2013. Its activities were originally related to the proprietary platform eMAB®, which contributes to the discovery of monoclonal antibodies.

At the date of preparation of this Annual Report, the figures on the financial statements of these subsidiaries at December 31, 2013 were not available.

Interests of the Company only concerns companies that are member of the consolidation scope of the Group. Financial impacts are detailed if the appendix to the consolidated financial statements.

8 – PROPOSED APPROPRIATION OF EARNINGS

As indicated in the accounts presented to you, the loss after all provisions, taxes and depreciation amounts to €9,952,449.94.

Our proposal is to allocate the negative result of the year (€ -9,952,449.94) to Retained Earnings, which will thus move from € -33,879,959.61 to € -43,832,409.55.

9 – REMINDER OF DIVIDENDS PREVIOUSLY DISTRIBUTED

By virtue of the provisions of Article 243 bis of the French General Tax Code, no dividend has been distributed since the Company was created.

10 – NON-TAX DEDUCTIBLE EXPENSES

By virtue of the provisions of Articles 223 quater and 223 quinquiès of the French General Tax Code, we inform you that the financial statements of the fiscal year under review do not take into account any expenses which are not deductible from taxable income.

11 – SUPPLIERS' TERMS OF PAYMENT (Article D441-4 of the French commercial code)

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

The breakdown by payment maturity of invoices issued by Valneva's suppliers unpaid at year-end 2013 is as follows:

In euros	30 days	60 days	Over 60 days	Total outstanding at 31 December 2013
Amounts due to trade suppliers as at 31 December 2013	€ 940,753.04	€ 28,191.33	€ 62,863.53	€ 1,031,807.90
Amounts due to equipment suppliers as at 31 December 2013	€ 138.528,83	€ 0	€ 4,272,066.85	€ 4,410,595.68
Commercial paper (trade bills) outstanding as at 31 December 2013	€ 0	€ 0	€ 0	€ 0
Total	**1,079,281.87 €**	**21,191.33 €**	**4,334,930.38 €**	**5,442,403.58 €**

The breakdown by payment maturity of invoices issued by Valneva (ex-Vivalis)'s suppliers unpaid at year-end 2012 is as follows:

In euros	30 days	60 days	Over 60 days	Over 90 days	Total out-standing at 31 December 2013
Amounts due to trade suppliers as at 31 December 2012	€ 437,018.50	€ 137,262.13		€ 1,205.56	€ 575,486.19
Amounts due to equipment suppliers as at 31 December 2012	€ 4,109.82	€ 348,820.18		€ 4,300,000.00	€ 4,652,930.00
Commercial paper (trade bills) outstanding as at 31 December 2012	€ 7,932.88	€ 4,125.61			€ 12,058.49
Total	**€ 449,061.20**	**€ 490,207.92**		**€ 4,301,205.56**	**€ 5,240,474.68**

12 – EMPLOYEE SHAREHOLDING (Article L225-102 of the French commercial code)

In accordance with the provisions of article L.225-102 of the French Commercial Code, we report on the status of employee shareholding as of the last day of the year under review, i.e., 31 December 2013.

Company Stock Option Plans

Options to subscribe for or purchase shares granted by the Company and in force on 31 December 2013 are described in the table below.

The Company has only granted stock options to subscribe for shares.

It should be pointed out that the difference between allotted options and exercisable options is as follows:

+ some allotted options become null and void as the person concerned is no longer an employee or company representative;
+ some allotted option become null and void as the objectives upon which their exercising depends have not been achieved;
+ some options are not allotted and become null and void owing to expiry of the authorisation given by the General Meeting;
+ some options are not allotted and become null and void owing to a capping mechanism decided on by the General Meeting and ensuring that the total number of shares to be issued as a result of the exercising of authorised share options or authorised share equity warrants does not exceed, in total, a number set by the meeting.
+

STOCK OPTION PLANS								
	Plan 1	**Plan 2**	**Plan 3**	**Plan 4**	**Plan 4 bis**	**Plan 5**	**Plan 6**	**Plan 7**
Decision to grant options	General Meeting: 29/06/2001 Meeting of the Board of Directors: 12/07/2001	General Meeting: 23/05/2002 Meeting of the Management Board: 23/05/2002	General Meeting: 29/11/2002 Meeting of the Management Board: 20/12/2002 01/09/2003 06/10/2003 05/01/2005 01/02/2005	General Meeting: 03/11/2004 Meeting of the Management Board: 05/04/2005 05/10/2005	General Meeting: 03/11/2004 Meeting of the Management Board: 03/04/2006	General Meeting: 13/09/2005 Meeting of the Management Board: 03/04/2006	General Meeting: 09/06/2009 Meeting of the Management Board: 01/10/2010	General Meeting: 28/06/2013 Meeting of the Management Board: 02/10/2013
Number of beneficiaries	9	19	9	4	2	2	1	293
Duration of plan (as from the date of the Management Board's decision)	Until 12/07/2011	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Option/share conversion ratio	1:108	1:108	1:114	1:114	1:114	1:114	1:1	1:1
Subscription price	€0.30	€0.45	€1.80	€1.80	€1.80	€1.80	€5.19	€3.21
Number of options authorised	2,420	1,810	3,610	2,400	1,100 written down to 440 (a)	660	290,000	2,231,356
Number of options granted to employees and/or corporate officers	2,420	1,810	3,225	2,300	320	530	14,000	1,052,950
Number of options exercised at 31 December 2013	1,320	1,310	2,709	1,360	160	290	0	0
Number of options null and void at 31 December 2013	1,100	500	426	240	0	150	7,000	38,350
Exercisable options not exercised at 31 December 2013	0	0	90	700	160	90	7,000	1,014,600
of which options exercisable by corporate officers	0	0	0	700	160	90	0	300,000
Starting date for the exercise of options	12/07/05	23/05/06	01/09/04 06/10/07 05/01/09 01/02/09 And upon achievement of objectives	05/04/2009 05/10/2009 And upon achievement of objectives	Achievement of objectives	Achievement of objectives	Achievement of objectives	02/10/2015 02/10/2017 (d)
Number of shares subscribed at 31 December 2013	132,664	135,000	287,326	149,646	17,280	31,320	0	0

STOCK OPTION PLANS								
	Plan 1	**Plan 2**	**Plan 3**	**Plan 4**	**Plan 4 bis**	**Plan 5**	**Plan 6**	**Plan 7**
Total number of shares available for take up at 31 December 2013	0	0	10,260	79,800	18,240	10,260	7,000	1,014,600
Balance of options still to be allotted and status of the authorisation to allot options	0 Authorisation expired	0 Authorisation expired	0 Authorisation expired	0 Authorisation expired	0 Authorisation expired	0 Authorisation expired	0 Authorisation expired	1,178,406 (c) Valid until 28 August 2016
Balance of shares available for take up at 31 December 2013 from options not yet allotted (b)	0	0	0	0	0	0	0	1,178,406 (c)

Status of stock option plans at 31 December 2013
(a) The number of authorised options is 1,100. It is stipulated by the General Meeting in accordance with the reality of the increases in subscribed capital that this number be proportionally reduced. Subscriptions having been only partial, the number of options that can be allotted has therefore been reduced to 440.
(b) Options not yet granted have a term of ten years from their date of allotment to a given person.
(c) Notwithstanding potential future free share grants, in accordance with the authorisation referred to in Resolution 25 of the General Meeting of 28 June 2013, it should be noted that the total number of shares issued pursuant to this plan and the free share allocation plan decided on in Resolution 25 of said General Meeting cannot exceed 2,231,356.
(d) 50% of options may be exercised after being held for two years, the remaining 50% becoming exercisable after being held for four years.
At 31 December 2013, there remained 1,022,640 exercisable options from all of the Company's plans, accounting for a total of 1,140,160 shares available for subscription, i.e., a potential capital increase of €171,024 in nominal terms, for a maximum potential dilution of 2.04%[16].

Free share plans

During fiscal year 2013, 53,833 free shares were transferred to beneficiaries in the form of new ordinary shares following the vesting period for free share under the 23 July2009, 22 February 2010 and 6 September 2011 plans.

At 31 December 2013, a total of 97,333 free shares under all Company plans were not yet fully vested, representing a maximum potential capital increase of €14,599.95 and potential dilution of 0.17%[17].

The following table summarises the terms of free share grants at 31 December 2013:

[16] *This rate is obtained by reference with the total share capital of 55.898.115 Valneva shares, divided in 54.709.000 ordinary shares and 17.836.719 preferred shares.*
[17] *This rate is obtained by reference with the total share capital of 55.898.115 Valneva shares, divided in 54.709.000 ordinary shares and 17.836.719 preferred shares.*

FREE SHARE PLANS			
	Plan 1	**Plan 2**	**Plan 3**
Decision to grant free shares	**General Meeting:** 31/03/2007 **Meeting of the Management Board:** Allotment 1: 04/09/2007 Allotment 2: 25/07/2008 Allotment 3: 23/07/2009 Allotment 4: 23/07/2009 Allotment 5: 22/02/2010 Allotment 6: 22/02/2010	**General Meeting:** 09/06/2009 **Meeting of the Management Board:** Allotment 1: 22/02/2010 Allotment 2: 22/02/2010 Allotment 3: 22/02/2010 Allotment 4: 01/10/2010 Allotment 5: 01/10/2010 Allotment 6: 06/09/2011 Allotment 7: 06/09/2011	**General Meeting:** GM No.1: 10/06/2010 GM No.2: 07/06/2011 GM No.3: 04/06/2012 **Meeting of the Management Board:** Allotment 1: 24/07/2013 Allotment 2: 24/07/2013
Number of beneficiaries	49	47	27
Vesting date	▪ Allotment 1: 4 years, i.e., 04/09/2011(a) ▪ Allotment 2: 4 years, i.e., 25/07/2012 ▪ Allotment 3: 4 years, i.e., 24/07/2013 ▪ Allotment 4: 2 years, i.e., 23/07/2011 ▪ Allotment 5: 2 years, i.e., 22/02/2012 ▪ Allotment 6: 2 years as of 01/01/2011, i.e., 01/01/2013	▪ Allotment 1: 2 years as of 01/01/2011, i.e., 01/01/2013 ▪ Allotment 2: 2 years as of 01/01/2012, i.e., 01/01/2014 ▪ Allotment 3: 4 years, i.e., 22/02/2014 ▪ Allotment 4: 4 years, i.e., 01/10/2014 ▪ Allotment 5: 2 years, i.e., 01/10/2012 ▪ Allotment 6: 4 years, i.e., 06/09/2015 ▪ Allotment 7: 09/10/2013	Allotment 1: 24/07/2017 Allotment 2: 24/07/2015
Lock-up period (from the vesting date)	Allotment 1: 2 years (b) Allotment 2: 2 years Allotment 3: 2 years Allotment 4: 2 years Allotment 5: 2 years (b) Allotment 6: 2 years (b)	Allotment 1: 2 years (b) Allotment 2: 2 years (b) Allotment 3: 2 years Allotment 4: 2 years Allotment 5: 2 years Allotment 6: 2 years Allotment 7: 2 years	Allotment 1: 2 years Allotment 2: 2 years
Number of free shares authorised	436,000	290,000	GM No.1: 7,500 GM No.2: 7,500 GM No.3: 157,000
Number of options granted to employees and/or corporate officers	436,000	137,500	52,000
Number of free shares vested at 31 December 2013	377,000	58,667	0
Number of free shares lapsed at 31 December 2013	59,000	31,500	2,000
Number of free shares to be fully granted at 31 December 2013	0	47,333	50,000
Number of free shares to be fully granted to corporate officers	0	33.333	0

FREE SHARE PLANS			
	Plan 1	**Plan 2**	**Plan 3**
Balance of free shares still to be granted and status of the authorisation to grant options	0 Authorisation expired	0 Authorisation expired	GM No. 1 and 2: 0 Authorisations used GM No.3: 120,000 Authorisation expiring on 04/08/2015

2 years for corporate officers.
The Company's Supervisory Board has set out the terms of lock-up for free shares granted to company officers. Two options are available:
- the free shares many not be transferred before the termination of their duties, or
- corporate officers are required to keep a certain number of shares from the plan in a nominative form until termination of their duties.
The Company's corporate officers most often choose the second option (generally 20 to 25% of vested free shares must be kept).

The percentage of capital represented by shares owned by Company employees as per definition of Article L.225-102 of the French Commercial Code was 0,28%[18] at 31 December 2013, i.e. 158,290 Valneva Shares.

[18] This rate is obtained by reference with the total share capital of 55.898.115 Valneva shares, divided in 54.709.000 ordinary shares and 17.836.719 preferred shares.

13 – MANDATES (article L225-102-1 subparagraph 3)

Management Board

Management Board members

Upon completion of the merger with Intercell AG on 28 May 2013, and in accordance with decisions 1 to 4 taken by the Company's Supervisory Board on 10 May 2013, the Management Board was composed of the following members:

Name	Offices and positions held outside the Company by the Management Board member in 2013	Other offices and positions held outside the Company in the last five fiscal years by the Management Board member
Thomas Lingelbach **Chairman of the Management Board, CEO** (Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Management functions and appointments:** - Managing Director of Valneva Scotland Ltd. - Managing Director of Elatos GmbH - President & CEO of Intercell USA Inc. **Supervisory Board:** - Chairman: Intercell Austria AG	**Management functions and appointments:** - CEO – Intercell AG (since May 2011) **Other mandates and Functions:** - COO- Intercell AG (2007-2011)
Franck Grimaud **Member of the Management Board, CBO and Managing Director** (Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Management functions and appointments:** - Managing Director and President of SMOL Therapeutics SAS (from September 11, 2013) – Company transferred to Valneva SE through transfer of its assets and liabilities on December 30, 2013. - President and Representative Director of Vivalis Toyama Japan KK. **Directorships:** - Director of Grimaud Deyang Animal Co Ltd (China). - Director of Chengdu Grimaud Breeding Co Ltd (China).	**Management functions and appointments:** - President of Humalys (until January 3, 2011 – company transferred through transfer of its assets and liabilities) **Directorships**: - Member of the Board of Directors of TLC Pharma (France) until February 10, 2010
Majid Mehtali* **Member of the Management Board** (Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Management functions and appointments:** - President of Smol Therapeutics SAS; - Representative Director of Vivalis Toyama Japan KK;	**Management functions and appointments:** - Managing Director of Humalys (until January 3, 2011- Company transferred trough transfer of its assets and liabilities)
Reinhard Kandera **Member of the Management Board and CFO** (Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Management functions and appointments:** - Managing Director of Valneva Scotland Ltd., - Managing Director of Elatos Gmb -Director of Intercell USA Inc. **Supervisory Board:** - Vice- Chairman: Intercell Austria AG	**Other mandates and Functions:** - CFO - Intercell AG since march 2009

** Until August 2013*

Supervisory Board

Upon completion of the merger with Intercell AG on 28 May 2013, and in accordance with the resolutions of of the Company's General Meetings of 12 December 2012 (Resolutions 2, 5 and 6) and 7 March 2013 (Resolutions 12 to 15), the Supervisory Board was composed of the following members:

Name	Appointments and functions exercised by Supervisory Board members outside the Company in 2013	Other appointments and functions exercised by Supervisory Board members outside the Company in the last five years
Frédéric Grimaud **Chairman of the Supervisory Board** (Appointed by the EGM of 12 December 2012, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Management functions and appointments:** - Chairman of the Management Board of the Grimaud Group - Chairman of Grimaud Frères Sélection SAS - Chairman of Hypharm SAS - Chairman of Filavie SAS - Chairman of HUBBARD SAS until 31 January 2013 - Permanent representative of Hubbard Holding SAS as CEO of HUBBARD SAS since 1 February 2013 - Chief Executive Officer of HUBBARD HOLDING SAS - Chairman of the Board of Directors of Chengdu Grimaud Breeding Farm Ltd - Chairman of the Board of Directors of Grimaud (Putian) Breeding Farm Co Ltd (China) - Chairman of the Board of Directors of Grimaud (Deyang) Animal Health Co Ltd (China) - Chairman of Hubbard LLC (United States) - Chairman of Novogen - Member of the Steering and Management Committee of La Couvée SAS - Chairman of Grimaud Vietnam Company - Chairman of Choice Genetics SAS - Chairman of the Board of Directors of Pen Ar Lan SA - Chairman of GALOR SAS since 18 November 2013 - Chairman of BLUE GENETICS HOLDING since 31 May 2013 - Chairman of the Board of Directors of Blue Genetics Mexico since 26 July 2013 **Other directorships:** - Grimaud Italia SRL (Italy) - Choice Genetics USA LLC - Chairman of the Council of Choice Genetics Vietnam since 20 January 2013 **Supervisory Board:** - Supervisory Board member of Hubbard Polska Sp Zoo (Poland) - Permanent representative of the Grimaud Group as Supervisory Board member of France Food Alliance SAS - Supervisory Board member - Intercell Austria AG	**Management functions and appointments:** - Chairman of Grimaud Freres Selection SAS - Chairman of the Board of Directors of La Canarderie de la Ronde SA until 19 June 2006 - Chairman of the Board of Directors of Couvoir du Moulin Brûlé SA until 29 April 2008 - Chairman of the board and CEO of Grimaud Farms of California Inc. (United States) until 31 July 2008 - Chairman of Canarderie de la Ronde until 25 June 2009 **Directorships:** - Director of Hubbard Co Ltd (Asia) (Thai company voluntary liquidated on 12 February 2010) - Director of Hubbard Holding co Ltd (Thai company voluntary liquidated on 12 February 2010) - Director of Bucolica NV (Holland) until 13 March 2010 - Chairman of the Board of Directors of Grimaud (Malaysia) SDN BHD (voluntary liquidated)

Name	Appointments and functions exercised by Supervisory Board members outside the Company in 2013	Other appointments and functions exercised by Supervisory Board members outside the Company in the last five years
Alain Munoz **Member of the Supervisory Board** (Appointed by the EGM of 12 December 2012, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Supervisory Board:** - Member of the Supervisory Board of Zealand Pharma (Denmark) - Member of the Supervisory Board of Auris Pharma (Switzerland) - Member of the Supervisory Board of Medesis Pharma SA - Member of the Supervisory Board of Genticel SA - Supervisory Board member - Intercell Austria AG **Director:** - Director of Hybrigenics SA **Other appointments:** - Manager: SARL Science and Business Management	**Management functions and appointments:** - Chairman of Amistad Pharma SAS **Supervisory Board:** - Chairman of the Supervisory Board of Novagali Pharma - Member of the Supervisory Board of Erytech SA
Michel Greco **Member of the Supervisory Board** (Appointed by the EGM of 12 December 2012, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Chairman:** - Noraker SAS (France) **Chairman of the Board:** - Glycovaxyn (Switzerland) **Director:** - Immutep - Texcell **Supervisory Board:** - Supervisory Board member - Intercell Austria AG **Other appointments:** - Chairman of Hospital St-Joseph, St-Luc de Lyon - Director of the Fourvière Hospital of Lyon - Deputy Administrator and Director of the Industrial Pharmacy Institute of Lyon (IPIL) -WHO: Chairman of the " Measles Project" group and the "new vacccines STOP TB Working Group"	**Supervisory Board**: - Chairman of the Supervisory Board - Intercell (Austria) until December 2012 **Directorships:** - Director - Vakzine Project management (VPM) (Germany) until September 2008 - Director of Vaxgen (United States) (2003-2008) - Director of IVI "International Vaccine Institute" (Korea) until 2010 - Director of Argos Therapeutics (United States) until start of 2012 - Director of IAVI (New York) – 2003-2012 - Director or Aeras TB Vaccines Foundation (Washington 2003-2012)
James Sulat **Member of the Supervisory Board** (Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Directorships:** - Chairman of the Board of Directors – Momenta Pharmaceuticals Inc. **Supervisory Board:** - Vice-Chairman Supervisory Board - Intercell Austria AG **Management functions and appointments:** - Chief Executive Officer, Chief Financial Officer and Member of the Board of Directors – Maxygen Inc.	**Supervisory Board**: - Member of the Supervisory board of Intercell AG (2005 to present) **Directorships:** - Chairman of the Board of Directors – Momenta Pharmaceuticals Inc. (2008 to present) **Management functions and appointments:** - Chief Executive Officer, President, Chief Financial Officer and Member of the Board of Directors – Memory Pharmaceuticals Corp. (2005-2008)

Name	Appointments and functions exercised by Supervisory Board members outside the Company in 2013	Other appointments and functions exercised by Supervisory Board members outside the Company in the last five years
Hans Wigzell **Member of the Supervisory Board** (Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Directorship:** - Member of the Board of Directors– Karolinska Development AB - Member of the Board of Directors – Raysearch AB - Member of the Board of Directors – SOBI AB - Member of the Board of Directors – Sarepta Therapeutics **Supervisory Board:** - Member of the Supervisory Board - Intercell Austria AG **Other functions and appointments:** - President – Stockholm School of Entrepreneurship	**Supervisory Board**: - Member of the Supervisory Board of Intercell AG
Alexander Von Gabain **Member of the Supervisory Board** (Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Supervisory Board**: -Member of the Supervisory Board – Functional Genetics - Chairman of the Supervisory Board – IN-iTSUniversitäresGründerservice Wien GmbH - Member of the Governing Board of the European Institute of Innovation and Technology (EIT) - Chairman of the Governing Board of the European Institute of Innovation and Technology (EIT) - Chairman of the Supervisory Board - Intercell Austria AG **Other functions and appointments:** - Professor of microbiology – Max Perutz Laboratories of the University of Vienna - Foreign Associate Professor - Karolinska Institute - Scientific advisor - Zytoprotec Ltd. - Member of the WHO Stop Tuberculosis Committee	**Supervisory Board**: - Member of the Supervisory Board – Intercell AG - Member of the Supervisory Board – TVM Capital **Other functions and appointments:** - Scientific and strategy consultant for the Management Board – Intercell AG
Anne-Marie Graffin **Member of the Supervisory Board** (Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Directorships:** - Member of the Board of Directors – Themis Bioscience GmbH **Supervisory Board** -Member of the Supervisory Board – Nanobiotix - Member of the Supervisory Board - Intercell Austria AG **Other mandates:** Managing Partner of SARL SMAG Consulting	**Directorships:** 2008 to 2010: -Member of the Board of Directors - Sanofi Pasteur MSD S.A Spain - Member of the Board of Directors - Sanofi Pasteur MSD S.A Portugal - Member of the Board of Directors - Sanofi Pasteur MSD Limited UK - Member of the Board of Directors - Sanofi Pasteur MSD Limited Ireland - Member of the Board of Directors - Sanofi Pasteur MSD S.A Portugal

14 – RENEWAL OF THE TERMS OF OFFICE OF THE MEMBERS OF THE SUPERVISORY BOARD

Readers are reminded that the terms of office of the members of the Supervisory Board expire at the end of the Ordinary General Meeting of Shareholders, which will be called in 2016 to approve the financial statements of the fiscal year ended 31 December 2015.

15 - FACTORS LIKELY TO HAVE AN IMPACT IN CASE OF A PUBLIC OFFERING

15.1 – COMPANY CAPITAL STRUCTURE AT 31 DECEMBER 2013

At 31 December 2013, the Company's share capital stood at €8,384,717.19, divided into 54,709,000 ordinary shares with a nominal value of €0.15 each, and 17,836,719 preferred shares with a nominal value of €0.01 each.

This corresponds to 54,709,000 theoretical voting rights.

At December 31 2013, the main shareholders were:

		Shares held	Percentage of share capital (in %) [19]	Number of theorical voting rights	%
GRIMAUD Group (a)		**11,843,327**	**21,19**	**11,843,327**	**21,65**
Bpifrance Participations SA		**5,499,863**	**9,84**	**5,499,863**	**10,05**
Management Board		**524,746**	**0,94**	**523,880**	**0,96**
	Franck GRIMAUD	375,140	0,67	375,140	0,69
	Thomas LINGELBACH*	98,978	0,18	98,740	0,18
	Reinhard KANDERA*	50,628	0,09	50,000	0,09
Private individual shareholders with registered shares		**1,767,060**	**3,16**	**1,765,591**	**3,23**
- O/w private individual shareholders of the Grimaud family and Financière Grand Champ SAS* (a)		884,070	1,58	884,070	1,62
- O/w investors		392,323	0,70	392,323	0,72
- O/w Independent members of the Supervisory Board	Alain MUNOZ	41,800	0,07	41,800	0,08
	Michel GRECO	100	0	100	0
	James SULAT	13,500	0,02	13,500	0,02
	Alexander VON GABAIN*	23,517	0,04	22,048	0,04
Non-officer employees		**158,290**	**0,28**	**158,290**	**0,29**
Bearer shares*		**34,918,049**	**62,47**	**34,918,049**	**63,83**
Preferred Shares*		**1,186,780**	**2,12**	**0**	**0**
TOTAL		**55,898,115**	**100**	**54,709,000**	**100**

** Including bearer shares and/or preferred shares, if any.*
*** Bearer shares and preferred shares other than those included by the previous note.*
(a) Grimaud Group, the shareholders of the Grimaud family and Financière Grand Champ SAS constitutes together the "Grimaud Group Family".

15.2 – RESTRICTIONS UNDER THE ARTICLES OF ASSOCIATION ON THE EXERCISE OF VOTING RIGHTS OR THE TRANSFER OF SHARES DISCLOSED IN ACCORDANCE WITH ARTICLE L233-11 OF THE FRENCH COMMERCIAL CODE

It should be noted that prior to the merger, Vivalis shareholders benefitted from a double voting right for registered ordinary shares held for at least two years, under the terms set out

[19] This rate is calculated by reference to a total share capital of 55,898,115Valneva shares, divided into 54,709,000 ordinary shares and 17,836,719 preferred shares written down to a nominal value of €0.15.

in the Articles of Association. Following the merger with Intercell and pursuant to the 16 December 2012 version of the Merger Agreement, it was agreed that the double voting right for holders of Vivalis ordinary shares would be cancelled and that a new system of double voting rights would be instituted, to take effect two years after the merger, i.e. 28 May 2015.

Article 13 of the Articles of Association thus stipulates, *"Ordinary shares fully paid up for which it is evidenced that they have been held in registered form in the name of the same shareholder for at least two years from the registration of the Company as a European company, carry a double voting right in respect to that granted to other ordinary shares [of the Company], according to the portion of share capital they represent. This double voting right is also conferred, upon the issue of shares during a share capital increase by capitalisation of reserves, profits or issue premiums, to the registered ordinary shares granted free of consideration to a shareholder for previous ordinary shares already carrying this double voting right.* "

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

Finally, a shareholder agreement has also been signed on July 5, 2013 between Groupe Grimaud La Corbière ("GGLC"), the *Fonds Stratégique* d'Investissement (now *Bpifrance Participations*), Messrs Franck Grimaud, Majid Mehtali, Thomas Lingelbach and Reinhard Kandera.

The Agreement was signed in the context of Valneva's capital increase of approximately €40 million with retention of preferential subscription rights, laid out in the prospectus approved by the French financial market authority under visa No, 13-0275, This capital increase followed from the creation of Valneva through the merger of Vivalis and Intercell.

The Agreement's main provisions are as follows:

Non-federating agreement

Bpifrance Participations, GGLC and the Management Board members do not intend to act in concert with regards to Valneva. In particular, by signing this agreement, Bpifrance Participations chose to maintain its financial interests in Valneva.

Governance

Composition of the Supervisory Board

+ The Agreement notes that Vivalis' General Meeting of Shareholders of 7 March 2013, convened to approve the merger and capital increase, nominated the following individuals as initial members of the Supervisory Board for a 3-year term: (i) three candidates put forth by GGLC (Frédéric Grimaud, Michel Greco and Alain Munoz) whose terms took effect at the date of the merger between Vivalis and Intercell, (ii) three candidates put forth by Intercell (James Sulat, Alexander Von Gabain and Hans Wigzell) whose terms took effect at the date of the merger between Vivalis and Intercell, and (iii) one candidate put forth by Bpifrance Participations (Anne-Marie Graffin) whose term took effect at the date of settlement and delivery of the capital increase.
+ The Supervisory Board member nominated by Bpifrance Participations also sits on the Compensation and Appointments Committee.
+ Throughout the term of the Agreement, GGLC and Bpifrance Participations will make every effort to abide by these principles for allocating seats on the Board.
+ Bpifrance Participations will also serve as a non-voting member of the Supervisory Board for a period of three years as of the date of settlement and delivery of the capital increase.
+ Supervisory Board decisions are taken by simple majority of those members in attendance or represented, with the exception of (i) certain decisions requiring a qualified majority of 4 of the 7 members (budget, business plan, appointment and removal of Management Board members, distribution of dividends, draft resolutions for Extraordinary General Meetings, capital increases, etc,), and (ii) any decision for international relocation of Valneva's head office or a research and development centre operated by Valneva in France, which shall require a unanimous vote. For these two types of decision, the quorum (required only upon the first call) shall be the majority of the members with at least one representative nominated by each of GGLC, Intercell and Bpifrance Participations. Upon the second call, the quorum shall be the majority of Supervisory Board members.

Composition of the Management Board

The Agreement notes that Management Board members, appointed for 3-year terms as of the date of the merger between Vivalis and Intercell, are (i) two candidates put forth by GGLC (Franck Grimaud and Majid Mehtali) and (ii) two candidates put forth by the Intercell Supervisory Board (Thomas Lingelbach and Reinhard Kandera).

Following the death of Majid Mehtali, the Company's Management Board was made up of three members at the date of this Annual Report, namely Messrs, Franck Grimaud, Thomas Lingelbach and Reinhard Kandera.

Transfer of securities

+ Lock-up. Bpifrance Participations shall be bound by a 2-year lock-up. This period shall be four years for GGLC (subject to certain exceptions such as a relief clause applicable to 50% of its securities as of the third anniversary of the Agreement). Management Board members shall be bound by a 3-year lock-up (subject to certain exceptions such as select cases of dismissal as well as a relief clause applicable to 20% of their securities).
+ Free transfers. Transfers among affiliates shall remain free (subject to customary conditions: membership, solidarity of the transferor, etc,). Likewise, there is no restriction for contributions of Valneva securities by a party to a public offering.
+ Right of first refusal. Following the lock-up period, any transfer of securities by GGLC or Bpifrance Participations (without prejudice to the abovementioned free transfers) shall be subject to a right of first refusal granted to Bpifrance Participations or GGLC, according to the circumstances, at the price offered by the transferor. Should this right be waived, the transferor shall be entitled to transfer the securities in question by any means for a period of three months, and at a sale price equal to or greater than the price offered to GGLC or Bpifrance Participations.
+ Anti-dilution. Should Valneva wish to carry out a capital increase (in cash) liable to have a dilutive effect on Bpifrance Participations' stake in the Company, GGLC shall, at the request of Bpifrance Participations, make every effort to take measures guaranteeing that Bpifrance Participations' interest in the Company is maintained at its previous level.

Duration of the Agreement

The Agreement is concluded for a period of six years renewable by successive one-year periods, unless prior notice of termination is given by one of the parties.

15.3 – DIRECT OR INDIRECT PARTICIPATIONS IN THE COMPANY'S CAPITAL THAT THE COMPANY WOULD BE AWARE OF BY VIRTUE OF ARTICLES L233-7 AND L233-12

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

During FY 2013, the Company was informed that the following thresholds were crossed:

+ The company Novartis AG declared that it had crossed the following thresholds on 28 May 2013, indirectly via the companies Novartis Pharma AG and Novartis Vaccines and Diagnostics, Inc. which it controls: (i) the legal threshold of 5% of the capital and voting rights of the Company, as well as the thresholds of 8% of the capital and 6% of voting rights to be declared pursuant to the Articles of Association.

  At 28 May 2013, Novartis AG therefore indirectly held 5,348,048 Valneva shares representing 2,674,024 voting rights, i.e. 9.35% of the capital and 6.80% of the voting rights, breaking down as follows:

	Number of shares	% of capital	Number of voting rights	% of voting rights
Novartis Pharma AG	3,788,048	6.63	1,894,024	4.82
Novartis Vaccines and Diagnostics, Inc.	1,560,000	2.73	780,000	1.98
Total concert	5,348,048	9.36	2,674,024	6.80

At that time, Novartis Pharma AG thus individually crossed the 5% legal threshold and the 6% threshold to be declared under to the Articles of Association.

These thresholds were crossed as a result of the merger in May 2013.

+ Caisse des Dépôts et Consignations (CDC) declared to have crossed the following thresholds on 5 July 2013, indirectly via Fonds Stratégique d'Investissement (FSI) – now Bpifrance Participations SA - which it controls within the meaning of Article L.233-3 of the French Commercial Code: the thresholds between 2 and 10% for capital and voting rights pursuant to the Articles of Association, as well as the legal thresholds of 5% and 10% of the capital and voting rights.

These thresholds were crossed when FSI subscribed to the capital increase with retention of preferential subscription rights of shareholders.

At 5 July 2013, the CDC thus held 6,289,101 shares and voting rights, representing 11.51% of the capital and voting rights of the Company, breaking down as follows:

	Number of shares	% of capital	Number of voting rights	% of voting rights
FSI	5,499,863	10.07	5,499,863	10.07
CDC EVM	789,238	1.44	789,238	1.44
Total CDC	6,289,101	11.51	6,289,101	11.51

+ Etablissement Public Industriel et Commercial BPI Groupe (formerly EPIC OSEO) – hereinafter, "EPIC BPI-Groupe" – declared to have crossed the following thresholds on 12 July 2013, indirectly via Bpifrance Participations SA (formerly FSI), a company controlled by BPI-Groupe SA: the legal thresholds of 5% and 10% of the capital and voting rights of the Company, as well as the thresholds between 2 and 8% of the capital and 2 and 10% of the voting rights pursuant to the Articles of Association.

At 12 July 2013, EPIC BPI-Groupe thus indirectly held, via Bpifrance Participations SA, 5,499,863 shares and voting rights, i.e. 9.86% of the capital and 10.07% of the voting rights of the Company.

To the Company's knowledge, no other shareholder held directly or indirectly, alone or in concert, more than 2% of the capital or voting rights of the Company, except as stated above.

To the Company's knowledge, since the closing of fiscal 2013 and until the date this Annual Report was prepared, there have not been any significant changes to the distribution of the capital and voting rights.

15.4 – LIST OF ALL SECURITY HOLDERS WITH SPECIAL CONTROL RIGHTS AND DESCRIPTION OF SAID RIGHTS

The Company is not aware of the existence of special control rights.

15.5 – CONTROL MECHANISMS PROVIDED IN A POTENTIAL EMPLOYEE SHAREHOLDING SCHEME, WHERE CONTROL RIGHTS ARE NOT EXERCISED BY THE LATTER

The Company has not implemented an employee stock ownership system potentially including mechanisms of control when the rights of control are not exercised by the personnel.

15.6 – SHAREHOLDERS' AGREEMENTS KNOWN TO THE COMPANY AND WHICH MAY RESULT IN SHARE TRANSFER AND VOTING RIGHTS RESTRICTIONS (SHAREHOLDERS' AGREEMENT)

The main provisions of the Shareholders Agreement signed on July 5, 2013, related notably to the transfer of Valneva's shares, are described in section 15.2 of this Annual Report.

15.7 – RULES AND REGULATIONS PERTAINING TO NOMINATION AND REPLACEMENT OF MEMBERS OF THE MANAGEMENT BOARD, AS WELL AS TO A MODIFICATION OF THE ARTICLES OF ASSOCIATION

Rules and regulations in this matter are statutory and in accordance with legal requirements.

15.8 – POWERS OF MANAGEMENT BOARD, ESPECIALLY FOR ISSUANCE AND BUYBACK OF SHARES

With regards to the powers of the Management Board, especially for issuance and buy-back of shares, the powers are those provided by statutory provisions applicable to european companies with a Management Board and a Supervisory Board.

Status of delegations granted in Extraordinary General Meetings

Please, refer to section 28 of this Annual Report.

Authorised capital for fiscal year 2013

Combined General Meeting of 7 March 2013

The Combined General Meeting of 7 March 2013 delegated to the Management Board the power to increase the share capital as follows:

Operation	Resolution	Duration of the Authorization	Terms and maximum amount of the capital increase/reduction	Status of the authorisation
Capital increase through issue of ordinary shares or any securities giving access to the capital with preferential subscription rights	9	26 months i.e. until 7 may 2015	The possibility of one or more capital increases immediately and/or in the future by issuing ordinary shares of the Company or any security granting access in any way, immediately and/or in the future, to the capital of the Company; The overall nominal increase in share capital carried out immediately or in the future pursuant to the powers delegated by the General Meeting in this resolution may not exceed a total of two million five-hundred thousand (2,500,000) euros net of the share premium, to which amount will be added the amount of shares or securities issued for any adjustments in accordance with applicable law or regulations and, where necessary, with contractual stipulations providing for other adjustments to preserve the rights of the holders of securities giving access to capital; In proportion to their rights in the capital, based on a single subscription price and in accordance with applicable law and regulations, shareholders may exercise their preferential rights to subscribe for ordinary shares and securities by virtue of this resolution. Furthermore, the Management Board may give the shareholders the right to subscribe for excess shares to be exercised in proportion to their rights and within the limit of their applications; If take-up for shares reserved as of right on the basis of existing shareholdings and, where applicable, for excess shares allotted subject to reduction, should fail to account for the entire issue of the shares or securities giving access to the share capital as defined above, the Management Board may use one or more of the following options: (i) limit the issue to the amount of applications for shares received provided that the latter account for at least three quarters of the issue decided, (ii) freely allocate all or part of shares not taken up, or (iii) offer all or part of the shares not taken up on the French market and/or in foreign markets; This delegation of authority automatically entails shareholders' waiver of their preferential right to subscribe for the shares to which these securities could give a right, for the benefit of the owners of securities giving access to the capital of the Company immediately or in the future issued pursuant to this delegation.	Authorization resolved by the combined shareholders meeting held on June 28, 2013 (23rd resolution) *** Authorization used for the share capital increase of July 5, 2013, for a nominal amount of 2,274,782.25€.

Combined General Meeting of 28 June 2013

The Combined General Meeting of 28 June 2013 delegated to the Management Board the power to increase the share capital as follows:

Operation	Resolution	Duration of the authorisation	Terms and maximum amount of the capital increase	Status of the authorisation
Capital increase through issue of ordinary shares or any securities giving access to the capital with preferential subscription rights	18	26 months i.e. until 28 August 2015	The overall nominal increase in share capital carried out immediately or in the future pursuant to the powers delegated by the General Meeting in this resolution may not under any circumstances exceed a total of one million five-hundred thousand (1,500,000) euros or the equivalent value in a foreign currency, to which amount will be added the amount of shares or securities issued for any adjustments made in accordance with applicable law or regulations and, where necessary, with contractual stipulations providing for other adjustments to preserve the rights of the holders of securities giving access to capital; In accordance with applicable law and regulations, shareholders may exercise their preferential rights to subscribe for ordinary shares and securities by virtue of this resolution. Furthermore, the Management Board may give the shareholders the right to subscribe for excess shares to be exercised in proportion to their rights and within the limit of their applications; If take-up for shares reserved as of right on the basis of existing shareholdings and, where applicable, for excess shares allotted subject to reduction, should fail to account for the entire issue of the shares or securities giving access to the share capital as defined above, the Management Board may offer all or part of the shares not taken up; Securities giving access to shares in the Company thereby issued may consist of debt securities or be linked to the issuing of such securities, or else enable the issue thereof as intermediate securities. These debt securities may or may not be for an unlimited term, may or may not be subordinate, and may be issued in France or abroad, either in euros or in another currency, or in any other monetary units established by reference to several currencies. The maximal nominal amount of debt securities thereby issued cannot exceed seventy million euros (€70,000,000) or the equivalent value on the date of the issue decision, but will be independent of the amount of debt securities not giving access to capital for which issue may otherwise be authorised.	Authorization still in force *** Authorization not yet used

Operation	Resolution	Duration of the authorisation	Terms and maximum amount of the capital increase	Status of the authorisation
Capital increase through issue of ordinary shares or any securities giving access to the capital with cancellation of preferential subscription rights by public offering.	19	26 months i.e. until 28 August 2015	The overall nominal amount of increases in share capital carried out immediately or in the future may not under any circumstances exceed a total of one million five-hundred thousand (1,500,000) euros or the equivalent value in a foreign currency, net of issue premium, to which amount will be added the amount of shares or securities issued for any adjustments made in accordance with applicable law or regulations and, where necessary, with contractual stipulations providing for other adjustments to preserve the rights of the holders of securities giving access to capital; The Company may carry out the capital increase through a public offering of securities. Shareholders' preferential subscription right to shares and securities giving access to the capital of the Company under this resolution will be cancelled. The Management Board may nevertheless grant the shareholders, pursuant to Article L. 225-135, paragraph 5, of the French Commercial Code, a priority subscription period for a time period that it will establish in accordance with applicable laws and regulations and for all or part of the issue. This priority subscription period shall not result in the creation of negotiable rights and must be exercised in proportion to the number of shares owned by each shareholder. Securities giving access to shares in the Company thereby issued may consist of debt securities or be linked to the issuing of such securities, or else enable the issue thereof as intermediate securities. These debt securities may or may not be for an unlimited term, may or may not be subordinate, and may be issued in France or abroad, either in euros or in another currency, or in any other monetary units established by reference to several currencies. The maximal nominal amount of debt securities thereby issued cannot exceed seventy million euros (€70,000,000) or the equivalent value on the date of the issue decision, but will be independent of the amount of debt securities not giving access to capital for which issue may otherwise be authorised. They may have a fixed or variable interest rate, with or without capitalisation, may be redeemed with or without a premium, and may be depreciated. The securities may also be purchased on the stock market or offered for sale or exchange by the Company.	Authorization still in force *** Authorization not yet used
Capitalisation of reserves, earnings or premiums	20	26 months i.e. until 28 August 2015	Possibility of one or more capital increases through capitalisation of premiums, reserves, earnings, etc. in the form of free shares or by increasing the par value of existing shares, or a combination of the two; The overall nominal amount of increases in share capital carried out immediately or in the future pursuant to this resolution may not under any circumstances exceed a total of one million five-hundred thousand (1,500,000) euros. Resulting fractional rights shall not be negotiable and shall be sold; the proceeds from the sale will be allocated to rights holders within the time frame set out in regulations;	Authorization still in force *** Authorization not yet used

Operation	Resolution	Duration of the authorisation	Terms and maximum amount of the capital increase	Status of the authorisation
Capital increase with cancellation of preferential subscription rights through private placement.	21	26 months i.e. until 28 August 2015	The total amount of capital increases carried out immediately or in the future may not exceed the maximum provided for in applicable regulations, i.e. 20% of the share capital per year. Where necessary, the nominal amount of any shares issued pursuant to the law and contractual provisions to protect the rights of holders of securities giving access to capital shall be added to this ceiling. Preferential subscription rights to shares and securities giving access to the capital of the Company covered by this resolution shall be cancelled; Securities giving access to shares in the Company thereby issued may consist of debt securities or be linked to the issuing of such securities, or else enable the issue thereof as intermediate securities. These debt securities may or may not be for an unlimited term, may or may not be subordinate, and may be issued in France or abroad, either in euros or in another currency, or in any other monetary units established by reference to several currencies. The maximal nominal amount of debt securities thereby issued cannot exceed seventy million euros (€70,000,000) or the equivalent value on the date of the issue decision, but will be independent of the amount of debt securities not giving access to capital for which issue may otherwise be authorised. They may have a fixed or variable interest rate, with or without capitalisation, may be redeemed with or without a premium, and may be depreciated. The securities may also be purchased on the stock market or offered for sale or exchange by the Company.	Authorization still in force *** Authorization not yet used
Capital increase by issue of shares and/or securities giving access to the capital of the Company immediately and/or in the future, with cancellation of preferential subscription rights in consideration for contributions in kind of equity securities or securities giving access to capital.	22	26 months i.e. until 28 August 2015	Capital increase of no more than 10% of the share capital as adjusted for transactions subsequent to the General Meeting, where the provisions of Article L. 225-148 of the French Commercial Code do not apply. Where necessary, cancellation of preferential subscription right of the shareholders for the securities covered by this resolution.	Authorization still in force *** Authorization not yet used

Resolution No. 23:
The total amount of capital increases carried out immediately or in the future under resolutions 18 to 22 may not exceed three million euros (€3,000,000). Where necessary, the nominal amount of any ordinary shares issued in accordance with applicable law or regulations and, where necessary, with contractual stipulations providing for other adjustments to preserve the rights of the holders of securities giving access to the capital of the company immediately and/or in the future shall be added to this ceiling.

In accordance with Article L. 225-129-2, paragraph 2 of the French Commercial Code, the authorisation granted to the Management Board pursuant to resolutions 18 to 22 of this resolution supersedes and cancels – only for the future and the unused portion – the delegation of the same type granted under resolution 9 of the Combined General Meeting of 7 March 2013.

Operation	Resolution	Duration of the authorisation	Terms and maximum amount of the capital increase	Status of the authorisation
Issue of stock options	24	38 months i.e. until 28 August 2016	The total number of options granted under this authorisation may not give rise to the right to subscribe to a total number of shares representing more than 4% of the capital of the Company at the date of recognition of the capital increase carried out pursuant to resolution 9 of the Combined General Meeting of 7 March 2013. Any free shares granted pursuant to resolution 25 of the meeting of 28 June 2013 shall be applied against this ceiling. The subscription price of the shares shall equal 90% of the average price of the shares over the twenty trading days preceding the date of grant by the Management Board.	Authorization still in force *** Authorization used for the "Valneva ESOP plan 2013" (Stock-options plan n°7): 1,052,950 options issued, giving the right to subscribe for 1,052,950 shares in total.
Free shares, buyback of shares by the Company on the market for this purpose	25	38 months i.e. until 28 August 2016	Issue of free shares to categories of beneficiaries to be determined by the Management Board from among: - salaried employees of the Company and its subsidiaries, - members of the Company Management Board and corporate officers of its subsidiaries. The total number of ordinary shares freely granted pursuant to this authorisation may not represent more than 4% of the capital of the Company at the date of recognition of the capital increase carried out pursuant to resolution 9 of the Combined General Meeting of 7 March 2013. Any shares issued through this resolution shall be deducted from the overall ceiling mentioned in resolution 24 of this General Meeting. Existing shares granted may be acquired in accordance with Article L 225-208 of the French Commercial Code.	Authorization still in force *** Authorization not yet used
Capitalisation of reserves, earnings or premiums	26	38 months i.e. until 28 August 2016	Possibility to carry out one or more capital increases through the capitalisation of premiums, reserves, earnings, etc. via grant of free shares; The overall nominal amount of capital increases carried out immediately or in the future under this resolution may not under any circumstances exceed 4% of the capital of the Company at the date of recognition of the capital increase carried out pursuant to resolution 9 of the Combined General Meeting of 7 March 2013, which is deducted pro rata from the abovementioned ceiling on the maximum number of free shares the Management Board may grant.	Authorization still in force *** Authorization not yet used

Shares held by the Company

Authorisation of share buyback and cancellation programmes - AGM of March 7, 2013

Operation	Resolution	Duration of the authorisation	Terms and maximum amount of the capital increase	Status of the authorisation
Share capital reduction by cancellation of treasury shares	6	24 months i.e. until 7 March 2015	Authorisation to cancel, on one or more occasions and within the limit of 10% of the capital of the Company the day of cancellation, all or part of the ordinary and/or preferred shares that the Company may hold as a result of acquisitions under the share buyback programme authorised in resolution 11 of the meeting or buyback programmes authorised after the meeting in accordance with Article L225-209 of the French Commercial Code or pursuant to the Articles of Association. The excess of the purchase price of the shares over their par value will be recorded on the balance sheet of the Company under "Merger Premium" or in any other available reserve;	Authorization still in force *** Authorization not yet used
Authorisation granted to the Management Board to trade in Company shares	11	18 months i.e. until 7 September 2014	The purpose of the authorisation is to allow the Company to buy back its own shares under the conditions set out in Articles L225-209 et seq. of the French Commercial Code and in the description of the programme published according to the rules of the French Financial Markets Authority, for the following reasons: - ensure the liquidity or promote the market in the Company's share through an independent investment service provider, under a liquidity agreement established in compliance with the French Association of Investment Firms' (AFEI) code of business ethics; - allocate shares to employees as permitted by the regulations, especially through profit sharing schemes, stock options, company or group savings plans, or free shares; - conserve and reissue them in acquisitions within the limit of 5% of the capital; - conserve and reissue them when the rights attached to securities giving access to capital are exercised; - cancel them by a reduction in capital; - implement any market practice accepted or that will be accepted by the market authorities; - enable Intercell shareholders to exercise their exit right in the conditions and within the limits set out in Article 7.5 of the Merger Agreement. The minimum purchase price per share excluding expenses may not exceed 31.50 euros, subject to any adjustments relating to transactions on the capital of the Company. The maximum number of shares acquired under this resolution is 10% of the share capital of the Company on the date at which the purchase is completed. This amount shall take into account the treasury shares already held by the company on the transaction date, to ensure that the total amount of treasury shares does not exceed this 10% limit. The total amount spent on these purchases may not exceed 15 million euros.	Authorization still in force *** Authorization used to enable Intercell shareholders to exercise their exit right in the conditions and within the limits set out in Article 7.5 of the Merger Agreement, but also within the frame of the liquidity agreement concluded with "Natixis" (see section 23 of this Annual Report)

Concerning shares buy-back, please, refer also to section 23 of this Annual Report.

15.9 – AGREEMENTS ENTERED INTO BY THE COMPANY WHICH ARE ALTERED OR TERMINATED IN CASE CONTROL OF THE COMPANY IS MODIFIED

An anticipated reimbursement of the loan mentioned in section 1.2.5 of this Annual Report is payable, together with additional indemnities from which are deduced the interests that have been already paid, in case there would be a change of control of the Company.

15.10 – FINANCIAL COMPENSATION FOR MEMBERS OF THE MANAGEMENT BOARD OR FOR EMPLOYEES IN CASE OF RESIGNATION, DISMISSAL WITHOUT REAL AND SERIOUS GROUNDS OR IF TERMINATION IS DUE TO A PUBLIC OFFERING

This type of financial compensation has not been implemented within Valneva for its employees.

However, indemnities have been provided for the members of the Management Board of the Company, in case of resignation or dismissal from their mandate/functions, through their Management Agreement or their Employment and Management Agreement, concluded with the Company or its subsidiary, Valneva Austria GmbH.

Thomas Lingelbach Employee of Valneva Austria GmbH Under an Employment and Management Agreement (EMA) with Valneva Austria GmbH	**Franck Grimaud** Under a Management Agreement (MA) with Valneva SE	**Reinhard Kandera** Employee of Valneva Austria GmbH Under an Employment and Management Agreement (EMA) with Valneva Austria GmbH
If Mr. Thomas Lingelbach is removed from the Management Board <u>for cause</u>, the Employment and Management Agreement (***EMA***) will automatically terminate. If the termination constitutes a good cause for termination of EMA (pursuant to Sec 27 of the Austrian White Collar Workers Act), Mr. Thomas Lingelbach shall have no right to future remuneration.	If Mr. Franck Grimaud is removed from the Management Board <u>for a good cause</u> (in accordance with article L. 225-61 of the French commercial code), the Management Agreement (***MA***) will automatically terminate, and Mr. Franck Grimaud shall have no right to future remuneration.	If Mr. Reinhard Kandera is removed from the Management Board <u>for cause</u>, the Employment and Management Agreement (***EMA***) will automatically terminate. If the termination constitutes a good cause for termination of EMA (pursuant to Sec 27 of the Austrian White Collar Workers Act), Mr. Reinhard Kandera shall have no right to future remuneration.
If Mr. Thomas Lingelbach resigns from the Management Board <u>for cause</u> and this also constitutes a good cause for termination of EMA by Mr. Thomas Lingelbach under Austrian law (Sec 26 of the Austrian White Collar Workers Act), Mr. Thomas Lingelbach shall be entitled to remuneration and bonus for	Valneva SE may terminate the MA on 4 weeks' notice <u>without cause</u>, in which case Mr. Franck Grimaud shall be entitled to all remuneration until the end of the Initial Term, as well as its bonus, insurance, reimbursement of expenses and payment of benefits in kind until the end of the notice period.	If Mr. Reinhard Kandera resigns from the Management Board <u>for cause</u> and this also constitutes a good cause for termination of EMA by Mr. Reinhard Kandera under Austrian law (Sec 26 of the Austrian White Collar Workers Act), Mr. Reinhard Kandera shall be entitled to remuneration and bonus for the

Thomas Lingelbach Employee of Valneva Austria GmbH Under an Employment and Management Agreement (EMA) with Valneva Austria GmbH	**Franck Grimaud** Under a Management Agreement (MA) with Valneva SE	**Reinhard Kandera** Employee of Valneva Austria GmbH Under an Employment and Management Agreement (EMA) with Valneva Austria GmbH
period of 3 years from start of the contract (***Initial Term***). Valneva Austria GmbH may terminate the EMA on 4 weeks' notice <u>without cause</u>, in which case Mr. Thomas Lingelbach shall be entitled to all remuneration until the end of the Initial Term, as well as bonus, insurance, reimbursement of expenses and payment of benefits in kind until the end of the notice period. Mr. Thomas Lingelbach may resign on 4 weeks' notice <u>without cause</u>, in which case Mr. Thomas Lingelbach shall be entitled to remuneration and bonus until end of 12 month non-compete period unless waived by Valneva Austria GmbH. If so, Mr. Thomas Lingelbach shall not be entitled to any further remuneration after expiry of the notice period. The EMA can be terminated by <u>mutual consent</u>, in which case Mr. Thomas Lingelbach shall be entitled to remuneration and bonus for Initial Term, even if the proposal for termination was made by the board member. If Mr. Thomas Lingelbach resigns or is terminated from his Management Board member function or similar position within the Valneva Group, (including without limitation as CEO), before the end of the initial term, following a reduction in his responsibilities within his Management Board member function or similar position within the Valneva	Mr. Franck Grimaud may resign on 4 weeks' notice <u>without cause</u>, in which case Mr. Franck Grimaud shall be entitled to remuneration and bonus until end of 12 month non-compete period unless waived by Valneva SE. If so, Mr. Franck Grimaud shall not be entitled to any further remuneration after expiry of the notice period. The MA can be terminated by <u>mutual consent</u>, in which case Mr. Franck Grimaud shall be entitled to remuneration and bonus for the Initial Term, even if the proposal for termination was made by the board member. If Mr. Franck Grimaud resigns or is terminated from his Management Board member function or similar position within the Valneva Group, before the end of the initial term, following a reduction in his responsibilities within his Management Board member function or similar position within the Valneva Group, Mr. Franck Grimaud shall be entitled to remuneration and bonus for the Initial Term. If Mr.Franck Grimaud resigns or is terminated from his Management Board member function or similar position within the Valneva Group for any other reason, Mr.Franck Grimaud shall be entitled to remuneration and bonus until earlier of (i) Mr.Franck Grimaud finding an alternative full-time employment with an equivalent or similar level of remuneration and (ii) end of Initial Term.(***).	Initial Term. Valneva Austria GmbH may terminate the EMA on 4 weeks' notice <u>without cause</u>, in which case Mr. Reinhard Kandera shall be entitled to all remuneration until the end of the Initial Term, as well as bonus, insurance, reimbursement of expenses and payment of benefits in kind until the end of the notice period. Mr. Reinhard Kandera may resign on 4 weeks' notice <u>without cause</u>, in which case Mr. Reinhard Kandera shall be entitled to remuneration and bonus until end of 12 month non-compete period unless waived by Valneva Austria GmbH. If so, Mr. Reinhard Kandera shall not be entitled to any further remuneration after expiry of the notice period. The EMA can be terminated by <u>mutual consent</u>, in which case Mr. Reinhard Kandera shall be entitled to remuneration and bonus for the Initial Term, even if the proposal for termination was made by the board member. If Mr. Reinhard Kandera resigns or is terminated from his Management Board member function or similar position within the Valneva Group, before the end of the initial term, following a reduction in his responsibilities within his Management Board member function or similar position within the Valneva Group, Mr. Reinhard Kandera shall be

Thomas Lingelbach Employee of Valneva Austria GmbH Under an Employment and Management Agreement (EMA) with Valneva Austria GmbH	**Franck Grimaud** Under a Management Agreement (MA) with Valneva SE	**Reinhard Kandera** Employee of Valneva Austria GmbH Under an Employment and Management Agreement (EMA) with Valneva Austria GmbH
Group (incl. CEO), Mr. Thomas Lingelbach shall be entitled to remuneration and bonus for the Initial Term. If Mr.Thomas Lingelbach resigns or is terminated his Management Board member function or similar position within the Valneva Group (including without limitation as CEO) for any other reason, Mr.Thomas Lingelbach shall be entitled to remuneration and bonus until earlier of (i) Mr.Thomas Lingelbach finding an alternative full-time employment with an equivalent or similar level of remuneration and (ii) end of Initial Term. Mr. Thomas Lingelbach is not subject to statutory provisions of Austrian Corporate Staff and Self-Employment Provision Act.	(***) it must be noted that Mr. Franck Grimaud's rights to bonus under the termination provisions are subject to meeting performance criteria in accordance with French law. More generally, M. Franck Grimaud's contract and rights are subject to French corporate law rather than French employment law because he derives his rights from being a corporate officer rather than an employee.	entitled to remuneration and bonus for the Initial Term. If Mr.Reinhard Kandera resigns or is terminated from his Management Board member function or similar position within the Valneva Group for any other reason, Mr.Reinhard Kandera shall be entitled to remuneration and bonus until earlier of (i) Mr.Reinhard Kandera finding an alternative full-time employment with an equivalent or similar level of remuneration and (ii) end of Initial Term. Mr. Reinhard Kandera is not subject to statutory provisions of Austrian Corporate Staff and Self-Employment Provision Act.

16 – SHARE CAPITAL DISTRIBUTION

Please, refer to section 15.1 of this Annual Report.

17 – COMPENSATION PAID TO CORPORATE OFFICERS (under Article L225-102-1 of the French commercial code)

The information given herein takes account of the merger with the company “Intercell AG”. Therefore, the presentation of the global amount of compensation for the Management and Supervisory Board members is made in separate parts, with respect to the pre-merger period and the post-merger period, in order to take into consideration the changes in the composition of each Board.

In accordance with the AMF recommendations, the information given herein includes compensation allocated to the members of the Management and Supervisory Boards by:

- the Company;
- the companies controlled, pursuant to article L.233-16 of the French Commerical code, by the Company in which the mandate is exercised;
- the companies controlled, pursuant to article L.233-16 of the French Commerical code, by the Company(ies) controlling the Company in which the mandate is exercised;
- the company(ies) controlling pursuant to the same article the Company in which the mandate is exercised;
- in consideration of the services they provided to companies of the Group.

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

The Management Board

Global amount of compensation with respect to the pre-merger period

Remuneration

Franck Grimaud, Chairman of the Management Board, CEO	**2013**		**2012**	
	Amounts due	Amounts paid (until May 28, 2013)	Amounts due	Amounts paid
Fixed	€157,590 (Amount set by the Supervisory Board of Vivalis for the year 2013)	€52,530	€ 153,000	€ 153,000
Annual variable remuneration	€0 (Amount fixed with respect to the 2013 objectives not yet fixed by the Supervisory Board of Vivalis for the pre-merger period. The Supervisory Board of Vivalis indicates that this amount will be set when the merger is done.)	€17,671.50 (Amount paid with respect to the 2012 objectives)	€ 53,550 (Amount fixed with respect to the 2012 objectives)	€20,000 (for 2011)
Multi-year variable remuneration	0	0	0	0
Exceptional remuneration	0	0	0	0
Attendance fees	0	0	0	0
Fringe benefits[1]	€6,357 (for the year 2013)	€2,119	€6,661	€6,660.96
TOTAL	***€163,947***	***€72,320.50***	***€ 213,211***	***€ 179,660.96***

[1] *A Social Insurance Contract for Company Directors and Managers (Convention Garantie Sociale des Chefs et Dirigeants d'Entreprise or GSC) has been granted to Franck Grimaud, member of the Management Board. The purpose of this Contract is to guarantee the payment of compensation in case of unemployment (up to 70% of the last professional income filed with the tax authorities). This GSC was set up pursuant to an authorization of the Board of Directors of 26 October 2000. The expense incurred by the Company for 2013 for the GSC was €6,357 compared with €6,660.96 for 2012.*

Majid Mehtali, Management Board member, Managing Director*	**2013**		**2012**	
	Amounts due	Amounts paid (until May 28, 2013)	Amounts due	Amounts paid
Fixed	€189,519.96 (Amount set by the Supervisory Board of Vivalis for the year 2013)	€63,173.32	€ 183,999.96	€ 183,999.96
Annual variable remuneration	€0 (Amount fixed with respect to the 2013 objectives not yet fixed by the Supervisory Board of Vivalis for the pre-merger period. The Supervisory Board of Vivalis indicates that this amount will be set when the merger is done.)	€39,284.00 (Amount paid with respect to the 2012 objectives)	€ 64,400 (Amount fixed with respect to the 2012 objectives)	€34,000 (for 2011)
Multi-year variable remuneration	0	0	0	0
Exceptional remuneration	0	0	0	0
Attendance fees	0	0	0	0
Fringe benefits	0	0	0	0
TOTAL	***€189,519.96***	***€102,457.32***	***€ 248,399.96***	***€ 217,999.96***

** These amounts were paid in connection with an employment contract.*

Céline Breda, Management Board member, Managing Director*	**2013**		**2012**	
	Amounts due	Amounts paid (until May 28, 2013)	Amounts due	Amounts paid
Fixed	€111,786.96 (Amount set by the Supervisory Board of Vivalis for the year 2013)	€37,262.32	€ 107,487.48	€ 107,487.48
Annual Variable remuneration[1]	€20,000 (Amount fixed with respect to the 2013 objectives)	€17,162 (Amount paid with respect to the 2012 objectives)	€ 20,000 (Amount fixed with respect to the 2012 objectives)	€7,400 (for 2011)
Multi-year variable remuneration	0	0	0	0
Exceptional remuneration	0	0	0	0
Attendance fees	0	0	0	0
Fringe benefits	0	0	0	0
TOTAL	***€131,786.96***	***€54,424.32***	***€ 127,487.48***	***€ 114,887.48***

** These amounts are paid in connection with an employment contract.*

[1]Since the fiscal year 2008, this compensation has represented a percentage of the fixed remuneration. The variable portion is linked to annual performance and depends on the achievement of quantitative and qualitative objectives relating to the strategy of the Company, research programs and earnings. These objectives were set according to the recommendation of the Compensation and Nomination Committee. A preliminary performance review is undertaken midyear by the Compensation and Nomination Committee. Achievement of objectives is then validated by the Supervisory Board on the recommendation of the Compensation and Nomination Committee.
The amounts set out in the "Amounts due" column represent the maximum amounts that may be granted if all the objectives are met.

Options to subscribe for or purchase shares granted to each Management Board member by the Company (Vivalis) or by any Group company prior to the merger:

	Plan No. and date	Nature of options (purchase or subscription)	Measurement of options according to IFRS 2	Number of options granted in the period	Exercise price	Exercise period
Franck Grimaud, Chairman of the Management Board	None					
Majid Mehtali, Management Board member, Managing Director	None					
Céline Breda, Management Board member, Managing Director	None					

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

Franck Grimaud, Chairman of the Management Board	**Plan No. and date**	**Number of options exercised in the period**	**Exercise price**
	None		
Total			
Majid Mehtali, Management Board member, Managing Director	**Plan No. and date**	**Number of options exercised in the period**	**Exercise price**
	None		
Total			
Céline Breda, Management Board member, Managing Director	**Plan No. and date**	**Number of options exercised in the period**	**Exercise price**
	None		
Total			

Performance shares granted to each Management Board Member prior to the merger

Performance shares granted by the share-holders' general meet-ing in the period to each company officer by the issuer or any company of the group	Plan No. and date	Number of shares granted in the period	Measurement of shares according to the method used for the consolidated financial statements	Vesting date	Date of availability	Conditions of performance
Franck Grimaud, Chairman of the Management Board	None					
Majid Mehtali, Management Board member, Managing Director	None					
Céline Breda, Management Board member, Managing Director	None					

Fully vested performance shares received by each Management Board Member after expiry of the vesting period and prior to the merger

Performance shares be-coming available for each company officer	Plan No. and date	Number of shares becoming available in the period	Vesting conditions
Franck Grimaud, Chairman of the Management Board	None		
Majid Mehtali, Management Board member, Managing Director	Plan 1 Allotment 6 22 February 2010	17,666	2-year vesting period, assuming presence
	Plan 2 Allotment 1 22 February 2010	15,667	2-year vesting period, assuming presence
Céline Breda, Management Board member, Managing Director	None		

Global amount of compensation with respect to the post-merger period

Remuneration

Thomas Lingelbach, Chairman of the Management Board, CEO	**2013**	
	Amounts due	Amounts paid (from May 28, 2013 until December 31, 2013)
Fixed	€320,000 (payable in 14 equal instalments) (as set by the Supervisory Board of Valneva for 2013)	€228,571.43
Annual Variable remuneration[1]	Maximum 60% of the Annual gross salary i.e. €192,000 (as set by the Supervisory Board of Valneva for the objectives of the year 2013)	€133,000 (Amount paid for the objectives set for the year 2012 by Intercell AG, as well as for the period from January 2013 to May 2013)
Multi-year variable remuneration	0	0
Exceptional remuneration	0	€640,000[3]
Attendance fees	0	0
Fringe benefits		
- Leasing car	Max. €1,100 per month, i.e. €13,200 for a year	€7,261.77
- Death and endowment policy[2]	€1,000 per month, i.e. €12,000 for a year	€7,000
TOTAL	***€537,200***	***€1,015,833.20***

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

[2] A Death and endowment policy payable by Company has been subscribed. Monthly premiums are of €1,000 for the year 2013.

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

Franck Grimaud, Member of the Management Board, Managing Director, CBO	**2013**	
	Amounts due	Amounts paid (from May 28, 2013 until December 31, 2013)
Fixed	€153,000, increased up to €240,000 during the next 3 years on a linear basis – payable in 12 equal installments (as set by the Supervisory Board of Valneva for 2013)	€114,707.39
Annual variable remuneration[1]	Maximum 60% of the Annual gross salary i.e., from €91,800 up to €144,000 (as set by the Supervisory Board of Valneva for the objectives of the year 2013)	0
Multi-year variable remuneration	0	0
Exceptional remuneration	0	0
Attendance fees	0	0
Fringe benefits		
- GSC[2]	€6,357 (for the year 2013)	€4,238
TOTAL	***From €251,157 up to 390,357€***	***€118,945.39***

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

[2] A Social Insurance Contract for Company Directors and Managers (Convention Garantie Sociale des Chefs et Dirigeants d'Entreprise or GSC) has been granted to Franck Grimaud, member of the Management Board. The purpose of this Contract is to guarantee the payment of compensation in case of unemployment (up to 70% of the last professional income filed with the tax authorities). This GSC was set up pursuant to an authorization of the Board of Directors of 26 October 2000. The expense incurred by the Company for 2013 for the GSC was €6,357 compared with €6,660.96 for 2012.

Reinhard Kandera, Member of the Management Board, CFO	**2013**	
	Amounts due	Amounts paid (from May 28, 2013 until December 31, 2013)
Fixed	€240,000 (payable in 14 equal instalments) (as set by the Supervisory Board of Valneva for 2013)	**€**171,428.57
Annual variable remuneration[1]	Maximum 60% of the Annual gross salary i.e. €144,000 (as set by the Supervisory Board of Valneva for the objectives of the year 2013)	**€**100,000 (Amount paid for the objectives set for the year 2012 by Intercell AG, as well as for the period from January 2013 to May 2013)
Multi-year variable remuneration	0	0
Exceptional remuneration	0	€240,000[3]
Attendance fees	0	0
Fringe benefits		
- Leasing Car	Max. €1,100 per month, i.e. €13,200 for a year	**€**3,603.36
- Death and endowment policy[2]	€12,000 for a year	0
TOTAL	***€409,200***	***€515,031.93***

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

[2] A Death and endowment policy payable by Company has been subscribed.

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

Majid MEHTALI, Member of the Management Board, CSO	**2013**	
	Amounts due	Amounts paid (from May 28, 2013 until December 31, 2013)
Fixed	€184,000, increased up to €240,000 during the next 3 years on a linear basis (as set by the Supervisory Board of Valneva for 2013)	€74,686.78
Annual variable remuneration[1]	Maximum 60% of the Annual gross salary i.e., from €110,400 up to €144,000 (as set by the Supervisory Board of Valneva for the objectives of the year 2013)	€67,466.67 (Amount paid for the objectives set for the year 2013)
Multi-year variable remuneration	0	0
Exceptional remuneration	0	0
Attendance fees	0	0
Fringe benefits	0	0
TOTAL	***From €294,400 up to 384,000€***	***€142,153.45***

[1] The variable portion is linked to annual performance and depends on the achievement of quantitative and qualitative objectives relating to the strategy of the Company, research programs and earnings. These objectives have been set according to the recommendation of the Compensation and Nomination Committee. Achievement of objectives has been validated by the Supervisory Board on the recommendation of the Compensation and Nomination Committee, following the passing of Majid Mehtali. The amounts set out in the "Amounts due" column represent the maximum amounts that may be granted if all the objectives are met

Options to subscribe for or purchase shares granted to each Management Board member by the Company or any Valneva Group company as from the merger:

	Plan No. and date	Nature of options (purchase or subscription)	Measurement of options according to IFRS 2, with respect to the full vesting period	Number of options granted in the period	Exercise price	Exercise period
Thomas Lingelbach, Chairman of the Management Board, CEO	Plan n° 7 dated October 2, 2013	Subscription shares	€160,936.47	100,000	€3.21	From October 2, 2015 for 50% of the options granted and from October 2, 2017 for the remaining 50%
Franck Grimaud, Management Board member, Managing Director, CSO	Plan n° 7 dated October 2, 2013	Subscription shares	€160,936.47	100,000	€3.21	From October 2, 2015 for 50% of the options granted and from October 2, 2017 for the remaining 50%
Reinhard Kandera, Management Board member, CFO	Plan n° 7 dated October 2, 2013	Subscription shares	€160,936.47	100,000	€3.21	From October 2, 2015 for 50% of the options granted and from October 2, 2017 for the remaining 50%
Majid MEHTALI, Member of the Management Board, CSO	NONE					

Options to subscribe for or purchase shares exercised by each Management Board member as from the merger

Thomas Lingelbach, Chairman of the Management Board	**Plan No. and date**	**Number of options exercised in the period**	**Exercise price**
	None		
Total			
Franck Grimaud, Management Board member	**Plan No. and date**	**Number of options exercised in the period**	**Exercise price**
	None		
Total			
Reinhard Kandera, Management Board member	**Plan No. and date**	**Number of options exercised in the period**	**Exercise price**
	None		
Total			
Majid MEHTALI, Member of the Management Board, CSO	**Plan No. and date**	**Number of options exercised in the period**	**Exercise price**
	April 5, 2005 (Plan n°4)	385 (i.e. 41,580 shares)	€1.80
	April 3, 2006 (Plan n°4 bis)	160 (i.e. 17,280 shares)	€1.80
	April 3, 2006 (Plan n°5)	290 (i.e. 31,320 shares)	€1.80
Total		**835 (i.e. 90,180 shares)**	

Performance shares granted to each Management Board Member as from the merger

Performance shares granted by the shareholders' general meeting in the period to each company officer by the issuer or any company of the group	**Plan No. and date**	**Number of shares granted in the period**	**Measurement of shares according to the method used for the consolidated financial statements**	**Vesting date**	**Date of availability**	**Conditions of performance**
Thomas Lingelbach, Chairman of the Management Board, CEO	None					
Franck Grimaud, Management Board member, Managing Director, CSO	None					
Reinhard Kandera, Management Board member, CFO	None					
Majid MEHTALI, Member of the Management Board, CSO	None					

Fully vested performance shares granted, after expiry of the vesting period, to each Management Board Member, from the merger

Performance shares becoming available for each company officer	Plan No. and date	Number of shares becoming available in the period	Vesting conditions
Thomas Lingelbach, Chairman of the Management Board, CEO	None		
Franck Grimaud, Management Board member, Managing Director, CSO	None		
Reinhard Kandera, Management Board member, CFO	None		
Majid MEHTALI, Member of the Management Board, CSO	None		

Summary of remuneration, options and shares granted to each Management Board member

	2013	2012
Thomas Lingelbach, Chairman of the Management Board of Valneva SE		
Remuneration payable for the period	€537,200	n.a.
Valuation of options granted in the period	€160,936.47	n.a.
Valuation of performance shares granted in the period	None	n.a.
Total Thomas Lingelbach	**€698,136.47**	
Franck Grimaud, former Chairman of the Management Board of Vivalis SA, then member of the Management Board and Managing Director of Valneva SE		
Remuneration payable for the period	€163,947, then from €251,157 up to 390,357€ after the merger	€ 213, 211
Valuation of options granted in the period	€160,936.47	None
Valuation of performance shares granted in the period	None	None
Total Franck Grimaud	**€324,883, then from €412,093.47 up to €551,293.47**	**€ 213, 211**
Reinhard Kandera, Member of the Management Board of Valneva SE		
Remuneration payable for the period	€409,200	n.a.
Valuation of options granted in the period	€160,936.47	n.a.
Valuation of performance shares granted in the period	None	n.a.
Total Reinhard Kandera	**€570,136.47**	**€ 213, 211**
Céline Breda, former Management Board member and Managing Director of Vivalis SA		
Remuneration payable for the period	€131,786.96	€ 127,487.48
Valuation of options granted in the period	None	None
Valuation of performance shares granted in the period	None	None
Total Céline Breda	**€131,786.96**	**€ 127,487.48**
Majid Mehtali, former Management Board member and Managing Director of Vivalis SA		
Remuneration payable for the period	€189,519.96, then from €294,400 up to 384,000€ after the merger	€ 248,399.96
Valuation of options granted in the period	None	None
Valuation of performance shares granted in the period	None	None
Total Majid Mehtali	**€189,519.96, then from €294,400 up to 384,000€ after the merger**	**€ 248.399,96**

Management Board members	Employment contract		Supplemental retirement plan		Indemnities or benefits payable on termination or change of functions		Indemnities relating to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Thomas Lingelbach (Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	x[1]			x	x[5]		x[4]	
Franck Grimaud (Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)		x		x	x[2&5]		x[4]	
Reinhard Kandera (Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	x[1]			x	x[5]		x[4]	
Majid Mehtali (Appointed on 24 March 2004, effective end of term of office on August 10, 2013)	x[3]			x		x		x
Céline Breda (Appointed on 27 June 2005, effective end of term of office on May 28, 2013)	x[3]			x		x		x

[1] With the subsidiary Valneva Austria GmbH.
[2] A Social Insurance Contract for Company Directors and Managers (Convention Garantie Sociale des Chefs et Dirigeants d'Entreprise or GSC) was granted to Franck Grimaud, member of the Management Board. The purpose of this Contract is to guarantee the payment of compensation in case of unemployment (up to 70% of the last professional income filed with the tax authorities). This GSC was set up pursuant to an authorisation of the Board of Directors of 26 October 2000.
[3] At the date of appointment of Majid Mehtali and Céline Breda as Management Board member, an employment agreement had already been signed between the company and Majid Mehtali and the Company and Céline Breda. Those agreements have not been terminated until the merger with Intercell concerning Majid Mehtali, and until resignation of Céline Breda on November 2013, as they were implementing operational duties and responsibilities different from their management board duties.

Thomas Lingelbach Employee of Valneva Austria GmbH Under an Employment and Management Agreement (*EMA*) with Valneva Austria GmbH	**Franck Grimaud** Under a Management Agreement (*MA*) with Valneva SE	**Reinhard Kandera** Employee of Valneva Austria GmbH Under an Employment and Management Agreement (*EMA*) with Valneva Austria GmbH
The Board Member is subject to the legal restraint on competition pursuant to Sec 79 of the Austrian Stock Corporation Act (Aktiengesetz). In case the Supervisory Board of Valneva SE does not waive the following, the Board Member shall - for a period of one year following the termination of his *EMA* - not be gainfully employed with a competitor for whichever reason, especially in the fields of serums. "Being gainfully employed" means in particular (but not limited to) that the Board Member: - enters into a contractual relationship with a competitor of Valneva Austria GmbH, be it as white-collar employee, consultant or in a similar position; - becomes direct or indirect owner or shareholder of a home or foreign competitor of Valneva Austria GmbH , except for the investment in listed stock corporations for investment reasons only; - becomes member of a legal (representative) body of a competitor of Valneva Austria GmbH, especially in the management board, the supervisory board or as counsel or consultant, even if the services are not remunerated. In any case, this non-competition clause shall apply in the case of	In case the Supervisory Board of Valneva SE does not waive the following, the Board Member shall - for a period of one year following the termination of his *MA* - not be gainfully employed with a competitor for whichever reason, especially in the fields of serums. "Being gainfully employed" means in particular (but not limited to) that the Board Member: - enters into a contractual relationship with a competitor of Valneva SE/ Valneva Austria GmbH, be it as white-collar employee, consultant or in a similar position; - becomes direct or indirect owner or shareholder of a home or foreign competitor of Valneva SE/ Valneva Austria GmbH , except for the investment in listed stock corporations for investment reasons only; - becomes member of a legal (representative) body of a competitor of Valneva SE/ Valneva Austria GmbH, especially in the management board, the supervisory board or as counsel or consultant, even if the services are not remunerated. In any case, this non-competition clause shall apply in the case of justified termination of the *MA*/revocation of the board	The Board Member is subject to the legal restraint on competition pursuant to Sec 79 of the Austrian Stock Corporation Act (Aktiengesetz). In case the Supervisory Board of Valneva SE does not waive the following, the Board Member shall - for a period of one year following the termination of his *EMA* - not be gainfully employed with a competitor for whichever reason, especially in the fields of serums. "Being gainfully employed" means in particular (but not limited to) that the Board Member: - enters into a contractual relationship with a competitor of Valneva Austria GmbH, be it as white-collar employee, consultant or in a similar position; - becomes direct or indirect owner or shareholder of a home or foreign competitor of Valneva Austria GmbH , except for the investment in listed stock corporations for investment reasons only; - becomes member of a legal (representative) body of a competitor of Valneva Austria GmbH, especially in the management board, the supervisory board or as counsel or consultant, even if the services are not remunerated. In any case, this non-competition clause shall apply in the case of

Thomas Lingelbach Employee of Valneva Austria GmbH Under an Employment and Management Agreement (*EMA*) with Valneva Austria GmbH	**Franck Grimaud** Under a Management Agreement (*MA*) with Valneva SE	**Reinhard Kandera** Employee of Valneva Austria GmbH Under an Employment and Management Agreement (*EMA*) with Valneva Austria GmbH
justified termination of the *EMA*/revocation of the board membership on cause by Valneva Austria GmbH (Sec 27 Austrian White Collar Workers Act [Angestelltengesetz]) or unjustified premature termination on cause by the Board Member (Sec 26 Austrian White Collar Workers Act) . In the case of any other termination mode, this non-competition clause shall only apply, if the Board Member has served the Company and/or Valneva Austria GmbH as Board Member for at least three years on the whole, and provided that the entire remuneration is paid for the 12 months' non-compete period. Furthermore, the Board Member shall not - for a period of 12 months following the termination of his *EMA* - induce personnel, free- lancer, consultants or members of the Scientific Board in whichever form to terminate their employment contracts with Valneva Austria GmbH.	membership on good cause by the Company, or for termination of the *MA* by the Board Member, except if this termination is due to circumstances involving legal, functional or actual diminution of the Board Member's responsibilities within his Management Board member function or similar position within the Valneva Group, such diminution not being itself due to circumstances likely to justify a revocation for good cause or any applicable similar ground of removal under the relevant jurisdiction. In the case of any other termination mode, this non-competition clause shall only apply, if the Board Member has served the Company and/or Valneva Austria GmbH as Board Member for at least three years on the whole, and provided that the entire remuneration is paid for the 12 months' non-compete period. Furthermore, the Board Member shall not - for a period of 12 months following the termination of his *MA* - induce personnel, free- lancer, consultants or members of the Scientific Board in whichever form to terminate their employment contracts with Valneva SE.	justified termination of the *EMA*/revocation of the board membership on cause by Valneva Austria GmbH (Sec 27 Austrian White Collar Workers Act [Angestelltengesetz]) or unjustified premature termination on cause by the Board Member (Sec 26 Austrian White Collar Workers Act) . In the case of any other termination mode, this non-competition clause shall only apply, if the Board Member has served the Company and/or Valneva Austria GmbH as Board Member for at least three years on the whole, and provided that the entire remuneration is paid for the 12 months' non-compete period. Furthermore, the Board Member shall not - for a period of 12 months following the termination of his *EMA* - induce personnel, free- lancer, consultants or members of the Scientific Board in whichever form to terminate their employment contracts with Valneva Austria GmbH.

[5] *Please, refer to section 15.10 of this Annual Report.*

The Supervisory Board

Pre-merger period

Attendance fees and other remuneration received by non-executive officers

	Amounts paid until May 28, 2013	Amounts paid in 2012
Frédéric Grimaud, Chairman of the Supervisory Board		
Attendance fees	0	0
Other remuneration	0	0
Joseph Grimaud, Vice-Chairman of the Supervisory Board		
Attendance fees	0	0
Other remuneration	0	0
Grimaud La Corbière Group SA, Supervisory Board member		
Attendance fees	0	0
Other remuneration		
- In connection with the group management agreement	€111,726.36 (VAT included)	€198.000
- In connection with loan guarantees	€36,528.77 (VAT included)	€22,330.44
- In connection with normal operation	€108,347.30 (VAT included)	€242,205.59
Renée Grimaud, permanent representative of Grimaud La Corbière Group SA		
Attendance fees	0	0
Other remuneration	0	0
Thomas Grimaud, Supervisory Board member		
Attendance fees	0	0
Other remuneration	0	0
Alain Munoz, Supervisory Board member		
Attendance fees	€10,000	€20,000
Other remuneration	0	0
Michel Greco, Supervisory Board member		
Attendance fees	€10,000	€20,000
Other remuneration	€0	0
TOTAL	**€276,602.43**	**€502,536.03**

Post-merger period

Attendance fees and other remuneration received by non-executive officers

	Amounts paid from May 28, 2013 until December 31, 2013	Amounts paid in 2012
Frédéric Grimaud, Chairman of the Supervisory Board		
Attendance fees	€25,000	0
Other remuneration	0	
Alain Munoz, Supervisory Board member		
Attendance fees	€18,333	€20,000
Other remuneration	0	0
Michel Greco, Supervisory Board member		
Attendance fees	€18,333	€20,000
Other remuneration - Attendance fees paid with respect to his Supervisory Board member mandate within Intercell AG, for the period between October 1, 2012 and December 16, 2012	€9,206.52	n.a.
Anne-Marie Graffin, Supervisory Board member		
Attendance fees	€15,000	n.a.
Other remuneration	0	n.a.
James Sulat, Supervisory Board member		
Attendance fees	€20,000	n.a.
Other remuneration - Attendance fees paid with respect to his Supervisory Board member mandate within Intercell AG, for the period between October 1, 2012 and May 27, 2013	€28,574.28	n.a.
Hanz Wigzell, Supervisory Board member		
Attendance fees	15,000€	n.a.
Other remuneration - Attendance fees paid with respect to his Supervisory Board member mandate within Intercell AG, for the period between October 1, 2012 and May 27, 2013	€27,500	n.a.
Alexander Von Gabain, Supervisory Board member		
Attendance fees	€15,000	n.a.
Other remuneration - Attendance fees paid with respect to his Supervisory Board member mandate within Intercell AG, for the period between October 1, 2012 and May 27, 2013 - Consulting services between January 2013 to March 2013 – remuneration paid by Intercell Austria GmbH in August 2013	€26,666.67 €28,500	n.a.
TOTAL	**€247,113.47**	**€40,000**

ENVIRONMENTAL, SOCIAL AND SOCIETAL INFORMATION (ARTICLES L225-102-1 AND R225-104 OF THE FRENCH COMMERCIAL CODE)

18 – SOCIAL INFORMATION (Articles L225-102-1 and R225-104 of the French commercial code)

Please, refer to the CRS report.

19 – SOCIETAL INFORMATION (Articles L225-102-1 and R225-104 of the French Commercial Code)

Please, refer to the CRS report.

20 – ENVIRONMENTAL INFORMATION (Articles L225-102-1 and R225-104 of the French commercial code)

Please, refer to the CRS report.

21 – SOCIETAL COMMITMENTS FOR SUSTAINABLE DEVELOPMENT

Please, refer to the CRS report.

22 - RISKS OF RATE AND PRICE FLUCTUATIONS (interest rate risk, exchange rate risk and share price)

Foreign Exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. Dollar (“USD”), the British Pound (“GBP”), whereas the exchange risks exposure to the Swiss Franc and the Japanese Yen is relatively limited. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, and net in-vestments in foreign operations.

The objective of the Company is to limit the potential negative impact of the foreign exchange rate changes.

The Company has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk.

At December 31, 2013, if the USD had weakened by 10% against the Euro, with all other variables held constant, pre-tax loss for the year would have been higher by EUR 587 thousand (2012: EUR 1 thousand lower), mainly as a result of foreign exchange losses on the translation of USD-denominated cash equivalents and trade receivables, partly offset by a positive effect from borrowings and trade payables. Income was more sensitive to fluctuations in the Euro/USD exchange rate at the balance sheet date in 2013 than it was in 2012 mainly because of the increased amount of USD-denominated trade receivables and cash equivalents.

At December 31, 2013, if the GBP had weakened by 10% against the Euro with all other variables held constant, pre-tax loss for the year would have been EUR 57 thousand higher (2012: EUR 0 thousand). Income was more sensitive to fluctuations in the Euro/GBP exchange rate at the balance sheet date in 2013 than it was in 2012 mainly because of the increased amount of GBP-denominated cash equivalents.

Interest rate risk

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

Borrowings issued at variable rates expose the Company to cash flow interest rate risk, which is offset by cash and financial assets held at variable rates. During 2013 and 2012, the Company's investments at variable rate as well as the borrowings at variable rate were denominated in EUR and in USD.

The Company analyses its interest rate expo-sure on a dynamic basis. Based on this analysis, the Company calculated the impact on profit and loss of a defined interest rate shift. The same interest rate shift was used for all currencies. The calculation only includes investments in financial instruments and cash in banks that represent major interest-bearing positions. As of the balance sheet date, the calculated impact on income before tax of a 0.25% shift would be an increase or decrease of EUR 27 thousand (2012: EUR 12 thousand).

Share price risk

The Company is subject to price risk of its own shares within the limits of (i) its treasury shares resulting from the merger and (ii) the contract liquidity that has been signed with Natixis whose conditions of execution on the year are set out in the management report (see section 23 of this Annual Report).

23 – SHARE BUYBACK PROGRAMS

In compliance with the provisions of Article L225-211 subsection 2 of the French commercial code, we hereby report to you on transactions undertaken by virtue of the provisions of Article L225-208 or L225-209 of the French Commercial code.

+ Please be mindful that the Shareholders' Meeting of 4 June 2012 (resolution 14) authorised the Management Board to implement a share buyback program for 18 months from the date of the General Meeting.

In addition, the shareholders' meeting of 7 march 2013 (resolution 14) authorised the Management Board to implement a share buyback program, also for 18 months from the date of the General Meeting (resolution 11 – see section 15.8 of this Annual Report).

The Company did not purchase any shares in 2013, in accordance with Article L225-208 of the French commercial code.

+ However, the Company concluded a liquidity agreement on 6 July 2007 with Natixis. The purpose of this agreement is to ensure the liquidity and orderly trading of the Company's shares and contain the scope of price fluctuations not justified by market trends.

In accordance with Article L225-209 of the French commercial code and within the framework of the liquidity agreement, the Company acquired 1,056,949 shares and sold 1,065,550 shares in 2013 for an average purchase price of €4.79 (€6.44 in 2012) and an average sale price of €4.81 per share (€6.47 in 2012). Valneva has not paid any execution fees.

At 31 December 2013, Valneva had, within the frame of this liquidity agreement, 41,216 treasury shares with a closing value at year-end of €105,366.49 and a nominal value of €6,182.40 or 0.07%[20] of the share capital at 31 December 2013, compared to 0.23% at the end of 2012.

+ At 31 December 2013, the Company also held 124,322 of its own ordinary shares with a nominal value of €0.15, and as many preferred shares with a nominal value of €0.01. The Company holds these shares as a direct result of the share buyback related to the merger with Intercell AG and the “exit” right offered to the latter’s shareholders, combined with the simultaneous implementation of consideration for the merger, as defined in Article 3 of the Merger Agreement in its 16 December 2012 version.

1. Implementation of the exit right

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

[20] This rate is calculated by reference to a total share capital of 55,898,115 Valneva shares, divided into 54,709,000 ordinary shares and 17,836,719 preferred shares written down to a nominal value of €0.15.

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

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

- Receive the shares held by exiting Intercell shareholders;
- Receive the new ordinary shares and the preferred shares to which the exiting Intercell shareholders would have been entitled had they not exercised their exit right;
- Sell the new ordinary shares and preferred shares to Valneva at a price equal to or greater than the amount of the financial compensation offered in place of said new ordinary shares and preferred shares;
- Receive the proceeds from the sale of new ordinary shares and preferred shares to Valneva;
- If necessary, withdraw from the bank guarantee established as security the total amount of the financial compensation requested by exiting Intercell shareholders; and
- Pay the financial compensation.

At the time of the merger, the Company have had to purchase a total of nearly 382,529 ordinary shares from exiting Intercell shareholders under the share buyback program implemented by Valneva at the Combined General Meeting of 7 March 2013, in accordance with Article L.225-209 of the French Commercial Code.

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

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

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

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

24 – TRANSACTIONS OF COMPANY SECURITIES INVOLVING MANAGEMENT

In accordance with Article L621-18-2 of the French monetary and financial code, the following table presents transactions by management in Company shares in 2013. These transactions were carried out on Euronext Paris of NYSE Euronext.

Date	Nom	Mandat	Nature de l'opération	Prix unitaire	Nombre d'actions
28.05.2013	Thomas Lingelbach	Chairman of the Management Board	Allocation of shares following the merger Vivalis/Intercell	5,70 €	3.575
28.05.2013	Thomas Lingelbach	Chairman of the Management Board	Allocation of shares following the merger Vivalis/Intercell	0,14 €	3.575
28.05.2013	Reinhard Kandera	Management Board member	Allocation of shares following the merger Vivalis/Intercell	5,70 €	9.425
28.05.2013	Reinhard Kandera	Management Board member	Allocation of shares following the merger Vivalis/Intercell	0,14 €	9.425
29.05.2013	Majid Mehtali	Management Board member	Stock-options subscription	1,80 €	90.180
17.06.2013	Franck Grimaud	Management Board member	Sale of preferential subscription rights	0,27 €	359.645
18.06.2013	James Sulat	Vice-Chairman of the Supervisory Board	Subscription of shares	2,65 €	3.750
18.06.2013	Groupe Grimaud La Corbière – Frédéric Grimaud	Chairman of the Supervisory Board	Sale of preferential subscription rights	0,27 €	10.885.267
18.06.2013	Frédéric Grimaud	Chairman of the Supervisory Board	Sale of preferential subscription rights	0,3543 €	100,000
19.06.2013	Frédéric Grimaud	Chairman of the Supervisory Board	Sale of preferential subscription rights	0,2359 €	3,053
20.06.2013	Majid Mehtali	Management Board member	Sale of preferential subscription rights	0,27 €	288,347
20.06.2013	Groupe Grimaud La Corbière – Frédéric Grimaud	Chairman of the Supervisory Board	Purchase of preferential subscription rights	0,1694 €	382,386
20.06.2013	Franck Grimaud	Management Board member	Purchase of preferential subscription rights	0,1695 €	40,300
20.06.2013	Franck Grimaud	Management Board member	Purchase of preferential subscription rights	0,1872 €	12,300
21.06.2013	Frédéric Grimaud	Chairman of the Supervisory Board	Sale of preferential subscription rights	0,1954 €	16,605
21.06.2013	Franck Grimaud	Management Board member	Purchase of preferential subscription rights	0,1617 €	28,000
21.06.2013	Reinhard Kandera	Management Board member	Sale of preferential subscription rights	0,27 €	9,425
21.06.2013	Groupe Grimaud La Corbière – Frédéric Grimaud	Chairman of the Supervisory Board	Purchase of preferential subscription rights	0,1968 €	707,575
21.06.2013	Frédéric Grimaud	Chairman of the Supervisory Board	Subscription of shares	2,65 €	32,075
21.06.2013	Reinhard Kandera	Management Board member	Purchase of preferential subscription rights	0,15 €	9,295

Date	Nom	Mandat	Nature de l'opération	Prix unitaire	Nombre d'actions
24.06.2013	Thomas Lingelbach	Chairman of the Management Board	Sale of preferential subscription rights	0,27 €	3,575
24.06.2013	Groupe Grimaud La Corbière – Frédéric Grimaud	Chairman of the Supervisory Board	Purchase of preferential subscription rights	0,10 €	132,261
24.06.2013	Thomas Lingelbach	Chairman of the Management Board	Purchase of preferential subscription rights	0,27 €	949
25.06.2013	Groupe Grimaud La Corbière – Frédéric Grimaud	Chairman of the Supervisory Board	Purchase of preferential subscription rights	0,10 €	464,038
26.06.2013	Reinhard Kandera	Management Board member	Subscription of shares	2,65 €	3,575
26.06.2013	Thomas Lingelbach	Chairman of the Management Board	Subscription of shares	2,65 €	364
26.06.2013	Groupe Grimaud La Corbière – Frédéric Grimaud	Chairman of the Supervisory Board	Subscription of shares	2,65 €	335,486
26.06.2013	Groupe Grimaud La Corbière – Frédéric Grimaud	Chairman of the Supervisory Board	Purchase of preferential subscription rights	0,0460 €	325,000
26.06.2013	Groupe Grimaud La Corbière – Frédéric Grimaud	Chairman of the Supervisory Board	Subscription of shares	2,65 €	419,230
27.06.2013	Groupe Grimaud La Corbière – Frédéric Grimaud	Chairman of the Supervisory Board	Subscription of shares	2,65 €	354,345
05.07.2013	Franck Grimaud	Management Board member	Subscription of shares	2,65 €	15,495
10.07.2013	Reinhard Kandera	Management Board member	Purchase of shares	3,2385 €	20,000
11.07.2013	Reinhard Kandera	Management Board member	Purchase of shares	3,28 €	7,000
11.07.2013	Reinhard Kandera	Management Board member	Purchase of shares	3,28 €	10,000
15.07.2013	Thomas Lingelbach	Chairman of the Management Board	Purchase of shares	3,3785 €	94,800

25 - ADJUSTMENT ON OPTIONS TO SUBSCRIBE FOR OR PURCHASE SHARES

We remind you that by decision dated July 24, 2013, the Management Board decided, in accordance with the provisions of Article L228-99 of the Commercial Code, to make an adjustment to the number of shares under option following the capital increase of July 5, 2013, so that the subscription price of these options remains constant. Similarly, the Management Board also made an adjustment to the exercise of warrants shares parity.

26 - APPOINTMENT OF AUDITORS AND DEPUTY AUDITORS

The mandates of the Joint Statutory Auditor, PwC, and of the deputy Joint Auditor Anik Chaumartin, currently in office, will end at the end of the Ordinary General Meeting to be held in 2017 to approve the financial statements for the year ended December 31, 2016.

The mandates of the Joint Statutory Auditor, Deloitte et Associés, and of the deputy Joint Auditor CABINET BEAS and Associates, currently in office, will only end at the end of the

Ordinary General Meeting to be held in 2019 to approve the accounts for the year ended December 31, 2018.

27 - FIVE-YEAR FINANCIAL SUMMARY

NATURE OF ITEM	2009 €	2010 €	2011 €	2012 €	2013 €
I- Capital at the end of the year					
Share capital	2,219,869.65	3,149,047.05	3,167,616.45	3,219,379.35	8,384,717.19
Number of ordinary shares	14,799,131	20,993,647	21,117,443	21,462,529	54,709,000[1]
Number of shares with priority dividends	0	0	0	0	0
Maximum number of shares to be created:					
* By conversion of bonds	0	0	0	0	0
* By exercising warrants	1,285,650	1,306,305	1,142,634	801,135	3,882,555
II- Operations and income for the year					
Revenue excluding tax and financial income	1,247,363	1,747,577	2,334,447	2,764,334	19,714,054
Income before tax, employee profit-sharing and depreciation allowances and provisions	-2,724,927	-5,158,706	-7,496,532	-11,712,495	-8,836,658
Tax on profit (income if negative)	-1,137,661	-2,088,820	-2,042,621	-2,758,828	-2,038,859
Employee profit-sharing due for the year	0€	0€	0€	0€	0€
Income after tax employee profit-sharing and depreciation allowance and provisions	-3,273,416	-5,319,293	-8,387,554	-11,957,883	-9,952,449
Distributed income	0€	0€	0€	0€	0€
III- Earnings per share					
Income after tax employee profit-sharing but before depreciation allowance and provisions	-0.11€	-0.15€	-0.26€	-0.42	-0.12
Income after tax employee profit-sharing and depreciation allowance and provisions	-0.22€	-0.25€	-0.40€	-0.56	-0.18
Dividend per share (indicate if gross or net)	0	0	0	0	0
IV- Personnel					
Average headcount over the period	74	87	105	104	84
Annual payroll	3,224,901	3,944,381	4,633,895	4,686,250	4,267,644
Total of amounts paid for social benefits for the year (social security, social welfare programmes, etc.)	1,464,963	1,811,994	2,151,831	2,090,362	1,933,195

[1] *This does not include Valneva's preferred shares (17,836,719 in total, i.e. around 1,189,115 Valneva's ordinary shares, once the preferred shares are written down to a nominal value of €0.15)*

28 - AUTHORISATIONS FOR CAPITAL INCREASES

In compliance with the provisions of Article L.225-100 subsection 7 of the French commercial code, information is provided below on authorisations granted to the Management Board by the General Meeting to proceed with capital increases in accordance with articles L 225-129-1 and L225-129-2 of said code and uses made of these authorisations in the period ended 31 December 2013.

Date	Reference of the decision	Nature of authorisation granted	Maximum amount of the authorisation	Date of use of the authorisation	Amount used	Duration of the authorisation in months	Balance
Extraordinary shareholders' meeting of 10 June 2010	Resolution n°16	Authorisation granted to the Management Board to grant stock options to subscribe for shares to employees and company officers with cancellation of preferential subscription rights	7,500 stock options[1]	July 24, 2013	TOTAL	38 months	0
Extraordinary shareholders' meeting of 10 June 2010	Resolutions n°17 et n°18	Authorisation granted to the Management Board to allot bonus shares to employees and company officers with cancellation of preferential subscription rights	7,500 free shares [1]	July 24, 2013	TOTAL	38 months	0

Date	Reference of the decision	Nature of authorisation granted	Maximum amount of the authorisation	Date of use of the authorisation	Amount used	Duration of the authorisation in months	Balance
Extraordinary shareholders' meeting of 7 June 2011	Resolution n°15	Authorisation granted to the Management Board to grant stock options to subscribe for shares to employees and company officers with cancellation of preferential subscription rights	7.500 stock options [2]	July 24, 2013	TOTAL	38 months	0
Extraordinary shareholders' meeting of 7 June 2011	Resolutions n°16 et n°17	Authorisation granted to the Management Board to allot bonus shares to employees and company officers with cancellation of preferential subscription rights	7,500 free shares [2]	July 24, 2013	TOTAL	38 months	0
Extraordinary shareholders' meeting of 4 June 2012	Resolution n°16	Authorisation granted to the Management Board to grant stock options to subscribe for shares to employees and company officers with cancellation of preferential subscription rights	157,000 stock options [3]	July 24, 2013	37,000 (once taken into account the free shares allocated in virtue of the resolution 17 of the shareholders' meeting date june 4, 2012)	38 months	120,000 stock-options

Date	Reference of the decision	Nature of authorisation granted	Maximum amount of the authorisation	Date of use of the authorisation	Amount used	Duration of the authorisation in months	Balance
Extraordinary shareholders' meeting of 4 June 2012	Resolutions n°17 et n°18	Authorisation granted to the Management Board to allot bonus shares to employees and company officers with cancellation of preferential subscription rights	157,000 free shares [3]	July 24, 2013	37,000	38 months	120.000 free shares
Extraordinary shareholders' meeting of 28 June 2013	Resolution n°24	Authorisation granted to the Management Board to grant stock options to subscribe for shares to employees and company officers with cancellation of preferential subscription rights	2,231,356 stock options [4]	October 2, 2013	1,052,950	38 months	1,178,406 stock-options
Extraordinary shareholders' meeting of 28 June 2013	Resolution n°25	Authorisation granted to the Management Board to allot bonus shares to employees and company officers with cancellation of preferential subscription rights	2,231,356 free shares [4]	October 2, 2013	1,052,950 (once taken into account the stock-options allocated in virtue of the resolution 24 of the shareholders' meeting date june 28, 2013)	38 months	1,178,406 free shares

[1],[2],[3] and [4] : The amount of these authorisations is deducted from each other.

After reading this report, we will provide you with a detailed presentation of the balance sheet, income statement and notes to the financial statement.

Roissy, 20 March 2014

THE MANAGEMENT BOARD

3.2 INFORMATION RELATING TO THE COMPANY AND ITS SHARE CAPITAL

3.2.1 Description of the main provisions of the Articles of Association

The main provisions of the Articles of Association set forth below are those adopted at the General Meeting of Shareholders held on 7 March 2013 and that entered into force on 28 May 2013 with the legal completion of the merger between Vivalis SA and Intercell AG.

3.2.1.1 Object and purpose of the Company (Article 3 of the Articles of Association)

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

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

3.2.1.2 Corporate Governance

Management Board

Membership (article 14 of the Articles of Association)

The Company is directed by a Management Board which carries out its duties under the control of the Supervisory Board.

The Management Board shall be composed of two to at most seven members, appointed by the Supervisory Board.

On penalty of nullity of appointment, the members of the Management Board shall be natural persons. They may be chosen from outside the shareholders.

If a member of the Supervisory Board is appointed to the Management Board, his mandate on the former Board shall end as soon as he takes up his position.

The members of the Management Board shall be appointed by the Supervisory Board; they shall be dismissed by the Ordinary General Meeting of shareholders or by the Supervisory Board.

If the dismissal is decided without just cause, it may give rise to damages.

In the event that the concerned party has concluded an employment agreement with the Company, the revoking of his functions as a member of the Management Board shall not have the effect of terminating this agreement.

The Management Board shall be appointed for a period of three (3) years, ending on the date of the General Meeting convened to decide on the financial statements for the past financial year and held during the year in which the mandate expires, on expiry of which, it shall be entirely renewed. In the event of a vacancy, the Supervisory Board shall make provision within two months for the filling of the vacant position. A member of the Supervisory Board may be appointed by the Supervisory Board to exercise the duties of a member of the Management Board for the remaining period until the renewal of the Management Board and up to six months. During this period, the duties of the party in question on the Supervisory Board shall be suspended.

The members of the Management Board shall all be re-electable.

The age limit for the exercise of functions of the members of the Management Board shall be set at seventy (70). A member of the Management Board in office shall be considered to have resigned at the end of the financial year during which he reaches this age.

The Supervisory Board shall appoint one of the members of the Management Board as chairman. The chairman of the Management Board shall carry out his duties for the duration of his mandate as a member of the Management Board.

The chairman of the Management Board may be dismissed by decision of the General Meeting of shareholders or by the decision of the Supervisory Board, with a majority of the members of the Supervisory Board.

Management Board meetings (article 14 of the Articles of Association)

The Management Board shall meet as often as the interests of the Company demand, on convening by its Chairman, its chief executive officer or by at least half of its members, at the

registered office of the company or at any other location indicated in the convening notice; it may be convened by any means, including by e-mail or even verbally. The agenda must appear in the convening notice but may be supplemented at the time of the meeting.

The Chairman of the Management Board shall chair the sessions and appoint a secretary, who may be chosen from outside of its members. In the absence of the Chairman of the Management Board, the sessions shall be chaired by the chief executive officer, or failing that by the member of the Management Board whom the Management Board has appointed for this purpose.

For decisions to be valid, at least half of the members must be present. If the Management Board includes two members, the decisions shall be taken unanimously. If it includes more than two members, decisions shall be taken by a majority of members present. Each member of the Management Board shall have one voting right and the president shall not have a casting vote in the event of a tied vote.

For the purposes of calculating the quorum and majority, members of the Management Board who take part in its meeting via conference call or telecommunications media, which permit their identification and guarantee their effective participation, the nature and conditions of application of which are determined by legislative and regulatory provisions in effect shall be considered to be present.

However, this procedure may not be used to establish the annual financial statements and management report, or to establish the consolidated accounts and management report for the group, if it is not included in the annual report.

The Statutory Auditors shall be convened to all of the meetings of the Management Board which examine or draw up the annual or interim financial statements.

The decisions are confirmed by minutes drawn up in a special register and signed by the Chairman of the Management Board and another member of the Management Board who has taken part in the session. The minutes shall mention the name of the present or represented members and those of the absent members. Copies or extracts of these minutes shall be certified the Chairman of the Management Board, one of its members or any other person designated by the Management Board and during the liquidation period, by the liquidator.

The members of the Management Board may allocate the executive tasks among themselves with the authorisation of the Supervisory Board, pursuant to Article R. 225-39 of the Commercial Code. This allocation may in no case dispense the Management Board from meeting and deciding on the most important management issues of the Company nor have

the effect of depriving the Management Board of its character as a body which provides the general management of the Company in a collective manner.

Remuneration of Management Board members (article 14 of the Articles of Association)

The procedure for and amount of remuneration of each of the members of the Management Board shall be set by the Supervisory Board.

Responsibilities and powers of the Management Board (article 15 of the Articles of Association)

The Management Board shall be assigned the most extensive powers for acting in all circumstances in the name of the Company and shall exercise these within the limits of the company object and subject to those expressly attributed by law to the Supervisory Board and to the General Meetings of shareholders and those which require the prior authorisation of the Supervisory Board, as specified below.

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

The Management Board shall convene the General Meetings of the shareholders, set their agenda and execute their decisions.

At least once a quarter, the Management Board shall submit a report to the Supervisory Board which retraces the principal actions or events occurring in the management of the Company.

After the closure of each financial year and within the following three (3) months, the Management Board shall submit the annual documents to the Supervisory Board, as well as all documents provided by law, for verification and control purposes. It shall propose the allocation of results for the past financial year.

The Chairman of the Management Board shall represent the Company in its relations with third parties. At the same time, the Supervisory Board shall be authorised to attribute the same power of representation to one or several members of the Management Board, for which each of them shall then have the title of chief executive officer. The Supervisory Board may abolish this power of representation by withdrawing the role of chief executive officer from the member of the Management Board. The Company shall even be committed by the actions of the Chairman or one of the chief executive officers which do not relate to the Company object, unless it demonstrates that the third party was aware that this action exceeded this object or could not have been unaware of the same in view of the circumstances.

The stipulations limiting this power of representation are unenforceable against third parties.

The actions committing the Company with regard to third parties are validly executed with a single signature of any one of the members of the Management Board authorised to represent the Company, pursuant to the stipulations of this article.

The Management Board may entrust special, permanent or temporary missions which it determines to one or several of its members or to any other person and delegate the powers to them which it judges necessary for one or several given objects, with or without the power of subdelegation.

The Management Board shall examine and present the quarterly and half-yearly accounts to the Supervisory Board.

The Management Board shall decide or authorise the issuance of bonds under the conditions of Article L. 228-40 of the Commercial Code, unless the General Meeting decides to exercise this power. The Management Board may delegate to its Chairman and, with the agreement of the same, to one or several of its members, the powers necessary for realising the issuance of bonds, within a one-year deadline, and draw up the procedures for these.

The members of the Management Board, as well as any person convened on to attend its meetings shall be bound by secrecy with regard to information of a confidential character or which is presented as such.

Supervisory Board

Supervisory Board membership (articles 16 and 17 of the Articles of Association)

The Supervisory Board consists of at least three (3) members and at most eighteen (18) members, appointed by the Ordinary General Meeting of shareholders, subject to legal exemptions.

The members of the Supervisory Board who are natural persons, must be aged less than eighty (80), subject to the following stipulations.

A legal person may be appointed as member of the Supervisory Board but must, under the conditions provided by the law, designate a natural person who shall be its permanent representative on the Supervisory Board. The permanent representatives must be aged less than eighty (80), subject to the following stipulations.

The duration of the functions of the members of the Supervisory Board is set at three (3) years (with one year understood as the interval between two consecutive Ordinary General Meetings), subject to the following stipulations.

The duration of the functions of any member of the Supervisory Board shall be limited to the remaining period until the annual Ordinary General Meeting, held in the year during which the member of the Supervisory Board in question reaches the age of eighty (80).

The members of the Supervisory Board shall be re-elected on one or several occasions, subject to the above stipulations concerning the age limit. They may be dismissed at any time by decision of the Ordinary General Meeting, under the conditions and pursuant to the procedures provided by law.

Supervisory Board meetings (article 18 of the Articles of Association)

The Board shall appoint a Chairman and a Deputy Chairman from among its members, who are responsible for convening the Board and directing its discussions. The Chairman shall also designate a secretary, who may be selected from outside the shareholders and who, together with the Chairman and the Deputy Chairman, shall comprise the bureau.

They shall be appointed for the duration of their mandate for the Supervisory Board and shall always be re-electable.

The Chairman and the Deputy Chairman shall be natural persons.

In the event of absence or impediment of the Chairman, the session of the Supervisory Board shall be chaired by the Deputy Chairman.

The Supervisory Board shall meet as often as the interests of the Company demand and at least once per quarter, at the convening of the Chairman, the Deputy Chairman or a member of the Supervisory Board, made by all written means, including by e-mail or even verbally.

At the same time, the Chairman shall convene the Board on a date which must not be more than fifteen (15) days later, when at least one member of the Management Board or at least one third of the members of the Supervisory Board submit a grounded request in this sense. If the request has remained without response, its authors may themselves call the meeting, indicating the agenda of the session. Other than this case, the agenda shall be set by the Chairman and may only be set at the time of the meeting.

The Supervisory Board may also be held by videoconference or any other electronic means of telecommunications or remote transmission.

The meetings shall take place at the registered office or at any other location indicated in the convening notice.

For resolutions to be valid, at least half of the members of the Supervisory Board must be present. Subject to the stipulations of Article 19, decisions shall be taken by a majority of

votes of present or represented members; in the event of a vote, the chairman of the session shall have the deciding vote.

Moreover, for the purposes of calculating the quorum and majority, the members of the Supervisory Board who take part in the board meetings by videoconference or any other electronic means of telecommunications or remote transmission shall be considered to be present, except for the adoption of the following decisions:

- verification and control of the annual financial statements and, as appropriate, of the consolidated accounts;
- appointment of the members of the Management Board ;
- appointment of the Chairman or of the Deputy Chairman of the Supervisory Board and determination of their remuneration.

The members of the Supervisory Board may be represented at each session by one of their colleagues, but one member may only represent one of his colleagues as a proxy. These powers shall only be valid for a single session and may be granted by simple letter, e-mail or fax.

The decisions of the Board shall be noted in the minutes drawn up in a special register or on numbered and initialled loose sheets, pursuant to the conditions set by the current legislation.

These minutes shall be signed by the chairman of the session and by another member of the Supervisory Board.

Remuneration of Supervisory Board members (article 20 of the Articles of Association)

Members of the Supervisory Board may receive by way of remuneration of their activity a fixed annual amount by way of attendance fees, the amount of which, determined by the Ordinary General Meeting of shareholders, shall be maintained until a decision to the contrary and shall be charged to the general expenses of the Company.

The Board shall share these benefits among its members in a manner which it considers appropriate.

The Supervisory Board may also allocate exceptional remuneration to certain of its members for missions or mandates entrusted to them in the cases and under the conditions provided by law.

No remuneration, permanent or otherwise, may be paid to the members of the Supervisory Board, other than what is allocated to the Chairman and possibly to the Deputy Chairman, or that due by way of an employment contract corresponding to an effective job.

Responsibilities and powers of the Supervisory Board (article 19 of the Articles of Association)

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

It shall appoint the members of the Management Board and set their remuneration. It shall designate the Chairman of the Management Board and possibly the chief executive officers. It may also pronounce their dismissal under the conditions provided by law and by the Articles of Association of the Company.

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

It shall carry out the verifications and inspections which it considers appropriate at any time of the year and may order the forwarding of documents which it considers necessary for carrying out its mission.

The Supervisory Board shall authorise the following agreements and operations, prior to their conclusion:

1. By a majority of present or represented members, pursuant to current legal and regulatory provisions:

(i) any assignment of property in kind;

(ii) any total or partial assignment of investments;

(iii) any establishment of sureties, as well as securities, endorsements and guarantees; and

(iv) any agreement referred to in article 22 of these Articles of association and subject, according to article L. 229-7 of the Commercial Code, to the rules set forth in articles L. 225-89 through L. 225-90 of the Commercial Code, which relates to the Supervisory Board's approval of regulated agreements, to the exception of agreements related to standard transactions concluded under ordinary conditions.

2. With a majority representing more than half of its members in office (i.e. for the first Supervisory Board, by a majority of 4 out of the 7 members in office):

(i) approval of the annual budget;

(ii) approval of the business plan;

(iii) appointment and revocation of the members of the Management Board (Directoire) and executive officers, decision on their remuneration and leaving terms;

(iv) submission of draft resolutions to the shareholders' meeting relating to any distribution (including distribution of dividends or reserves) to the shareholders;

(v) approval of material changes in accounting policies;

(vi) submission of draft resolutions to the extraordinary shareholders' meeting and exercise of delegations of authority or delegations of powers granted by the shareholders' meeting and relating to the issue of Shares or securities granting access, immediately and/or in the future, to the share capital of the Company;

(vii) Share capital reductions and Share buy-back programs;

(viii) submission of draft resolutions to the shareholders' meeting relating to any amendment of the articles of association;

(ix) acquisition and disposal of business branches, equity interests or assets for an amount exceeding EUR 1 million as well as any lease management (location-gérance) of all or part of the fonds de commerce, except for the transactions previously submitted and approved as part of the annual budget or business plan;

(x) assignments of rights relating to, and the licensing of antibodies, vaccines or related products for an amount exceeding EUR 1.5 million;

(xi) implementation of any capital expenditure for an amount exceeding EUR 1 million not previously submitted and approved as part of the annual budget;

(xii) implementation of any expense for recruiting a team for a total annual gross compensation (including social charges and withholding taxes) of EUR 1.5 million in the first year, and not previously submitted and approved as part of the annual budget;

(xiii) any implementation, refinancing or amendment to the terms of any borrowings (including any bonds) for an amount exceeding EUR 1 million, and not previously submitted and approved as part of the annual budget;

(xiv) allocation of options entitling their holders to subscribe to newly issued shares (options de souscription d'actions) or to acquire existing shares (options d'acquisition d'actions), allocation of free shares or other plans in favour of the Management Board members and key employees (i.e employees with an annual gross compensation in excess of EUR 100,000) ;

(xv) any merger, demerger, asset contribution, dissolution, liquidation or other restructurings;

(xvi) any settlement or compromise relating to any litigation of an amount exceeding EUR 500,000, provided that any settlement or compromise relating to a litigation of an amount exceeding EUR 250,000 will be reviewed by the audit committee of the Supervisory Board;

(xvii) any material change in the business; and

(xviii) any agreement or undertaking to do any of the foregoing.

Any decision to transfer out of France the registered office and/or the research & development centre(s) operated by the Company in France shall be subject, as from the date hereof, to the prior authorisation of the Supervisory Board resolving unanimously.

The Supervisory Board shall receive a report from the Management Board on the progress of the company's affairs whenever it considers it necessary and at least once a quarter.

Within the deadline of three months from the end of the financial year, the Management Board shall present the annual financial statements and its draft management report for the General Meeting to the Supervisory Board, for verification and control purposes.

It shall present its observations on the report by the Management Board, as well as on the annual financial statements to the Annual Ordinary General Meeting of shareholders.

The Supervisory Board may grant all of the special mandates or specific missions to one or several of its members, for one or several given objects.

The Supervisory Board may also appoint, from among its members, one or several specialised committees, the composition and attributions of which it shall set and which shall carry out their activities at its liability, without the said attributions having the object of delegating to the committees the powers exclusively attributed to the Supervisory Board by the law or these Articles of Association, or the effect of reducing limiting the powers of the Supervisory Board.

3.2.1.3 Rights and obligations attaching to Shares (article 13 of the Articles of Association)

Rights and obligations common to all Shares

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

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

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

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

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

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

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

Stipulations specific to Ordinary shares

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

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

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

Any shareholder may, by registered letter with request for notice of receipt addressed to the Company, temporarily or definitively waive all or part of its double voting rights. This waiver

shall take effect on the third business day following the receipt by the Company of the letter of waiver.

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

Stipulations specific to Preferred shares

1. Pecuniary rights

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

2. Voting rights

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

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

(i) Conditions for converting the Preferred Shares into Ordinary Shares

Subject to any adjustments pursuant to the stipulations of the paragraph “Protection of individual rights of holders of Preferred Shares” below, all of the Preferred Shares shall be converted ipso jure into a number of Ordinary Shares determined according to the procedures appearing in the paragraph “Determination of the Conversion Ratio” below, in the event that (i) the Company (or any subsidiary, company member of the same group or successor by operation of law) obtains the marketing authorisation in the United States of America or in Europe (on the basis of a centralised procedure) for the therapeutic application of the vaccine Pseudomonas aeruginosa against mortality from any cause for ICU patients, and (ii) that at the date of such granting either (a) the royalties received by the Company for this vaccine Pseudomonas aeruginosa represent at least 9.375% of the net proceeds from the sales of the vaccine, as currently stipulated in the strategic alliance agreement (as modified) concluded with No-

vartis or (b) the share of the profits resulting from the sales of the vaccine for Intercell remains unchanged and at least equal to 45%, in each case as currently set forth in the Novartis Strategic Alliance Agreement (as modified) (the Condition) depending on the election of Intercell Austria AG, such election by Intercell Austria AG being subject to the prior approval of the Supervisory Board of the Company at a simple majority.

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

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

Determination of the Conversion Ratio

The conversion of Preferred Shares into Ordinary Shares shall be carried out with a conversion ratio of 0.4810 Ordinary Shares for 1 Preferred Share (the Conversion Ratio) adjusted, if necessary, in accordance with paragraph "(iii) Protection of the individual rights of holders of Preferred Shares".

Conversion procedures for Preferred Shares

The conversion of Preferred Shares into Ordinary Shares shall not require any payment by the holders of the Preferred Shares.

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

The conversion of Preferred Shares into Ordinary Shares and the allocation of Ordinary Shares resulting from the same shall take place ipso jure within 10 days from the date the Condition is satisfied.

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

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

Payment of fractional Shares

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

Where the number of Ordinary Shares so calculated is not a whole number, the fraction of Ordinary Shares forming a fractional lot shall be paid in cash. The holder of the Preferred Shares shall receive an amount equal to the product (i) of the fraction of an Ordinary Share forming a fractional lot and (ii) an amount equal to the first recorded market price of the Ordinary Share for the stock exchange trading session preceding that of the ipso jure conversion of the Preferred Shares into Ordinary Shares.

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

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

It is hereby specified that the share capital increase which will be decided by the next General Meeting of Shareholders shall not give rise to any adjustment of the Conversion Ratio.

Amortisation of the share capital – Modification of profit sharing – Issuance of Preferred Shares

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

Capital reduction due to losses

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

Financial operations of the company

On conclusion of one of the following operations:

1. financial operations with a listed preferential subscription right;
2. attribution of bonus Ordinary Shares of the Company to shareholders, division or consolidation of Shares;
3. free attribution to shareholders of any financial instruments other than the Ordinary Shares of the Company;

4. absorption, merger, division;

5. amortisation of the share capital;

which the Company could realise starting from the date of issuance of the Preferred Shares, the rights of holders of the Preferred Shares shall be ensured by adjusting the Conversion Ratio according to the following procedures (the Adjusted Conversion Ratio).

This adjustment shall be carried out to equalise the value of the Ordinary Shares, to the nearest thousandth of an Ordinary Share, which have been obtained in the event of conversion of the Preferred Shares, immediately after the realisation of this operation.

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

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

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

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

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

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

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

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

$$\frac{\text{Value of the Ordinary Share ex the free bonus right + value of the free bonus right}}{\text{Value of the Ordinary Share ex the free bonus right}}$$

To calculate this ratio:

+ The value of the Ordinary Share ex the free bonus right shall be determined as the average weighted by the volumes of the first market prices quoted on NYSE Euronext Paris (or in the absence of a price on the NYSE Euronext Paris exchange, on another regulated or similar market on which the share and the subscription right are both listed) for the Ordinary Share ex the free bonus right for the first three trading sessions, starting at the date on which the Ordinary Shares are listed ex the free bonus right;

+ The value of the free bonus right shall be determined as in the above paragraph. If the free bonus right is not listed for at least each of these three trading sessions, its value shall be determined by an independent expert of international reputation, chosen by the Company.

(b) If the bonus right for the financial instrument(s) is not listed on NYSE Euronext Paris (or in the absence of a price on the NYSE Euronext Paris exchange, on another

regulated or similar market), the Adjusted Conversion Ratio shall be equal to the product of the Conversion Ratio in effect before the start of the operation and the following ratio:

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

To calculate this ratio:

+ The value of the Ordinary Share ex the free bonus right shall be determined as in paragraph (a) above;

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

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

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

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

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

$$\frac{\text{Value of the Ordinary Share before the amortisation}}{\text{Value of the Ordinary Share before the amortisation – amount of the amortisation per ordinary Share}}$$

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

In the event that the Company executes operations for which an adjustment has not been stipulated by way of paragraphs 1 to 5 above and where a further provision of law or regulation provides for an adjustment, the Company shall make this adjustment pursuant to the applicable legal or regulatory provisions, taking account of practices in the field within the French market. In the event that the Ordinary Share of the Company is no longer admitted to trading on NYSE Euronext Paris (or in the absence of a price on the NYSE Euronext Paris exchange, on another regulated or similar market), the values referred to above shall be determined by an independent expert of international reputation, chosen by the Company.

(iv) Permanent information regarding the Preferred Shares

The Company shall notify the following information by all appropriate means within France and in Austria, shall place it on the Company's website and shall proceed with the necessary publications in the Bulletin des Annonces Légales Obligatoires (BALO) within the time limits set out by applicable laws:

• at the latest within two (2) working days following the realisation of the Condition, the realisation of said Condition, as well as a description of the modalities for granting Ordinary Shares issued upon conversion of Preferred Shares and of the cash payment of the fractional Ordinary Shares ;

• at the latest on 30 June of each year, until the date of fulfilment of the Condition, a special report by the Statutory Auditors of the Company on the observance by the Company of the particular rights associated with the Preferred Shares;

• in the event of adjustment to the Conversion Ratio, the new Conversion Ratio, within five (5) working days following the adjustment date;

• after the expiry of the 7-year period within which the Condition is to be met, and if the Condition is not satisfied, the procedure to buy back the Preferred Shares.

4. Buyback of Preferred Shares:

The Company shall buy back:

- the Preferred Shares that were not allotted to the shareholders of Intercell AG according to article 7.5 of the Merger Agreement entered into between the Company and Intercell AG;

- of all the Preferred Shares in the event that the Condition is not met, for a price equal to their nominal value and payable within ten (10) working days from the end of the period within which the Condition is to be met.

In any event, the repurchase of the Preferred Shares shall be carried out by the Company by deduction from the special blocked reserve account created for such purpose.

5. Cancellation of the Preferred Shares

The Company shall cancel:

- the non-converted Preferred Shares if the Conversion Ratio was to lead to the creation of fewer Ordinary Shares than the existing number of Preferred Shares as at the date the Condition is met;

- the Preferred Shares bought back by the Company in one of the two cases set out in subparagraph 1 of paragraph 4 above.

The Management Board is hereby granted all powers to cancel the Preferred Shares and amend the Articles of Association accordingly.

The conditions set out in paragraphs 4 and 5 above are applicable without prejudice to the Company's ability to buy back or cancel the Preferred Shares in any other situation under the conditions provided for by applicable law and regulations.

3.2.1.4 Amendment of shareholders' rights

Shareholder rights, as set forth in the Company's Articles of Association, may be changed or amended only by action taken at an Extraordinary General Meeting.

3.2.1.5 General Meetings

Nature of General Meetings (article 24 of the Articles of Association)

The decisions of the shareholders shall be taken at a General Meeting.

The Ordinary General Meetings shall be those which are convened on to take all of the decisions which do not modify the Articles of Association.

The Extraordinary General Meetings shall be those convened on to decide or authorise direct or indirect modifications of the Articles of Association.

The Special Meetings shall bring together the holders of Shares of a given category to rule on a modification of the rights of the Shares of this category and all other decisions provided by law or by these Articles of Association.

The resolutions of the General Meetings shall oblige all of the shareholders, even if absent, dissenting or incapable.

Notice and convening of General Meetings (article 25 of the Articles of Association)

The General Meetings shall be convened either by the Management Board or failing this, by the Supervisory Board or the Statutory Auditors or by a representative designated by the

court, at the demand, either of any interested party or works council in the event of an emergency or by several shareholders representing at least 5% of the share capital.

The General Meetings shall be convened at the registered office or at any other location indicated in the notice of calling.

The Company shall be obliged, within the time limits set out in applicable laws, to publish a notice of meeting in the Bulletin des Annonces Légales Obligatoires (BALO) (Bulletin of Obligatory Legal Announcements containing the mentions provided by the laws in effect.

The convening of the General Meetings shall be realised by the inclusion in a newspaper authorised to receive legal announcements in the Department of the registered office and in addition, in the Bulletin des Annonces Légales Obligatoires (BALO), within the time limits set out in applicable laws.

When a Meeting has been unable to deliberate in regular fashion, due to failure to reach the necessary quorum, the second Meeting and as per the case, the second extended Meeting, shall be convened, in the same forms as the first, within the time limits set out in applicable laws and the notice of calling shall recall the date of the first calling and reproduce its agenda.

Agenda (article 26 of the Articles of Association)

The agenda of the Meetings shall be drawn up by the author of the calling.

One or several shareholders, representing at least the required proportion of the share capital and acting under the conditions and pursuant to the deadlines set by the law, shall be entitled to request the inclusion of draft resolutions in the agenda of the Meeting by registered letter with a request for notice of receipt.

If a works council exists, it may request the entering of draft resolutions on the agenda of a Meeting.

These draft resolutions must be notified to the Shareholders and be entered in the agenda and submitted to the vote of the Meeting.

The Meeting may not deliberate on an issue which is not entered on the agenda, which may not be modified at a second calling. It may nevertheless dismiss one or several members of the Supervisory Board under any circumstances and replace them.

Admission to General Meetings – proxies (article 27 of the Articles of Association)

All of the shareholders shall be entitled to take part in the Meetings on providing evidence of their identity, albeit with their participation in the Meeting subordinated:

- for the owners of nominative Shares, to their registration in the nominative form in the shareholders' accounts of the Company, at the latest on the third day preceding the date of the Meeting;
- for owners of bearer Ordinary Shares, on issuance of a declaration of participation by an authorised intermediary, noting the registration in the shareholders' accounts, at latest on the third day preceding the date of the Meeting.

Any shareholder may vote by post through a form, a copy of which may be obtained under the conditions indicated by the notice of calling of the Meeting.

A shareholder may be represented by another shareholder who provides evidence of a power of attorney, by his/her spouse or partner with whom he/she has concluded a civil solidarity pact.

A shareholder may furthermore be represented by any other natural or legal person of his/her choice and this under the conditions provided in Articles L. 225-106, L. 225-106-1 and R. 225-79 of the Commercial Code.

In the event of existence of a works council within the Company, two of its members designated by the counsel, of which one belongs to the category of technical staff and supervisors and the other to the category of employees and workers, or where appropriate, the persons mentioned in articles L. 2323-64 and L. 2323-65 of the Labour Code, may attend the General Meetings. They shall be heard at their request for all of the resolutions which require the unanimity of shareholders.

Convening of General Meetings – Officers – Minutes (article 28 of the Articles of Association)

An attendance sheet shall be signed by the attending shareholders and representatives, to which shall be attached the powers granted to each representative and, as appropriate, the postal voting forms. It shall be certified as accurate by the bureau of the Meeting.

The Meetings shall be chaired by the Chairman of the Supervisory Board or, in his absence, by the Deputy Chairman or by a member of the Board especially appointed for this purpose. In the event of convening by a Statutory Auditor or court-appointed agent, the Meeting shall be chaired by the author of the convening notice. Failing this, the Meeting shall itself elect its Chairman.

The two present and accepting shareholders, representing the largest number of votes, both as themselves and as representatives, shall serve as scrutineers. The bureau so established shall designate a secretary, who may be selected from outside the members of the Meeting.

The deliberations of the meetings shall be recorded in minutes signed by the members of the bureau and drawn up in a special register, in accordance with the law. Copies and extracts of these minutes shall be certified under the conditions set by law.

Quorum – vote (article 29 of the Articles of Association)

The quorum shall be calculated on all of the Shares comprising the share capital, except in the Special Meetings, where it shall be calculated on all of the Shares for the category in question, all of which minus the Shares deprived of the voting rights by virtue of the provisions of the law. In the event of a postal vote, for the calculation of the quorum, only forms duly completed and received by the Company at least three (3) days before the date of the Meeting shall be considered.

Subject to the double voting right and the cap of the voting rights, the voting rights attached to Ordinary Shares shall be proportional to the stake in the share capital which they represent.

The vote shall be expressed by a show of hands, by a roll-call or by a secret ballot, pursuant to what the bureau of the Meeting or the shareholders decide. The shareholders may also vote by post.

For the purposes of calculating the quorum and majority, shareholders shall be considered to be present who take part in the Meeting via videoconference or telecommunications media which permit their identification and guarantee their effective participation, the nature and conditions of application of which are determined by legislative and regulatory provisions in effect.

Ordinary General Meeting (article 30 of the Articles of Association)

The Ordinary General Meeting shall take all of the decisions exceeding the powers of the Management Board, which do not have the object of modifying the Articles of Association.

The Ordinary General Meeting shall meet at least once a year, within six months of the end of the financial year, to rule on the financial statements for the financial year, subject to the extension of the deadline by a court decision.

It shall only deliberate validly, on a first convening, if the present and represented shareholders, or those voting by postal vote, hold at least the number of Shares set out in applicable laws.

No quorum shall be required for the second convening. It shall rule with a majority of the votes validly cast by the present or represented shareholders or shareholders voting by post. Abstention and votes blank or void shall not be considered as votes cast.

For the purposes of calculating the quorum and majority, shareholders shall be considered to be present who take part in the General Meetings via videoconference or telecommunications media as detailed above, albeit with the exception of resolutions relating to the approval of the company accounts, and as per the case, the approval of the consolidated accounts.

Extraordinary General Meeting (article 31 of the Articles of Association)

The Extraordinary General Meeting may amend the Articles of Association in all of their provisions and notably decide on the conversion of the Company into a limited liability company. It may nevertheless increase the commitments of the shareholders, subject to the operations resulting from a consolidation of Shares effected in regular fashion.

The Extraordinary General Meeting may only deliberate validly if the present or represented shareholders or shareholders voting by postal vote possess on the first convening or on the second convening the number of Shares set out by applicable laws. In the absence of this latter quorum, the second Meeting may be extended until a date two months later than the one on which it had been convened.

The Extraordinary General Meeting shall rule with a majority of two thirds of the votes validly cast by the present or represented shareholders, or voting by postal vote, unless there is a legal exemption. Abstention and votes blank or void shall not be considered as votes cast.

In constituent Extraordinary General Meetings, i.e. those convened to deliberate on the approval of a contribution in kind or the granting of a particular benefit, the grantor or beneficiary shall not have a vote, either for itself or as a representative.

For the purposes of calculating the quorum and majority, shareholders shall be regarded as present who take part in the General Meetings via videoconference or telecommunications media as detailed above, albeit with the exception of resolutions relating to a modification of the share capital, a merger, division or partial contribution of assets.

Special Meetings (article 32 of the Articles of Association)

If there are several categories of share, no modification may be made to the rights of the Shares in one of these categories, without a requisite vote of an Extraordinary General Meeting, open to all of the shareholders and furthermore, without an equally requisite vote of a Special Meeting, open only to the owners of Shares of the category in question.

The special Meetings may only deliberate validly if the present or represented shareholders hold on the first convening or on the second convening the number of Shares of the relevant category set out by applicable laws.

Other meetings shall be convened and shall deliberate under the same conditions as the Extraordinary General Meetings, subject to the particular provisions applicable to Meetings of holders of Shares with a priority dividend, but without voting rights.

For the purposes of calculating the quorum and majority, shareholders shall be regarded as present who take part in the Meeting via videoconference or telecommunications media as detailed above and for which the nature and conditions of application are determined by current legislative and regulatory provisions.

As necessary, it is hereby specified that the conversion of preferred Shares into ordinary Shares under the conditions provided in Article 13.3 of these Articles of Association shall not be subject to the approval of the special meeting of Preferred Shareholders.

Shareholders' right to information (article 33 of the Articles of Association)

Every shareholder has the right to receive, under the conditions and at times set by law, the documents required for it to be able to pronounce knowledgeably and draw up a ruling on the management and control of the Company.

The nature of these documents and the conditions of their dispatch or provision shall be determined by the law and regulations.

3.2.1.6 Threshold crossing (article 12 of the Articles of Association)

In addition to the legal obligation to inform the Company of holdings of certain fractions of the share capital and to make any resulting declaration of intent, each natural or legal person, acting alone or in concert, who comes to hold or ceases to hold a fraction equal to 2% of the share capital or voting rights, or any multiple of this percentage, shall be obliged to notify the Company of the same within four stock exchange trading days, as soon as one of these thresholds is crossed, by registered letter with notice of receipt, addressed to the registered office of the Company, specifying the number of Shares, corresponding voting rights and securities giving access to the share capital that it holds alone or in concert.

Failure to observe the notification obligation cited above shall be sanctioned, at the demand (recorded in the minutes of the Meeting) of one or several shareholders who together hold a fraction of at least 2% of the share capital or voting rights of the Company, by suspension of voting rights attached to the Shares which exceed the fraction that has not been regularly declared for each General Meeting of Shareholders held until the date of regularisation of the notification.

Furthermore, in the event that the registered shareholder knowingly disregards the notification obligation for threshold crossing with regard to the Company, the Commercial Court

within the jurisdiction of which the Company has its registered office may, at the request of the Company or of a shareholder, pronounce the complete or partial suspension of voting rights, for a total period not exceeding five years, against any shareholder who has not made the declarations cited above or who has not observed the content of the declaration of intent provided in Article L. 233-7 VII of the Commercial Code within six (6) months of the publication of the said declaration.

3.2.1.7 Clauses likely to affect control of the Company

Readers are invited to refer to Section 3.2.3.5 of this Registration Document, as well as Section 15.9 of the Management Report 2013 of the Company.

3.2.1.8 Special provisions applicable to changes in share capital (article 9 of the Articles of Association))

There are no special provisions in the Company's Articles applicable to changes in its share capital. As a result, the share capital and rights attached to Shares may be simply amended in accordance with conditions provided for by law.

3.2.1.9 Rights to the liquidating dividend (article 40 of the Articles of Association)

The liquidator shall represent the Company. The entire company assets shall be realised and the liabilities discharged by the liquidator, who shall be vested with the broadest powers. He shall then allocate the available balance between the Ordinary Shares and, as the case may be, the Preferred Shares, pro rata to their participation in the share capital.

The General Meeting of shareholders may authorise it to continue with current business transactions or to undertake new ones for the purposes of the liquidation.

3.2.1.10 Fiscal year (article 5 of the Articles of Association)

The fiscal year begins on 1 January and ends on 31 December.

3.2.2 Share capital

3.2.2.1 Amount of share capital

At December 31, 2013, the Company's share capital stood at €8,384,717.19, divided into 54,709,000 ordinary shares with a nominal value of €0.15 each, and 17,836,719 preferred shares with a nominal value of €0.01 each, all fully paid-up.

At the publication date of this Registration Document, the Company's share capital stood at € 8,390,317.14, divided into 54,746,333 ordinary shares with a nominal value of €0.15 each, and 17,836,719 preferred shares with a nominal value of €0.01 each, all fully paid-up.

All shares are registered or bearer shares and are freely transferable.

They are listed in compartment B of the NYSE Euronext Paris exchange, as well as on the Prime Market Segment of the Second Regulated Market of the Vienna Stock Exchange (code ISINFR0004056851 for ordinary shares – code ISIN FR0011472943 for preferred shares).

3.2.2.2 Changes in share capital

Date	Operation	Number of shares issued	Nominal amount per share (in €)	Capital increase in nominal value (in €)	Issue or contribution premium (in €)	Total amount paid to the Company (in €)	Number of shares	Share capital after transaction (in €)
28.01.2011	Capital increase by way of cash contribution	26,784	0.15	4,017.60	28,172.40	32,190	20,993,647 ordinary shares	3,149,047.05
22.07.2011	Capital increase by way of cash contribution	14,796	0.15	2,219.40	22,440.60	24,660	21,008,443 ordinary shares	3,151,266.45
22.07.2011	Capital increase through incorporation of the issue premium	5,000	0.15	750	*0*	*n.a.*	21,013,443 ordinary shares	3,152,016.45
06.09.2011	Capital increase through incorporation of the issue premium	104,000	0.15	15,600	*0*	*n.a.*	21,117,443 ordinary shares	3,167,616.45
22.02.2012	Capital increase through incorporation of the issue premium	33,334	0.15	5,000.10	*0*	*n.a.*	21,150,777 ordinary shares	3,172,616.55
25.07.2012	Capital increase by way of cash contribution	62,640	0.15	9,396	30,456	39,852	21,213,417 ordinary shares	3,182,012.55
25.07.2012	Capital increase through incorporation of the issue premium	44,500	0.15	6,675	*0*	*n.a.*	21,257,917 ordinary shares	3,188,687.55
01.10.2012	Capital increase through incorporation of the issue premium	33,000	0.15	4,950	*0*	*n.a.*	21,290,917 ordinary shares	3,193,637.55
07.12.2012	Capital increase by way of cash contribution	51,840	0.15	7,776	85,736	93,312	21,342,757 ordinary shares	3,201,413.55
17.01.2013	Capital increase by way of cash contribution	119,772	0.15	17,965.80	197,623.80	215,589.60	21,462,529 ordinary shares	3,219,379.35
17.01.2013	Capital increase through incorporation of the issue premium	33,333	0.15	4,999.95	*0*	*n.a.*	21,495,862 ordinary shares	3,224,379.30

Date	Operation	Number of shares issued	Nominal amount per share (in €)	Capital increase in nominal value (in €)	Issue or contribution premium (in €)	Total amount paid to the Company (in €)	Number of shares	Share capital after transaction (in €)
28.05.2013	Merger – Capital increase	17,836,719 ordinary shares and 17,836,719 preferred shares	€0.15 concerning the ordinary shares, and €0.01 concerning the preferred shares	• €2,675,507.85 with regards to the ordinary shares • €178,367.19 with regards to the preferred shares	132,146,124.96 (this amount does not take into account the deductions made notably with regards to the allocation of a portion of the merger premium to an unavailable reserve, the various costs of the merger arisen from Intercell AG or Vivalis SA, and the interim losses)	135,000,000	40,521,696 Of which: - 39,332,581 ordinary shares - 17,836,719 preferred shares	6,078,254.34
07.06.2013	Capital increase by way of cash contribution	96,984	0.15	14,547.60	160,023.60	174,571.20	40.618.680 Of which: - 39,429,565 ordinary shares - 17,836,719 preferred shares	6,092,801.94
05.07.2013	Capital increase by way of cash contribution	15,165,215	0.15	2,274,782.25	37,913,037.50	40,187,819.75	55,783,895 Of which: - 54,594,780 ordinary shares - 17,836,719 preferred shares	8,367,584.19
24.07.2013	Capital increase through incorporation of the issue premium	10,500	0.15	1,575	*0*	*n.a.*	55,794,395 Of which: - 54,605,280 ordinary shares - 17,836,719 preferred shares	8,369,159.19
09.10.2013	Capital increase through incorporation of the issue premium	10,000	0.15	1,500	*0*	*n.a.*	55,804,395 Of which: - 54,615,280 ordinary shares - 17,836,719 preferred shares	8,370,659.19
21.01.2014	Capital increase by way of cash contribution	93,720	0.15	14,058	154,638	168,696	55,898,115 Of which: - 54,709,000 ordinary shares - 17,836,719 preferred shares	8,384,717.19

Changes to share capital arising from transactions carried out in 2013.

3.2.2.3 Potential share capital

3.2.2.3.1 Company Stock Option Plans

Options to subscribe for or purchase shares granted by the Company and in force on 31 December 2013 are described in the table below.

The Company has only granted stock-options to subscribe for shares.

Stock-options on the latest plan (“ESOP 2013” in October 2013) were proposed to all people employed by the Group at that time.

It should be pointed out that the difference between granted options and exercisable options is as follows:

- some granted options become null and void as the person concerned is no longer an employee or company representative;
- some granted options become null and void as the objectives upon which their exercising depends have not been achieved;
- some options are not granted and become null and void owing to expiry of the authorisation given by the General Meeting;
- some options are not granted and become null and void owing to a capping mechanism decided on by the General Meeting and ensuring that the total number of shares to be issued as a result of the exercising of authorised share options or authorised share equity warrants does not exceed, in total, a number set by the meeting.

STOCK OPTION PLANS								
	Plan 1	**Plan 2**	**Plan 3**	**Plan 4**	**Plan 4 bis**	**Plan 5**	**Plan 6**	**Plan 7**
Decision to grant options	General Meeting: 29/06/2001 Meeting of the Board of Directors: 12/07/2001	General Meeting: 23/05/2002 Meeting of the Management Board: 23/05/2002	General Meeting: 29/11/2002 Meeting of the Management Board: 20/12/2002 01/09/2003 06/10/2003 05/01/2005 01/02/2005	General Meeting: 03/11/2004 Meeting of the Management Board: 05/04/2005 05/10/2005	General Meeting: 03/11/2004 Meeting of the Management Board: 03/04/2006	General Meeting: 13/09/2005 Meeting of the Management Board: 03/04/2006	General Meeting: 09/06/2009 Meeting of the Management Board: 01/10/2010	General Meeting: 28/06/2013 Meeting of the Management Board: 02/10/2013
Number of beneficiaries	9	19	9	4	2	2	1	293
Duration of plan (as from the date of the Management Board's decision)	Until 12/07/2011	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Option/share conversion ratio	1:108	1:108	1:114	1:114	1:114	1:114	1:1	1:1
Subscription price	€0.30	€0.45	€1.80	€1.80	€1.80	€1.80	€5.19	€3.21
Number of options authorised	2,420	1,810	3,610	2,400	1,100 written down to 440 (a)	660	290,000	2,231,356
Number of options granted to employees and/or corporate officers	2,420	1,810	3,225	2,300	320	530	14,000	1,052,950

Number of options exercised at 31 December 2013	1,320	1,310	2,709	1,360	160	290	0	0
Number of options null and void at 31 December 2013	1,100	500	426	240	0	150	7,000	38,350
Exercisable options not exercised at 31 December 2013	0	0	90	700	160	90	7,000	1,014,600
of which options exercisable by corporate officers	0	0	0	700	160	90	0	300,000
Starting date for the exercise of options	12/07/05	23/05/06	01/09/04 06/10/07 05/01/09 01/02/09 And upon achievement of objectives	05/04/2009 05/10/2009 And upon achievement of objectives	Achievement of objectives	Achievement of objectives	Achievement of objectives	02/10/2015 02/10/2017 (d)
Number of shares subscribed at 31 December 2013	132,664	135,000	287,326	149,646	17,280	31,320	0	0
Total number of shares available for take up at 31 December 2013	0	0	10,260	79,800	18,240	10,260	7,000	1,014,600
Balance of options still to be allotted and status of the authorisation to allot options	0 Authorisation expired	0 Authorisation expired	0 Authorisation expired	0 Authorisation expired	0 Authorisation expired	0 Authorisation expired	0 Authorisation expired	1,178,406 (c) Valid until 28 August 2016
Balance of shares available for take up at 31 December 2013 from options not yet allotted (b)	0	0	0	0	0	0	0	1,178,406 (c)

Status of stock-options plans at December 31, 2013

(a) The number of authorised options is 1,100. It is stipulated by the General Meeting in accordance with the reality of the increases in subscribed capital that this number be proportionally reduced. Subscriptions having been only partial, the number of options that can be allotted has therefore been reduced to 440.
(b) Options not yet granted have a term of ten years from their date of allotment to a given person.
(c) Notwithstanding potential future free share grants, in accordance with the authorisation referred to in Resolution 25 of the General Meeting of 28 June 2013, it should be noted that the total number of shares issued pursuant to this plan and the free share allocation plan decided on in Resolution 25 of said General Meeting cannot exceed 2,231,356.
(d) 50% of options may be exercised after being held for two years, the remaining 50% becoming exercisable after being held for four years.

At December 31, 2013, there remained 1,022,640 exercisable options from all of the Company's plans, accounting for a total of 1,140,160 shares available for subscription, i.e., a potential capital increase of €171,024 in nominal terms, for a maximum potential dilution of 2.04%[21].

Significant stock option grants in FY 2013

It should be stressed that during the merger with Intercell AG in May 2013, some Intercell employees had to forego their stock-options in accordance with the merger agreements. Upon implementation of the latest stock-options plan by the Management Board on 02/10/2013, the Company ensured that these employees were granted a sufficiently large number of stock-options to compensate the securities forfeited. As such, it has automatically reserved for these employees stock-options exercisable for a maximum of 300,000 shares.

It should also be noted that during the latest stock-option plan implemented by the Management Board on 02/10/2013, corporate officers were granted nearly 28.50% of the total number of stock options allotted, i.e., a total of 300,000 options.

3.2.2.3.2 Free share plans

During fiscal year 2013, 53,833 free shares were transferred to beneficiaries in the form of new shares following the vesting period for free share under the 23 July2009, 22 February 2010 and 6 September 2011 plans.

At 31 December 2013, a total of 97,333 free shares under all Company plans were not yet vested, representing a maximum potential capital increase of €14,599.95 and potential dilution of 0.17%[22].

The following table summarises the terms of free share grants at 31 December 2013:

[21] This rate is obtained by reference with the total share capital of 55.898.115 Valneva shares, divided in 54.709.000 ordinary shares and 17.836.719 preferred shares.
[22] This rate is obtained by reference with the total share capital of 55.898.115 Valneva shares, divided in 54.709.000 ordinary shares and 17.836.719 preferred shares.

FREE SHARE PLANS			
	Plan 1	**Plan 2**	**Plan 3**
Decision to grant free shares	**General Meeting:** 31/03/2007 **Meeting of the Management Board:** Allotment 1: 04/09/2007 Allotment 2: 25/07/2008 Allotment 3: 23/07/2009 Allotment 4: 23/07/2009 Allotment 5: 22/02/2010 Allotment 6: 22/02/2010	**General Meeting:** 09/06/2009 **Meeting of the Management Board:** Allotment 1: 22/02/2010 Allotment 2: 22/02/2010 Allotment 3: 22/02/2010 Allotment 4: 01/10/2010 Allotment 5: 01/10/2010 Allotment 6: 06/09/2011 Allotment 7: 06/09/2011	**General Meeting:** GM No.1: 10/06/2010 GM No.2: 07/06/2011 GM No.3: 04/06/2012 **Meeting of the Management Board:** Allotment 1: 24/07/2013 Allotment 2: 24/07/2013
Number of beneficiaries	49	47	27
Vesting date	▪ Allotment 1: 4 years, i.e., 04/09/2011(a) ▪ Allotment 2: 4 years, i.e., 25/07/2012 ▪ Allotment 3: 4 years, i.e., 24/07/2013 ▪ Allotment 4: 2 years, i.e., 23/07/2011 ▪ Allotment 5: 2 years, i.e., 22/02/2012 ▪ Allotment 6: 2 years as of 01/01/2011, i.e., 01/01/2013	▪ Allotment 1: 2 years as of 01/01/2011, i.e., 01/01/2013 ▪ Allotment 2: 2 years as of 01/01/2012, i.e., 01/01/2014 ▪ Allotment 3: 4 years, i.e., 22/02/2014 ▪ Allotment 4: 4 years, i.e., 01/10/2014 ▪ Allotment 5: 2 years, i.e., 01/10/2012 ▪ Allotment 6: 4 years, i.e., 06/09/2015 ▪ Allotment 7: 09/10/2013	Allotment 1: 24/07/2017 Allotment 2: 24/07/2015
Lock-up period (from the vesting date)	Allotment 1: 2 years (b) Allotment 2: 2 years Allotment 3: 2 years Allotment 4: 2 years Allotment 5: 2 years (b) Allotment 6: 2 years (b)	Allotment 1: 2 years (b) Allotment 2: 2 years (b) Allotment 3: 2 years Allotment 4: 2 years Allotment 5: 2 years Allotment 6: 2 years Allotment 7: 2 years	Allotment 1: 2 years Allotment 2: 2 years
Number of free shares authorised	436,000	290,000	GM No.1: 7,500 GM No.2: 7,500 GM No.3: 157,000
Number of options granted to employees and/or corporate officers	436,000	137,500	52,000
Number of free shares vested at 31 December 2013	377,000	58,667	0
Number of free shares lapsed at 31 December 2013	59,000	31,500	2,000
Number of free shares to be fully granted at 31 December 2013	0	47,333	50,000
Number of free shares to be fully granted to corporate officers	0	33.333	0

FREE SHARE PLANS			
	Plan 1	**Plan 2**	**Plan 3**
Balance of free shares still to be granted and status of the authorisation to grant options	0 Authorisation expired	0 Authorisation expired	GM No. 1 and 2: 0 Authorisations used GM No.3: 120,000 Authorisation expiring on 04/08/2015

a)2 years for corporate officers.
b) The Company's Supervisory Board has set out the terms of lock-up for free shares granted to company officers. Two options are available:
- the free shares many not be transferred before the termination of their duties, or
- corporate officers are required to keep a certain number of shares from the plan in a nominative form until termination of their duties.
The Company's corporate officers most often choose the second option (generally 20 to 25% of vested free shares must be kept).

Status of past delegations for free shares granted in Extraordinary General Meetings, still in force in 2013:

The Extraordinary General Meeting of 10 June 2010 (resolutions 16 and 17) authorised the Management Board to grant, on one or more occasions, 7,500 free shares to employees and officers for a period of 38 months.

Furthermore, the Extraordinary General Meeting of 7 June 2011 (resolutions 16 and 17) authorised the Management Board to grant, on one or more occasions, 7,500 free shares to employees and officers for a period of 38 months.

Lastly, the Extraordinary General Meeting of 4 June 2012 (resolutions 16 and 17) authorised the Management Board to grant, on one or more occasions, 157,000 free shares to employees and officers for a period of 38 months.

On July 24, 2013, the Management Board granted an initial allotment of 7,500 free shares to employees under a new plan. The same day, it also granted a second allotment of 44,500 new free shares to employees.

Following these awards, no more free shares were left to be granted pursuant to the authorisations issued by the Extraordinary General Meetings of 10 June 2010 and 7 June 2011. However, at 31 December 2013, 120,000 new free shares may be granted under the authorisation issued by the Extraordinary General Meeting of 4 June 2012.

It should nevertheless be noted that resolution 16 of the Extraordinary General Meeting of 4 June 2012 specified that the total number of shares issued under this plan and the stock option plan set out in resolution 17 of the same meeting may not exceed 157,000 shares.

3.2.2.3.3 Equity warrants at 31 December 2013

Grant date	Equity warrants authorised	Equity warrants issued	Recipients	Equity warrants lapsed	Equity warrants exercised	Equity warrants outstanding	Number of shares to be issued with a nominal value of €0.15	Subscription price per share in €	Expiry date
06/09/2011 BSA23	37,500	22,500	Michel GRÉCO (15,000) Alain MUNOZ (7,500)	26,250	0	11,250	11,250	€5.17	06/09/2016
									TOTAL **11,250 equity warrants in force**

3.2.2.3.4 Information on the Company's share capital after the exercise of various dilutive instruments

		Shares held	%[23]	Dilutive instruments	Breakdown of share capital after the exercise of dilutive instruments	%
GRIMAUD Group (a)		**11,843,327**	**21,17**	**0**	**11,843,327**	**18,05**
BPI France Participations SA		**5,499,863**	**9,83**	**0**	**5,499,863**	**8,38**
Management Board		**524,746**	**0,94**	**214,552**	**738,432**	**1,13**
	Franck GRIMAUD	375,140	0,67	208,300	583,440	0,89
	Thomas LINGELBACH*	98,978	0,18	1,719	100,459	0,15
	Reinhard KANDERA*	50,628	0,09	4,533	54,533	0,08
Private individual shareholders with registered shares		**1,613,531**	**2,88**	**21,855**	**1,633,917**	**2,49**
- O/w private individual shareholders of the Grimaud family and Financière Grand Champ SAS* (a)		834,542	1,49	0	834,542	1,27
- O/w investors		340,251	0,61	0	340,251	0,52
- O/w Independent members of the Supervisory Board	Alain MUNOZ	41,800	0,07	3,750	45,550	0,07
	Michel GRECO	100	0	7,500	7,600	0,01
	James SULAT	13,500	0,02	0	13,500	0,02
	Alexander VON GABAIN*	23,517	0,04	10,605	32,653	0,05
Non-officer employees		**148,585**	**0,27**	**775,060**	**923,645**	**1,41**
Bearer shares*		**35,118,616**	**62,78**	**0**	**35,118,616**	**53,52**
Preferred Shares*		**1,186,780**	**2,12**	**8,562,617**	**8,562,617**	**13,05**
Number of free shares or stock options to be granted		***n,a,***	***n,a,***	**1,298,406**	**1,298,406**	**1,98**
Equity warrants not granted		***n,a,***	***n,a,***	**0**	**0**	**0**
TOTAL		**55,935,448**	**100**	**10,872,490**	**65,618,823**	**100**

Information at the filing date of this Registration Document.

** Including bearer shares and/or preferred shares, if any.*
*** Bearer shares and preferred shares other than those included by the previous note.*
(a) Grimaud Group, the shareholders of the Grimaud family and Financière Grand Champ SAS constitutes together the "Grimaud Group Family".

[23] This rate is calculated by reference to a total share capital of 55,935,448 Valneva shares, divided into 54,746,333 ordinary shares and 17,836,719 preferred shares written down to a nominal value of €0.15.

3.2.2.3.5 Authorised capital for fiscal year 2013

Combined General Meeting of 7 March 2013

The Combined General Meeting of 7 March 2013 delegated to the Management Board the power to increase the share capital as follows:

Operation	Resolution	Duration of the authorization	Terms and maximum amount of the capital increase/reduction	Status of the authorisation
Capital increase through issue of ordinary shares or any securities giving access to the capital with preferential subscription rights	9	26 months i.e. until 7 may 2015	The possibility of one or more capital increases immediately and/or in the future by issuing ordinary shares of the Company or any security granting access in any way, immediately and/or in the future, to the capital of the Company; The overall nominal increase in share capital carried out immediately or in the future pursuant to the powers delegated by the General Meeting in this resolution may not exceed a total of two million five-hundred thousand (2,500,000) euros net of the share premium, to which amount will be added the amount of shares or securities issued for any adjustments in accordance with applicable law or regulations and, where necessary, with contractual stipulations providing for other adjustments to preserve the rights of the holders of securities giving access to capital; In proportion to their rights in the capital, based on a single subscription price and in accordance with applicable law and regulations, shareholders may exercise their preferential rights to subscribe for ordinary shares and securities by virtue of this resolution. Furthermore, the Management Board may give the shareholders the right to subscribe for excess shares to be exercised in proportion to their rights and within the limit of their applications; If take-up for shares reserved as of right on the basis of existing shareholdings and, where applicable, for excess shares allotted subject to reduction, should fail to account for the entire issue of the shares or securities giving access to the share capital as defined above, the Management Board may use one or more of the following options: (i) limit the issue to the amount of applications for shares received provided that the latter account for at least three quarters of the issue decided, (ii) freely allocate all or part of shares not taken up, or (iii) offer all or part of the shares not taken up on the French market and/or in foreign markets; This delegation of authority automatically entails shareholders' waiver of their preferential right to subscribe for the shares to which these securities could give a right, for the benefit of the owners of securities giving access to the capital of the Company immediately or in the future issued pursuant to this delegation.	Authorization resolved by the Combined Shareholders Meeting held on June 28, 2013 (23rd resolution) *** Authorization used for the share capital increase of July 5, 2013, for a nominal amount of € 2,274,782.25.

Combined General Meeting of 28 June 2013

The Combined General Meeting of 28 June 2013 delegated to the Management Board the power to increase the share capital as follows:

Operation	Resolution	Duration of the authorisation	Terms and maximum amount of the capital increase	Status of the authorisation
Capital increase through issue of ordinary shares or any securities giving access to the capital with preferential subscription rights	18	26 months i.e. until 28 August 2015	The overall nominal increase in share capital carried out immediately or in the future pursuant to the powers delegated by the General Meeting in this resolution may not under any circumstances exceed a total of one million five-hundred thousand (1,500,000) euros or the equivalent value in a foreign currency, to which amount will be added the amount of shares or securities issued for any adjustments made in accordance with applicable law or regulations and, where necessary, with contractual stipulations providing for other adjustments to preserve the rights of the holders of securities giving access to capital; In accordance with applicable law and regulations, shareholders may exercise their preferential rights to subscribe for ordinary shares and securities by virtue of this resolution. Furthermore, the Management Board may give the shareholders the right to subscribe for excess shares to be exercised in proportion to their rights and within the limit of their applications; If take-up for shares reserved as of right on the basis of existing shareholdings and, where applicable, for excess shares allotted subject to reduction, should fail to account for the entire issue of the shares or securities giving access to the share capital as defined above, the Management Board may offer all or part of the shares not taken up; Securities giving access to shares in the Company thereby issued may consist of debt securities or be linked to the issuing of such securities, or else enable the issue thereof as intermediate securities. These debt securities may or may not be for an unlimited term, may or may not be subordinate, and may be issued in France or abroad, either in euros or in another currency, or in any other monetary units established by reference to several currencies. The maximal nominal amount of debt securities thereby issued cannot exceed seventy million euros (€70,000,000) or the equivalent value on the date of the issue decision, but will be independent of the amount of debt securities not giving access to capital for which issue may otherwise be authorised.	Authorization still in force *** Authorization not yet used

Operation	Resolution	Duration of the authorisation	Terms and maximum amount of the capital increase	Status of the authorisation
Capital increase through issue of ordinary shares or any securities giving access to the capital with cancellation of preferential subscription rights by public offering.	19	26 months i.e. until 28 August 2015	The overall nominal amount of increases in share capital carried out immediately or in the future may not under any circumstances exceed a total of one million five-hundred thousand (1,500,000) euros or the equivalent value in a foreign currency, net of issue premium, to which amount will be added the amount of shares or securities issued for any adjustments made in accordance with applicable law or regulations and, where necessary, with contractual stipulations providing for other adjustments to preserve the rights of the holders of securities giving access to capital; The Company may carry out the capital increase through a public offering of securities. Shareholders' preferential subscription right to shares and securities giving access to the capital of the Company under this resolution will be cancelled. The Management Board may nevertheless grant the shareholders, pursuant to Article L. 225-135, paragraph 5, of the French Commercial Code, a priority subscription period for a time period that it will establish in accordance with applicable laws and regulations and for all or part of the issue. This priority subscription period shall not result in the creation of negotiable rights and must be exercised in proportion to the number of shares owned by each shareholder. Securities giving access to shares in the Company thereby issued may consist of debt securities or be linked to the issuing of such securities, or else enable the issue thereof as intermediate securities. These debt securities may or may not be for an unlimited term, may or may not be subordinate, and may be issued in France or abroad, either in euros or in another currency, or in any other monetary units established by reference to several currencies. The maximal nominal amount of debt securities thereby issued cannot exceed seventy million euros (€70,000,000) or the equivalent value on the date of the issue decision, but will be independent of the amount of debt securities not giving access to capital for which issue may otherwise be authorised. They may have a fixed or variable interest rate, with or without capitalisation, may be redeemed with or without a premium, and may be depreciated. The securities may also be purchased on the stock market or offered for sale or exchange by the Company.	Authorization still in force *** Authorization not yet used
Capitalisation of reserves, earnings or premiums	20	26 months i.e. until 28 August 2015	Possibility of one or more capital increases through capitalisation of premiums, reserves, earnings, etc. in the form of free shares or by increasing the par value of existing shares, or a combination of the two; The overall nominal amount of increases in share capital carried out immediately or in the future pursuant to this resolution may not under any circumstances exceed a total of one million five-hundred thousand (1,500,000) euros. Resulting fractional rights shall not be negotiable and shall be sold; the proceeds from the sale will be allocated to rights holders within the time frame set out in regulations;	Authorization still in force *** Authorization not yet used

Operation	Resolution	Duration of the authorisation	Terms and maximum amount of the capital increase	Status of the authorisation
Capital increase with cancellation of preferential subscription rights through private placement.	21	26 months i.e. until 28 August 2015	The total amount of capital increases carried out immediately or in the future may not exceed the maximum provided for in applicable regulations, i.e. 20% of the share capital per year. Where necessary, the nominal amount of any shares issued pursuant to the law and contractual provisions to protect the rights of holders of securities giving access to capital shall be added to this ceiling. Preferential subscription rights to shares and securities giving access to the capital of the Company covered by this resolution shall be cancelled; Securities giving access to shares in the Company thereby issued may consist of debt securities or be linked to the issuing of such securities, or else enable the issue thereof as intermediate securities. These debt securities may or may not be for an unlimited term, may or may not be subordinate, and may be issued in France or abroad, either in euros or in another currency, or in any other monetary units established by reference to several currencies. The maximal nominal amount of debt securities thereby issued cannot exceed seventy million euros (€70,000,000) or the equivalent value on the date of the issue decision, but will be independent of the amount of debt securities not giving access to capital for which issue may otherwise be authorised. They may have a fixed or variable interest rate, with or without capitalisation, may be redeemed with or without a premium, and may be depreciated. The securities may also be purchased on the stock market or offered for sale or exchange by the Company.	Authorization still in force *** Authorization not yet used
Capital increase by issue of shares and/or securities giving access to the capital of the Company immediately and/or in the future, with cancellation of preferential subscription rights in consideration for contributions in kind of equity securities or securities giving access to capital.	22	26 months i.e. until 28 August 2015	Capital increase of no more than 10% of the share capital as adjusted for transactions subsequent to the General Meeting, where the provisions of Article L. 225-148 of the French Commercial Code do not apply. Where necessary, cancellation of preferential subscription right of the shareholders for the securities covered by this resolution.	Authorization still in force *** Authorization not yet used

Resolution No. 23:
The total amount of capital increases carried out immediately or in the future under resolutions 18 to 22 may not exceed three million euros (€3,000,000). Where necessary, the nominal amount of any ordinary shares issued in accordance with applicable law or regulations and, where necessary, with contractual stipulations providing for other adjustments to preserve the rights of the holders of securities giving access to the capital of the company immediately and/or in the future shall be added to this ceiling.

In accordance with Article L. 225-129-2, paragraph 2 of the French Commercial Code, the authorisation granted to the Management Board pursuant to resolutions 18 to 22 of this resolution supersedes and cancels – only for the future and the unused portion – the delegation of the same type granted under resolution 9 of the Combined General Meeting of 7 March 2013.

Issue of stock options	24	38 months i.e. until 28 August 2016	The total number of options granted under this authorisation may not give rise to the right to subscribe to a total number of shares representing more than 4% of the capital of the Company at the date of recognition of the capital increase carried out pursuant to resolution 9 of the Combined General Meeting of 7 March 2013. Any free shares granted pursuant to resolution 25 of the meeting of 28 June 2013 shall be applied against this ceiling. The subscription price of the shares shall equal 90% of the average price of the shares over the twenty trading days preceding the date of grant by the Management Board.	Authorization still in force *** Authorization used for the "Valneva ESOP plan 2013" (Stock-options plan n°7): 1,052,950 options issued, giving the right to subscribe for 1,052,950 shares in total.

Operation	Resolution	Duration of the authorisation	Terms and maximum amount of the capital increase	Status of the authorisation
Free shares, buyback of shares by the Company on the market for this purpose	25	38 months i.e. until 28 August 2016	Issue of free shares to categories of beneficiaries to be determined by the Management Board from among: - salaried employees of the Company and its subsidiaries, - members of the Company Management Board and corporate officers of its subsidiaries. The total number of ordinary shares freely granted pursuant to this authorisation may not represent more than 4% of the capital of the Company at the date of recognition of the capital increase carried out pursuant to resolution 9 of the Combined General Meeting of 7 March 2013. Any shares issued through this resolution shall be deducted from the overall ceiling mentioned in resolution 24 of this General Meeting. Existing shares granted may be acquired in accordance with Article L 225-208 of the French Commercial Code.	Authorization still in force *** Authorization not yet used
Capitalisation of reserves, earnings or premiums	26	38 months i.e. until 28 August 2016	Possibility to carry out one or more capital increases through the capitalisation of premiums, reserves, earnings, etc. via grant of free shares; The overall nominal amount of capital increases carried out immediately or in the future under this resolution may not under any circumstances exceed 4% of the capital of the Company at the date of recognition of the capital increase carried out pursuant to resolution 9 of the Combined General Meeting of 7 March 2013, which is deducted pro rata from the abovementioned ceiling on the maximum number of free shares the Management Board may grant.	Authorization still in force *** Authorization not yet used

3.2.2.3.6 Shares held by the Company

Authorisation of share buyback and cancellation programmes - EGM of 7 March 2013

Operation	Resolution	Duration of the authorisation	Terms and maximum amount of the capital increase	Status of the authorisation
Share capital reduction by cancellation of treasury shares	6	24 months i.e. until 7 March 2015	Authorisation to cancel, on one or more occasions and within the limit of 10% of the capital of the Company the day of cancellation, all or part of the ordinary and/or preferred shares that the Company may hold as a result of acquisitions under the share buyback programme authorised in resolution 11 of the meeting or buyback programmes authorised after the meeting in accordance with Article L225-209 of the French Commercial Code or pursuant to the Articles of Association. The excess of the purchase price of the shares over their par value will be recorded on the balance sheet of the Company under "Merger Premium" or in any other available reserve;	Authorization still in force *** Authorization not yet used
Authorisation granted to the Management Board to trade in Company shares	11	18 months i.e. until 7 September 2014	The purpose of the authorisation is to allow the Company to buy back its own shares under the conditions set out in Articles L225-209 et seq. of the French Commercial Code and in the description of the programme published according to the rules of the French Financial Markets Authority, for the following reasons: - ensure the liquidity or promote the market in the Company's share through an independent investment service provider, under a liquidity agreement established in compliance with the French Association of Investment Firms' (AFEI) code of business ethics; - allocate shares to employees as permitted by the regulations, especially through profit sharing schemes, stock options, company or group savings plans, or free shares; - conserve and reissue them in acquisitions within the limit of 5% of the capital; - conserve and reissue them when the rights attached to securities giving access to capital are exercised; - cancel them by a reduction in capital; - implement any market practice accepted or that will be accepted by the market authorities; - enable Intercell shareholders to exercise their exit right in the conditions and within the limits set out in Article 7.5 of the Merger Agreement. The minimum purchase price per share excluding expenses may not exceed 31.50 euros, subject to any adjustments relating to transactions on the capital of the Company. The maximum number of shares acquired under this resolution is 10% of the share capital of the Company on the date at which the purchase is completed. This amount shall take into account the treasury shares already held by the company on the transaction date, to ensure that the total amount of treasury shares does not exceed this 10% limit. The total amount spent on these purchases may not exceed 15 million euros.	Authorization still in force *** Authorization used to enable Intercell shareholders to exercise their exit right in the conditions and within the limits set out in Article 7.5 of the Merger Agreement (see Section "Treasury Shares (excluding liquidity contract)" below this table), but also within the frame of the liquidity agreement concluded with "Natixis" (see Section "Liquidity contract" below this table)

Treasury shares (excluding liquidity contract):

At 31 December 2013, the Company held 124,322 of its own ordinary shares with a nominal value of €0.15, and as many preferred shares with a nominal value of €0.01, which represents 0.24% of the share capital of the Company[24].

[24] This rate is calculated by reference to a total share capital of 55,935,448 Valneva shares, divided into 54,746,333 ordinary shares and 17,836,719 preferred shares written down to a nominal value of €0.15.

These shares have been acquired by the Company in accordance with Article L225-209 of the French Commercial Code, and by virtue of resolution n°11 of the Combined Shareholders Meeting held on March 7, 2013; such acquisition directly results from a shares buyback linked with the merger between Vivalis SA and Intercell AG and the “exit” right offered to the latter’s shareholders, combined with the simultaneous implementation of consideration for the merger, as defined in Article 3 of the Merger Agreement in its 16 December 2012 version.

1. Implementation of the exit right

In accordance with applicable Austrian legislation, Intercell AG shareholders who objected to the resolutions concerning approval of the merger and Merger Agreement at the Intercell General Meeting during which they were asked to express their position on the transaction, were granted an “exit” right consisting of financial compensation paid by the acquiring company (Vivalis SA) 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 euros per Intercell share, therefore implying a maximum global amount of compensation of €6,994,572.

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

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

At the time of the merger, the Company have had to purchase a total of nearly 382,529 ordinary shares from exiting Intercell AG shareholders under the share buyback program implemented by Valneva at the Combined General Meeting of 7 March 2013, in accordance with Article L.225-209 of the French Commercial Code.

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

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

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

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

Liquidity contract:

The General Meeting of 4 June 2012 (Resolution No. 14) authorised the implementation of a share buyback program, for 18 months from the date of the meeting.

On 7 March 2013, the Combined General Meeting of Shareholders granted the Management Board a new authorisation to buy back shares of the Company, also for a period of 18 months (Resolution No. 11 - see section 3.2.2.3.6 above).

The Company did not purchase any of its shares in 2013 under Article L225-208 of the French Commercial Code.

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

In accordance with Article L225-209 of the French Commercial Code and under the liquidity agreement, the Company acquired 1,056,949 shares and sold 1,065,550 shares in 2013 for an average purchase price of €4.79 (€6.44 in 2012) and an average sale price of €4.81 per share (€6.47 in 2012). Valneva has not paid any execution fees.

At 31 December 2013, Valneva held 41,216 treasury shares with a closing value at year-end of €105,366.49 and a nominal value of € 6,182.40 or 0.07%[25] of the share capital at 31 December 2013, compared to 0.23% at the end of 2012.

3.2.2.3.7 Non-equity securities

On the filing date of this Registration Document, there were no non-equity securities issued and outstanding.

[25] Value calculated by reference to a total share capital of 55,898,115 Valneva shares, divided into 54,709,000 ordinary shares and 17,836,719 preferred shares brought down to a nominal value of €0.15.

3.2.3 Shareholding

3.2.3.1 Share ownership and voting rights

Presentation of share ownership and voting rights at December 31, 2013

At December 31, 2013, the Company's share capital stood at €8,384,717.19, divided into 54,709,000 ordinary shares with a nominal value of €0.15 each, and 17,836,719 preferred shares with a nominal value of €0.01 each.

This corresponds to 54,709,000 theoretical voting rights.

It should be noted that prior to the merger, Vivalis shareholders benefitted from a double voting right for registered ordinary shares held for at least two years, under the terms set out in the Articles of Association. Following the merger with Intercell and pursuant to the 16 December 2012 version of the Merger Agreement, it was agreed that the double voting right for holders of Vivalis ordinary shares would be cancelled and that a new system of double voting rights would be instituted, to take effect two years after the merger, i.e. 28 May 2015.

Article 13 of the Articles of Association thus stipulates, *"Ordinary shares fully paid up for which it is evidenced that they have been held in registered form in the name of the same shareholder for at least two years from the registration of the Company as a European company, carry a double voting right in respect to that granted to other ordinary shares [of the Company], according to the portion of share capital they represent. This double voting right is also conferred, upon the issue of shares during a share capital increase by capitalisation of reserves, profits or issue premiums, to the registered ordinary shares granted free of consideration to a shareholder for previous ordinary shares already carrying this double voting right.* "

At December 31, 2013, the main shareholders were:

		Shares held	Percentage of share capital (in %) [26]	Number of theorical voting rights	%
GRIMAUD Group (a)		11,843,327	21,19	11,843,327	21,65
Bpifrance Participations SA		5,499,863	9,84	5,499,863	10,05
Management Board		524,746	0,94	523,880	0,96
	Franck GRIMAUD*	375,140	0,67	375,140	0,69
	Thomas LINGELBACH*	98,978	0,18	98,740	0,18
	Reinhard KANDERA*	50,628	0,09	50,000	0,09
Private individual shareholders with registered shares		1,767,060	3,16	1,765,591	3,23
- O/w private individual shareholders of the Grimaud family and Financière Grand Champ SAS* & (a)		884,070	1,58	884,070	1,62
- O/w investors		392,323	0,70	392,323	0,72
- O/w Independent members of the Supervisory Board	Alain MUNOZ	41,800	0,07	41,800	0,08
	Michel GRECO	100	0	100	0
	James SULAT	13,500	0,02	13,500	0,02
Non-officer employees		23,517	0,04	22,048	0,04
Bearer shares*		158,290	0,28	158,290	0,29
Preferred Shares*		34,918,049	62,47	34,918,049	63,83
TOTAL		55,898,115	100	54,709,000	100

** Including bearer shares and/or preferred shares held by registered shareholders, if any.*
*** Not including bearer shares or preferred shares held by registered shareholders, if any.*
(a) Grimaud Group, the shareholders of the Grimaud family and Financière Grand Champ SAS constitutes together the "Grimaud Group Family".

Declarations of thresholds crossings

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

During FY 2013, the Company was informed that the following thresholds were crossed:

+ The company Novartis AG declared that it had crossed the following thresholds on 28 May 2013, indirectly via the companies Novartis Pharma AG and Novartis Vaccines and Diagnostics, Inc. which it controls: (i) the legal threshold of 5% of the capital and voting rights of the Company, as well as the thresholds of 8% of the capital and 6% of voting rights to be declared pursuant to the Articles of Association.

[26] This rate is calculated by reference to a total share capital of 55,898,115Valneva shares, divided into 54,709,000 ordinary shares and 17,836,719 preferred shares written down to a nominal value of €0.15.

At 28 May 2013, Novartis AG therefore indirectly held 5,348,048 Valneva shares representing 2,674,024 voting rights, i.e. 9.35% of the capital and 6.80% of the voting rights, breaking down as follows:

	Number of shares	% of capital	Number of voting rights	% of voting rights
Novartis Pharma AG	3,788,048	6.63	1,894,024	4.82
Novartis Vaccines and Diagnostics, Inc.	1,560,000	2.73	780,000	1.98
Total concert	5,348,048	9.36	2,674,024	6.80

At that time, Novartis Pharma AG thus individually crossed the 5% legal threshold and the 6% threshold to be declared under to the Articles of Association.

These thresholds were crossed as a result of the merger in May 2013.

+ Caisse des Dépôts et Consignations (CDC) declared to have crossed the following thresholds on 5 July 2013, indirectly via Fonds Stratégique d'Investissement (FSI) – now Bpifrance Participations SA - which it controls within the meaning of Article L.233-3 of the French Commercial Code: the thresholds between 2 and 10% for capital and voting rights pursuant to the Articles of Association, as well as the legal thresholds of 5% and 10% of the capital and voting rights.

These thresholds were crossed when FSI subscribed to the capital increase with retention of preferential subscription rights of shareholders.

At 5 July 2013, the CDC thus held 6,289,101 shares and voting rights, representing 11.51% of the capital and voting rights of the Company, breaking down as follows:

	Number of shares	% of capital	Number of voting rights	% of voting rights
FSI	5,499,863	10.07	5,499,863	10.07
CDC EVM	789,238	1.44	789,238	1.44
Total CDC	6,289,101	11.51	6,289,101	11.51

+ Etablissement Public Industriel et Commercial BPI Groupe (formerly EPIC OSEO) – hereinafter, "EPIC BPI-Groupe" – declared to have crossed the following thresholds on 12 July 2013, indirectly via Bpifrance Participations SA (formerly FSI), a company controlled by BPI-Groupe SA: the legal thresholds of 5% and 10% of the capital and voting rights of the Company, as well as the thresholds between 2 and 8% of the capital and 2 and 10% of the voting rights pursuant to the Articles of Association.

At 12 July 2013, EPIC BPI-Groupe thus indirectly held, via Bpifrance Participations SA, 5,499,863 shares and voting rights, i.e. 9.86% of the capital and 10.07% of the voting rights of the Company.

Since the closing of fiscal year 2013, the Company has been informed of the following thresholds crossings:

+ Financière Grand Champ SAS declared, in a shareholder collusion with Groupe Grimaud La Corbière (its subsidiary), Mr. Frédéric Grimaud (Chairman of the Management Board of Groupe Grimaud La Corbière), Mr. Joseph Grimaud, Mrs. Marie Thérèse Grimaud, Mrs. Renée Grimaud, Mr. Thomas Grimaud, Mrs. Odile Grimaud, Mrs. Agnès Grimaud, Mrs. Anne-Marie Grimaud and Mr. Bruno Grimaud (partners of the company Financière Grand Champ SAS), together “Grimaud Group Family”, to have crossed downwards the legal thresholds of 30%, 1/3 and 50% of the share capital and voting rights of the Company, and the thresholds of 2/3 in voting rights of the Company, on May 28, 2013.

Therefore, on May 28, 2013, the Grimaud Group Family held 11,568,195 Valneva shares, representing 11,568,195 voting rights, *i.e*. 28.54% of the share capital and 29.41% of the voting rights of the Company[27], breaking down as follows:

[27] This rate is calculated by reference to a total share capital of 40,528,500 Valneva shares, divided into 39,339,385 ordinary shares and 17,836,719 preferred shares written down to a nominal value of €0.15.

Shareholder	Number of shares	% of capital	Number of voting rights	% of voting rights
Groupe Grimaud la Corbière	10,885,280	26.86	10,885,280	27.67
Financière Grand Champ SAS	277,700	0.69	277,700	0.71
Joseph Grimaud	115,699	0.29	115,699	0.29
Marie Thérèse Grimaud	50,000	0.12	50,000	0.13
Frédéric Grimaud	203,052	0.50	203,052	0.52
Renée Grimaud	35,000	0.09	35,000	0.09
Thomas Grimaud	100	ns	100	ns
Odile Grimaud	62	ns	62	ns
Agnès Grimaud	780	ns	780	ns
Anne-Marie Grimaud	480	ns	480	ns
Bruno Grimaud	42	ns	42	ns
Total shareholder collusion :	**11,568,195**	**28.54**	**11,568,195**	**29.41**

Groupe Grimaud La Corbière has also individually crossed downwards the thresholds of 50%, 1/3, and 30% of the share capital and voting rights of the Company.

These thresholds crossings result from the merger completed in May 2013 between Vivalis SA and Intercell AG.

+ Financière Grand Champ SAS declared, in a shareholder collusion with Groupe Grimaud La Corbière (its subsidiary), Mr. Frédéric Grimaud (Chairman of the Management Board of Groupe Grimaud La Corbière), Mr. Joseph Grimaud, Mrs. Marie-Thérèse Grimaud, Mrs. Renée Grimaud, Mr. Thomas Grimaud, Mrs. Odile Grimaud, Mrs. Agnès Grimaud, Mrs. Anne-Marie Grimaud and Mr. Bruno Grimaud (partners of the company Financière Grand Champ SAS), together "Grimaud Group Family", to have crossed downwards the legal threshold of 25% of the share capital and voting rights of the Company and the statutory thresholds comprised between 22% and 28% of the share capital and voting rights of the Company, on July 5, 2013.

Therefore, on July 5, 2013, the Grimaud Group Family held 12,727,397 Valneva shares, representing 12,727,397 voting rights, *i.e.* 22.82 % of the share capital and 23,31% of the voting rights of the Company[28], breaking down as follows:

[28] This rate is calculated by reference to a total share capital of 55,783,895 Valneva shares, divided into 54,594,780 ordinary shares and 17,836,719 preferred shares written down to a nominal value of €0.15.

Shareholder	Number of shares	% of capital	Number of voting rights	% of voting rights
Groupe Grimaud la Corbière	11.843.327	21.23	11.843.327	21.69
Financière Grand Champ SAS	384.505	0.69	384.505	0.70
Joseph Grimaud	145.284	0.26	145.284	0.27
Marie Thérèse Grimaud	69.230	0.12	69.230	0.13
Frédéric Grimaud	235.127	0.42	235.127	0.43
Renée Grimaud	48.460	0.09	48.460	0.09
Thomas Grimaud	100	ns	ns	0.00
Odile Grimaud	62	ns	ns	0.00
Agnès Grimaud	780	ns	ns	0.00
Anne-Marie Grimaud	480	ns	ns	0.00
Bruno Grimaud	42	Ns	ns	0.00
Total shareholder collusion :	**12,727,397**	**22.82**	**12,727,397**	**23.31**

Groupe Grimaud La Corbière has also individually crossed downwards the legal threshold of 25% of the share capital and voting rights of the Company, and the statutory thresholds comprised between 22% and 26% of the share capital and voting rights of the Company.

These thresholds crossings results from the Company's share capital increase with retention of preferential subscription rights completed on July 5, 2013.

To the Company's knowledge, since the closing of fiscal year 2013 and until the date this Registration Document was prepared, there have not been any other significant changes to the distribution of the capital and voting rights.

To the Company's knowledge, no other shareholder held directly or indirectly, alone or in concert, more than 2% of the capital or voting rights of the Company, except as stated above.

3.2.3.2 Evolution of Share ownership and voting rights over the past three financial years at December 31

At december 31, 2013						At december 31, 2012					At december 31, 2011				
		Shares Held	%	Theorical voting rights	%		Shares held	%	Theorical voting rights	%	Shares held	%	Theorical voting rights	%	
GRIMAUD Group (a)		11,843,327	21,19	11,843,327	21,65	GRIMAUD Group (a)	10,885,280	50.72	21,770,560	63.96	10,885,280	51.85	18,660,480	61.75	
Bpifrance Participations SA		5,499,863	9,84	5,499,863	10,05	Private individual shareholders of the Grimaud family and Financière Grand Champ (a)	639,730	2.98	1,279,460	3.76	639,730	3.05	1,247,480	4.13	
Members of the Management Board		524,746	0,94	523,880	0,96	Management Board members	633,314	2.95	1,025,178	3.01	402,500	1.90	742,200	1.92	
- Franck GRIMAUD*		375,140	0,67	375,140	0,69	- Franck GRIMAUD	394,636	1.84	626,300	1.84	231,664	1.10	454,364	1.29	
- Thomas LINGELBACH*		98,978	0,18	98,740	0,18	- Majid MEHTALI	212,834	0.99	351,834	1.03	147,800	0.70	244,800	0.56	
- Reinhard KANDERA*		50,628	0,09	50,000	0,09	- Céline BREDA	25,844	0.12	47,044	0.14	23,036	0.10	43,036	0.07	
Private individual shareholders with shares in registered form		1,767,060	3,16	1,765,591	3,23	Other private individual shareholders with shares in registered form	160,294	0.75	311,235	0.91	182,554	0.72	355,545	0.99	
- O/w private individual shareholders of the Grimaud family and Financière Grand Champ * (a)		884,070	1,58	884,070	1,62		*n,a,*	*n,a,*	*n,a,*	*n,a,*	*n,a,*	*n,a,*	*n,a,*	*n,a,*	
- O/w investors		392,323	0,70	392,323	0,72	Investors	392,325	1.87	784,650	2.60	392,325	1.87	784,650	2.60	
- O/w independent members of the Supervisory Board	Alain MUNOZ	41,800	0,07	41,800	0,08	Independent members of the Supervisory Board	Alain Munoz ---------- 41,800	0.19	83,600	0.25	Alain Munoz ---------- 41,800	0.34	83,600	0.46	
	Michel GRECO	100	0	100	0		Michel GRECO ---------- 100	0	200	0	Michel GRECO ---------- 100	0	200	0	
	James SULAT	13,500	0,02	13,500	0,02		*n,a,*	*n,a,*	*n,a,*	*n,a,*	*n,a,*	*n,a,*	*n,a,*	*n,a,*	
	Alexander VON GABAIN*	23,517	0,04	22,048	0,04		*n,a,*	*n,a,*	*n,a,*	*n,a,*	*n,a,*	*n,a,*	*n,a,*	*n,a,*	
Non-officer employees		158,290	0,28	158,290	0,29		282,512	1.32	353,292	1.04	205,214	0.45	269,768	0.49	
Bearer shares**		34,918,049	62,47	34,918,049	63,83		8,427,174	39.26	8,427,174	24.76	8,367,940	39.82	8,367,940	27.66	
Preferred Shares**		1,186,780	2,12	0	0		n,a,	n,a,	n,a,	n,a,	n,a,	n,a,	n,a,	n,a,	
TOTAL		55,898,115	100	54,709,000	100		21,462,529	100	34,035,349	100	21,117,443	100	30,511,863	100	

** Including bearer shares and/or preferred shares, if any.*
*** Bearer shares and preferred shares other than those included by the previous note.*
(a) Grimaud Group, the shareholders of the Grimaud family and Financière Grand Champ SAS constitutes together the "Grimaud Group Family".

Historical information having an impact on the Company's shareholding structure

The table above clearly shows that the merger with Intercell AG in May 2013 significantly changed the Company's shareholding structure.

Indeed, pursuant to the merger, the Company's share capital significantly strengthened with the incorporation of 17,836,719 new ordinary Valneva shares, and as many preferred

shares. This transaction amounted to an increase in share capital for a face value of €2,853,875.04 and a total contribution of € 135,000,000[29].

As a reminder, the Merger Agreement established that Intercell shareholders would receive 13 new ordinary shares and 13 preferred shares of the acquiring company, Vivalis SA, in exchange for 40 shares of the acquired company, Intercell AG.

On the other hand, the capital increase with retention of preferential subscription rights launched in June 2013, and finalized in July 2013, also strengthened the capital and financial structure of the Company, through a contribution of approximately €40 million. This amounted to a capital increase of €2,274,782.25 in nominal value, which corresponds to an issuance of 15,165,215 new ordinary shares.

Therefore, holders of bearer shares currently account for the majority of the shareholding structure, while Bpifrance Participations SA acquired a significant stake in the capital, alongside the Grimaud Group Family, which continues to have a strong position in Valneva SE's share capital.

3.2.3.3 Shareholders' agreement

On July 5, 2013, Groupe Grimaud La Corbière ("GGLC"), the French Strategic Investment Fund (now Bpifrance Participations), Messrs. Franck Grimaud, Majid Mehtali, Thomas Lingelbach and Reinhard Kandera concluded a Shareholders' Agreement related to the Company. The Agreement was signed in the context of Valneva's capital increase of approximately €40 million with retention of preferential subscription rights, laid out in the prospectus approved by the French financial market authority under visa No, 13-0275. This capital increase followed from the creation of Valneva through the merger of Vivalis and Intercell.

The Agreement's main provisions are as follows:

Non-federating agreement

Bpifrance Participations, GGLC and the Management Board members do not intend to act in concert with regards to Valneva. In particular, by signing this agreement, Bpifrance Participations chose to maintain its financial interests in Valneva.

Governance

Composition of the Supervisory Board

+ The Agreement notes that Vivalis' General Meeting of Shareholders of 7 March 2013, convened to approve the merger and capital increase, nominated the following individuals as initial members of the Supervisory Board for a 3-year term: (i) three candi-

[29] This amount does not take into account the deductions made notably with regards to the allocation of a portion of the merger premium to an unavailable reserve, the various costs of the merger arisen from Intercell AG or Vivalis SA, and the interim losses.

dates put forth by GGLC (Frédéric Grimaud, Michel Greco and Alain Munoz) whose terms took effect at the date of the merger between Vivalis and Intercell, (ii) three candidates put forth by Intercell (James Sulat, Alexander Von Gabain and Hans Wigzell) whose terms took effect at the date of the merger between Vivalis and Intercell, and (iii) one candidate put forth by Bpifrance Participations (Anne-Marie Graffin) whose term took effect at the date of settlement and delivery of the capital increase.

+ The Supervisory Board member nominated by Bpifrance Participations also sits on the Compensation and Appointments Committee.
+ Throughout the term of the Agreement, GGLC and Bpifrance Participations will make every effort to abide by these principles for allocating seats on the Board.
+ Bpifrance Participations will also serve as a non-voting member of the Supervisory Board for a period of three years as of the date of settlement and delivery of the capital increase.
+ Supervisory Board decisions are taken by simple majority of those members in attendance or represented, with the exception of (i) certain decisions requiring a qualified majority of 4 of the 7 members (budget, business plan, appointment and removal of Management Board members, distribution of dividends, draft resolutions for Extraordinary General Meetings, capital increases, etc,), and (ii) any decision for international relocation of Valneva's head office or a research and development centre operated by Valneva in France, which shall require a unanimous vote. For these two types of decision, the quorum (required only upon the first call) shall be the majority of the members with at least one representative nominated by each of GGLC, Intercell and Bpifrance Participations. Upon the second call, the quorum shall be the majority of Supervisory Board members.

Composition of the Management Board

The Agreement notes that Management Board members, appointed for 3-year terms as of the date of the merger between Vivalis and Intercell, are (i) two candidates put forth by GGLC (Franck Grimaud and Majid Mehtali) and (ii) two candidates put forth by the Intercell Supervisory Board (Thomas Lingelbach and Reinhard Kandera).

Following the death of Majid Mehtali, the Company's Management Board was made up of three members at the filing date of this Registration Document, namely Messrs, Franck Grimaud, Thomas Lingelbach and Reinhard Kandera.

Transfer of securities

+ Lock-up. Bpifrance Participations shall be bound by a 2-year lock-up. This period shall be four years for GGLC (subject to certain exceptions such as a relief clause applicable to 50% of its securities as of the third anniversary of the Agreement). Management Board members shall be bound by a 3-year lock-up (subject to certain exceptions such as select cases of dismissal as well as a relief clause applicable to 20% of their securities).
+ Free transfers. Transfers among affiliates shall remain free (subject to customary conditions: membership, solidarity of the transferor, etc,). Likewise, there is no restriction for contributions of Valneva securities by a party to a public offering.
+ Right of first refusal. Following the lock-up period, any transfer of securities by GGLC or Bpifrance Participations (without prejudice to the abovementioned free transfers) shall be subject to a right of first refusal granted to Bpifrance Participations or GGLC, according to the circumstances, at the price offered by the transferor. Should this right be waived, the transferor shall be entitled to transfer the securities in question by any means for a period of three months, and at a sale price equal to or greater than the price offered to GGLC or Bpifrance Participations.
+ Anti-dilution. Should Valneva wish to carry out a capital increase (in cash) liable to have a dilutive effect on Bpifrance Participations' stake in the Company, GGLC shall, at the request of Bpifrance Participations, make every effort to take measures guaranteeing that Bpifrance Participations' interest in the Company is maintained at its previous level.

Duration of the Agreement

The Agreement is concluded for a period of six years renewable by successive one-year periods, unless prior notice of termination is given by one of the parties.

3.2.3.4 Control of the company

On the filing date of this Registration Document, and as noted in section 3.2.3.2, no shareholder directly or indirectly controls the Company or an interest therein liable to constitute a blocking minority, in accordance with the provisions of articles L.233-3, I, II, III of the French Commercial Code,

Following the merger with Intercell AG, distribution of seats on the Supervisory Board was decided as follows:

(i) Three candidates put forth by GGLC (Frédéric Grimaud, Michel Greco and Alain Munoz) whose terms took effect at the date of the merger between Vivalis and Intercell;

(ii) Three candidates put forth by Intercell (James Sulat, Alexander Von Gabain and Hans Wigzell) whose terms took effect at the date of the merger between Vivalis and Intercell; and

(iii) One candidate put forth by Bpifrance Participations (Anne-Marie Graffin) whose term took effect at the date of settlement and delivery of the capital increase.

Furthermore, Vivalis' General Meeting of Shareholders of March 7, 2013 resolved to terminate the double voting rights on the Company's ordinary shares and institute a double voting right scheme attached to all fully paid-up ordinary shares for which it is evidenced that they have been held in registered form for at least two years as from the date of registration of the Company as a European Company (*i.e.* May 28, 2013) in the name of the same shareholder.

For information, the number of registered shares that would be eligible for double voting rights as of May 28, 2015 accounts for 23.16%[30] of the current share capital and voting rights, *i.e.* 12,955,560 shares.

3.2.3.5 Agreements or factors likely to bring about a change in control or have an impact in the event of a public offering

Agreements or factors likely to bring about a change in control or have an impact in the event of a public offering are as follows:

+ Existence of a double voting right scheme such as that referred to in section 3.2.3.4 above;
+ Limit of voting rights to 29.9% for all holders of ordinary shares (acting alone or through shareholder collusion), as set out in section 3.2.1.3 of this Registration Document.

3.2.3.6 Dividends

The Company has not paid any dividends for the last five fiscal years. The Company positions itself as a growth stock and does not intend, at the date of this Registration Document, to adopt a policy of paying regular dividends.

[30] This rate is calculated by reference to a total share capital of 55,935,448 Valneva shares, divided into 54,746,333 ordinary shares and 17,836,719 preferred shares written down to a nominal value of €0.15.

3.2.3.7 Related-party transactions

Subject to the agreements and commitments referenced in the special report of the Statutory Auditors on regulated agreements and commitments referred to in section 3.1.4 of this Registration Document, the Company has not concluded any other agreement with related parties, notably with principal shareholders of the Company.

4. **APPENDIX 484**

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4. APPENDIX

4.1 PERSON RESPONSIBLE

4.1.1 Responsibility Statement for the registration document

We hereby declare that to the best of our knowledge, the information contained in this registration document is in accordance with the facts and contains no omission likely to affect its import.

We hereby declare that, to the best of our knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and present a fair view of the assets, liabilities, financial position and results of the company and all the other companies included in the scope of consolidation and that the Management report presented in chapter 4.4 gives a fair description of the business developments, results and financial position of the Company and all the other companies included in the scope of consolidation, as well as a description of the main risks and contingencies with which the Company may be confronted.

The Company has obtained a letter from its Statutory Auditors certifying that they have verified the financial and accounting information provided in this registration document and that they have read the document as a whole.

Past financials presented in this registration document have been the object of reports from the Statutory Auditors. For 2012, the statutory auditors' opinion included a technical observation calling the shareholders' attention to a change in accounting methods as set out in note 5.2.1 to the appendix to the 2012 consolidated financial statements. For 2013, the Statutory Auditors' reports include an observation calling the shareholders' attention to the fact that the financial years 2012 and 2013 cannot be compared because of the Vivalis-Intercell merger (please refer to note 2 to the consolidated financial statements and note 4.1.1 to the appendix to the statutory financial statements).

Thomas Lingelbach

Chairman of the Management Board

Franck Grimaud

Managing Director

4.1.2 Person responsible for financial information

Reinhard Kandera

Chief Financial Officer

Valneva Austria GmbH

Campus Vienna Biocenter 3

1030 Vienna, Austria

T +43 1 20620

F +43 1 20620 800

investors(at)valneva.com

4.1.3 Person responsible for account audit and fees

4.1.3.1 Statutory Auditors

Principal statutory auditors:

Deloitte & Associés

Represented by Mr. Vincent Gros

185 avenue Charles de Gaulle

B.P. 136

92524 Neuilly-sur-Seine Cedex – France

Deloitte & Associés was first appointed as principal statutory auditor by the ordinary general meeting of shareholders held on January 22, 2007. This appointment was renewed by the ordinary general meeting of shareholders held on June 28, 2013 for a term of six years that will expire at the close of the general meeting of shareholders called to rule on the financial statements for the fiscal year ending on 31 December2018.

Pricewaterhouse Coopers Audit

Represented by Mr. Thierry Charron

63 rue de Villiers

92200 Neuilly sur Seine – France

Pricewaterhouse Coopers Audit was first appointed by the ordinary general meeting of shareholders held on June 28 2013, following the resignation of Cabinet Gérard Chesneau

et Associés, for a term of four years that will expire at the close of the general meeting of shareholders called to rule on the financial statements for the fiscal year ending on December 31, 2016.

Alternate statutory auditors:

BEAS

7-9 Villa Houssay

92200 Neuilly sur Seine, France

BEAS was first appointed as alternate statutory auditor by the ordinary general meeting of shareholders held on January 22, 2007. This appointment was renewed by the ordinary general meeting of shareholders held on June 28, 2013 for a term of six years that will expire at the close of the general meeting of shareholders called to rule on the financial statements for the fiscal year ending onDecember 31, 2018.

Ms. Anik Chaumartin

63 rue Villiers

92200 Neuilly sur Seine.

Ms Chaumartin was first appointed by the ordinary general meeting of shareholders held on June 28, 2013, following the resignation of Ms. Claudine Bore, for a term of four years that will expire at the close of the general meeting of shareholders called to rule on the financial statements for the fiscal year ending on December 31, 2016.

4.1.3.2 Fees paid by the Group to the Statutory Auditors and members of their networks

Please refer to section 2 of the registration document

4.2 THIRD PARTY INFORMATION, STATEMENTS BY EXPERTS AND DECLARATION OF INTERESTS

None.

4.3 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 (located at 6 rue Alain Bombard, 44821 Saint-Herblain Cedex – France – Tel: +33 (0) 2 28 07 14 16) as well as on Valneva's website (www.valneva.com) and on the AMF's website (www.amf-france.org).

4.4 COMPONENTS OF THE REGISTRATION DOCUMENT, MANAGEMENT BOARD'S REPORT INCLUDED IN THE REGISTRATION DOCUMENT AND ANNUAL FINANCIAL REPORT

4.4.1 Component of the Annual Financial Report

4.4.1.1 Consolidated financial statements and statutory financial statements

The consolidated financial statements for the financial year ending December 31, 2013 are presented in section 2.1 of this Registration Document, while the statutory financial statements for the financial year ending December 31, 2013 are presented in section 2.2 of this Registration Document .

4.4.1.2 Management Report pursuant to article 222-3-3 of the General Regulations of the Autorité des marchés financiers (AMF)

4.4.1.2.1 Management Report pursuant to article 222-3-3 of the General Regulations of the AMF

This information is presented in sections 1.2, and 3.1.5 (section 2.1) of this Registration Document.

4.4.1.2.2 Authorised unissued share capital

This information is presented in sections 3.1.5 (sections 12, 15.8 and 28), 3.2.2.3 and 3.2.2.3.5 of this Registration Document.

4.4.1.2.3 Information likely to have an impact in case of take-over bid

This information is presented in sections 3.1.5 (section 15) and 3.2.3.5 of this Registration Document.

4.4.1.2.4 Share repurchase program

This information is presented in section 3.1.5 (sections 15.8 and 23) and 3.2.2.3.6 of this Registration Document.

4.4.1.3 Statutory Auditors' Report on the consolidated financial statements

This report is presented in section 2.4 of this Registration Document.

4.4.1.4 Statutory Auditors' report on the statutory financial statements

This report is presented in section 2.4 of this Registration Document.

4.4.1.5 Attestation of the person responsible for the Registration Document

This information is presented in section 4.1.1 of this Registration Document.

4.4.2 Component of the Management Board's report

The following table can be used to identify and locate the compulsory information included in the Supervisory Board's report to the General Meeting within this registration document, according to subject-matter.

INFORMATION	REGISTRATION DOCUMENT
1. THE ACTIVITY OF THE COMPANY AND THE GROUP IN 2013	
Situation of the Company during the past financial year	
+ *Information relating to the Group*	1.1.1, 1.2
+ *Information relating to Valneva SE*	1.1.1.1
Forecast developments – Outlook	
+ *Information relating to the Group*	1.5 and 3.1.5 (section 4)
+ *Information relating to Valneva*	n/a
Results of the Company and its subsidiaries	
+ *Information relating to the Group*	1.1.3, 1.2.4, 1.2.7.1, 2.1, 2.2., 2.3 and 3.1.5 (section 2.1 and section 7)
+ *Information relating to Valneva SE*	2.2, 2.3 and 3.1.5 (section 2.2 and section 27)
Objective and exhaustive analysis of the development of the Company's business, results and financial situation, and those of consolidated companies, and in particular its debt situation by reference to the volume and complexity of the business, including, where appropriate, key financial and other performance indicators relating to the Company's specific activity and that of consolidated companies, in particular in relation to environmental and personnel issues	
+ *Information relating to the Group*	1.2, 3.1.5 (section 2.1)
Environmental and social information	
+ *Information relating to the Group*	1.3 and 3.1.5 (sections 18, 19, 20, 21)
Research and development activity	

+ *Information relating to the Group*	1.2.1, 1.2.2, 1.2.6.2
Progress made – Problems encountered	
+ *Information relating to the Group*	1.5
Risk factors	
+ *Information relating to the Group*	1.1.2, 2.1.5 (note 3), 3.1.2 (sections 4.2.2.1 and 4.2.2.2) and 3.1.5 (sections 3 and 22)
Important events occuring since the end of the financial year	
+ *Information relating to the Group*	1.5.1 and 3.1.5 (section 5)
Activity by line of business	
+ *Information relating to the Group*	1.2.1, 1.4.1 to 1.4.5
Control of 5, 10, 20, 33.33, 50, or 66.66% of share capital or voting rights, or controlling interest	
+ *Information relative au Groupe*	1.2.7.2 and 3.1.5 (section 6)
Changes made to the presentation of the annual financial statements and the valuation methods used	
+ *Information relating to the Group*	n/a
Dividends distributed in respect of the last three financial years	
+ *Information relating to Valneva SE*	3.2.3.6 and 3.1.5 (section 9)
Injunctions or financial penalties imposed by the Competition Council in respect of anti-competitive practices	n/a
2. INFORMATION CONCERNING THE SHARE CAPITAL	
Identity of persons directly or indirectly controlling more than 5, 10, 15, 20, 25, 33.33, 50, 66.66, 90, or 95% of the share capital or voting rights. Changes to this list during the financial year	Introduction , 3.2.2.3.4, 3.2.3.1, 3.2.3.2, 3.2.3.4 and 3.1.5 (sections 15.1, 15.3 and 16)
Level of employee shareholdings	3.2.3.1, 3.2.3.2, 3.2.2.3.4, and 3.1.5 (sections 12 and 15.1)
Shareholders' agreements concerning the securities comprising the Company's share capital (statement of Dutreil Law retention commitments)	3.1.5 (sections 15.2 and 15.6) and 3.2.3.3
Identities of controlled companies holding shares in the Company and the percentage of capital held	n/a
Notice of holdings of more than 10% of capital in another joint stock company. Divestment of cross-shareholdings	n/a
Considerations liable to affect a public offering	3.1.5 (section 15) and 3.2.3.5
Number of shares bought and sold during the financial year in the context of article L.225-209 of the Code de commerce with an indication of average purchase and sale prices, the amount of dealing fees, the number of shares registered in the name of the Company at the end of the financial year, their value based on the purchase price, their nominal value, the reasons for the purchases made and the fraction of the share capital that they represent	3.1.5 (sections 15.8 and 23) and 3.2.2.3.6

Elements of the calculation and results of the adjustment of the basis for exercise of stock options in the event of the purchase by the Company of its own shares at a price above the stock market price	n/a
Elements of the calculation and results of the adjustment of the basis for exercise of negotiable securities convertible into capital in the event of the purchase by the Company of its own shares at a price above the stock market price	n/a
3. VALNEVA BOARD MEMBERS AND OFFICERS	
Compensation	3.1.2 (section 6), 3.1.3 and 3.1.5 (sections 15.10 and 17)
List of terms of office	3.1.1.1, 3.1.1.2, 3.1.2 (sections 1.1. and 1.2), and 3.1.5 (sections 13 and 14)
Transactions on shares by directors and senior management	3.1.5 (section 24)
Option made between the two modes of exercising General Management in the event of a change	n/a
Option made by the Board relating to the terms of retention by company officers of performance bonus shares and/or shares resulting from exercises of stock options	3.1.1, 3.1.5 (section 12) and 3.2.2.3.2
4. ATTACHMENTS	
Chairman's Report on internal control	3.1.2
Table summarising ongoing delegated authorisations regarding capital increases and use made during the financial year	3.1.5 (sections 15.8 and 28)

4.4.3 Correspondence table for the registration document

To facilitate consultation of this registration document, the table below outlines the minimum information to be included in this registration document pursuant to Appendices I of Regulation no. 809/2004 of the European Commission dated 29 April 2004.

INFORMATION	SECTIONS
1. PERSONS RESPONSIBLE	
1.1 Persons responsible for the Registration Document	4.1
1.2 Declaration of the person responsible for the Registration Document	4.1.1
2. STATUTORY AUDITORS	
2.1 Identities and addresses	4.1.3
2.2 Changes	4.1.3
3. SELECTED FINANCIAL INFORMATION	
3.1 Historical financial information	1.1.3
3.2 Financial information for interim periods	n/a
4. RISK FACTORS	1.1.2, 2.1.5 (Note 3), 3.1.2 (sections 4.2.2.1 and 4.2.2.2) and 3.1.5 (Sections 3 and 22)
5. INFORMATION ABOUT THE ISSUER	
5.1 History and development	
5.1.1 Legal and commercial name	1.1.1.1
5.1.2 Place of registration	1.1.1.1
5.1.3 Date of incorporation and duration	1.1.1.1
5.1.4 Headquarters – legal form – applicable law	1.1.1.1
5.1.5 Important events in the development of the company	1.1.1.4
5.2 Investments	
5.2.1 Investments achieved	1.2.6, 2.2 (section 2, Note 4.2.9 and note 4.3.3)

5.2.2 In progress	1.2.6, 2.2 (section 2, Note 4.2.9 and note 4.3.3)
5.2.3 Scheduled	1.2.6.4
6. BUSINESS OVERVIEW	
6.1 Principal activities 6.1.1 Operations and principal activities 6.1.2 New products	 1.1.1.2, 1.2.1 1.2.1
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6.3 Exeptions factors	1.1.1.4
6.4 Extent to which the issuer is dependent	1.1.2, 3.1.5 (section 3)
6.5 Competitive position	1.1.2, 1.2.3.2
7. ORGANISATIONAL STRUCTURE	
7.1 Brief description of the Group	1.2.7.1
7.2 List of significant subsidiaries	1.2.7.1, 2.1.5 (note 1)
8. PROPERTY, PLANTS AND EQUIPMENT	
8.1 Information regarding any existing or planned material tangible fixed assets	1.3.3
8.2 Any environment issues that may affect the utilisation of tangible fixed assets	1.3.1
9. OPERATING AND FINANCIAL REVIEW	
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10.2 Cash flows	1.2.5.2
10.3 Borrowing requirements and funding structure	1.2.5
10.4 Restrictions on the use of capital resources	1.2.5.1
10.5 Anticipated sources of funds needed	n/a
11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES	1.2.2.1.1, 1.2.2.1.2, 1.2.2.2, 1.2.6.2, 2.1.5 (note 2.9)
12. TREND INFORMATION	
12.1 Recent trends	1.5.3
12.2 Events that are reasonably likely to have a material effect on prospects	n/a
13. PROFIT FORECAST OR ESTIMATES	
13.1 Principal assumptions	n/a
13.2 Report prepared by auditors	n/a
13.3 Forecasts basis	n/a
13.4 Disclose of forecast approval	n/a
14. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND SENIOR MANAGEMENT	
14.1 Name, business address, and functions of the corporate officers in the issuing company	3.1.1, 3.1.2 (sections 1.2, 1.3 and 4.2.1), and 3.1.5 (section 13)
14.2 Administrative, management and supervisory bodies and senior management Conflict of interest	3.1.1.5 and 3.1.2 (section 1.3.3)
15. REMUNERATION AND BENEFITS	
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15.2 Amounts set aside to provide pension, retirement or similar benefits	3.1.2 (sections 6.5 and 6.6), 3.1.3 and 3.1.5 (sections 15.10 and 17)
16. BOARD PRACTICES	
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20.6 Interim and other financial information	n/a
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