

RISING



## VALNEVA

A European company (*Societas Europaea* or SE) with a management and a supervisory board  
Registered office: 6 rue Alain Bombard, 44800 Saint Herblain, France.  
Nantes Companies Register (RCS) No. 422 497 560

### Separate financial statements at December 31, 2018

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## 1. BALANCE SHEET

### 1.1. Assets

Headings (in € thousands)	Note No.	Gross Value	Amortization, depreciation and provisions	December 31, 2018	December 31, 2018
<b>INTANGIBLE FIXED ASSETS</b>	4.3.1				
Research and development expenditures		7,478	7,323	155	672
Concessions, patents and similar rights		352	230	122	111
Goodwill		0	0	0	0
Other intangible assets in process		0	0	0	46
<b>PROPERTY, PLANT AND EQUIPMENT</b>	4.3.2				
Land		679	233	445	473
Constructions		6,311	3,397	2,914	3,269
Plant, machinery and equipment		3,980	3,137	842	920
Other PPE		570	441	129	120
Tangible fixed assets under construction		1	0	1	0
Prepayments		0	0	0	0
<b>LONG-TERM INVESTMENTS</b>	4.3.3				
Non-consolidated investments		166,689	7,877	158,812	160,481
Receivables on non-consolidated investments		0	0	0	0
Loans		187	0	187	170
Other financial assets		1,279	493	786	705
<b>TOTAL NON-CURRENT ASSETS</b>		<b>187,526</b>	<b>23,132</b>	<b>164,395</b>	<b>166,968</b>
<b>INVENTORIES AND WORK IN PROGRESS</b>	4.3.4				
Raw materials and supplies		156	0	156	183
Work-in-progress		0	0	0	0
<b>RECEIVABLES</b>					
Trade receivables and related accounts	4.3.5	190	0	190	287
Other receivables	4.3.6	31,820	0	31,820	31,644
Called up capital		0	0	0	0
<b>OTHER CURRENT ASSETS</b>					
Marketable securities		0	0	0	0
Cash at bank and in hand	4.3.7	42,692	0	42,692	7,481
<b>ACCRUAL ACCOUNTS</b>					
Prepaid expenses	4.3.8	597	0	597	494
<b>TOTAL CURRENT ASSETS</b>		<b>75,455</b>	<b>0</b>	<b>75,455</b>	<b>40,090</b>
Unrealized losses on foreign exchange		289	0	289	197
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>263,271</b>	<b>23,132</b>	<b>240,139</b>	<b>207,255</b>



## 1.2. Liabilities and equity

Headings (in € thousands)	Note No.	December 31, 2018	December 31, 2018
Share capital or individual share		13,816	11,816
Additional paid-in capital		266,080	221,293
Regulated reserves		52,832	52,832
Retained earnings/(accumulated deficit)		(104,200)	(88,923)
<b>NET INCOME/(LOSS) FOR THE YEAR</b>		<b>(16,847)</b>	<b>(15,277)</b>
<b>PROFIT OR LOSS</b>			
Investment grants	4.3.11	59	97
Tax-driven provisions		0	156
<b>SHAREHOLDERS' EQUITY</b>	4.3.10	<b>211,740</b>	<b>181,995</b>
Subordinated grants	4.3.12	2,041	2,089
<b>OTHER EQUITY</b>		<b>2,041</b>	<b>2,089</b>
Provisions for contingencies		384	305
Provisions for losses		500	302
<b>PROVISIONS FOR CONTINGENCIES AND LOSSES</b>	4.3.13	<b>884</b>	<b>607</b>
<b>BORROWINGS</b>			
Bank borrowings	4.3.14	14,646	15,364
<b>OPERATING PAYABLES</b>			
Trade payables and related accounts	4.3.15	3,687	1,367
Tax and employee-related liabilities	4.3.16	1,657	1,401
<b>OTHER PAYABLES</b>			
Payables on fixed assets and equivalent	4.3.17	8	28
Other financial liabilities	4.3.17	5,474	4,360
<b>ACCRUAL ACCOUNTS</b>			
Deferred income	4.3.18	0	32
<b>TOTAL LIABILITIES</b>		<b>25,473</b>	<b>22,553</b>
Unrealized losses on foreign exchange		1	10
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>240,139</b>	<b>207,255</b>



## 2. INCOME STATEMENT

Headings (in € thousands)	France	Export	Note No.	2018	As at December 31, 2017
Sales of services	169	1,975		2,144	2,779
<b>NET SALES</b>	<b>169</b>	<b>1,975</b>	4.4.1	<b>2,144</b>	<b>2,779</b>
Change in inventory of own production of goods and services					
Own production of goods and services capitalized			4.4.2	59	78
Grants			4.4.3	0	0
Reversals of depreciation, amortization and provisions, expense reclassifications			4.4.5	27	375
Other income			4.4.4	1,321	966
<b>OPERATING INCOME</b>				<b>3,552</b>	<b>4,199</b>
Purchase of trade goods				0	0
Purchases of raw materials & other supplies (including customs duties)				481	472
Change in inventory (raw materials and supplies)				27	-2
Other purchases and external expenses			4.4.6	14,560	13,548
Taxes other than on income and related payments			4.4.7	156	205
Wages and salaries			4.4.8	3,947	3,616
Employee benefit expense			4.4.8	1,593	1,496
<b>ALLOWANCES FOR DEPRECIATION AND AMORTISATION, PROVISIONS</b>					
For fixed assets			4.4.9	1,287	1,341
For current assets			4.4.9	0	0
For contingencies and losses			4.4.9	206	16
Other expenses				525	458
<b>OPERATING EXPENSES</b>				<b>22,782</b>	<b>21,150</b>
<b>INCOME (LOSS) FROM ORDINARY ACTIVITIES</b>				<b>(19,230)</b>	<b>(16,951)</b>
<b>JOINT VENTURE OPERATIONS</b>					
<b>FINANCIAL INCOME</b>					
Financial income from non-consolidated investments				301	388
Income from other marketable securities and receivables capitalized				0	0
Other interests and similar income				12	2
Reversals of provisions and expense reclassifications			4.4.9	1,400	24
Foreign exchange gains				20	29
Net proceeds from the disposal of marketable securities				0	0
<b>FINANCIAL INCOME</b>				<b>1,732</b>	<b>443</b>
Amortization and charges to provisions for financial items			4.4.9	92	109
Interest and similar expenses				1,126	610
Foreign exchange losses				6	12
Net charges on disposals of marketable securities				0	0
<b>FINANCIAL EXPENSES</b>				<b>1,224</b>	<b>731</b>
<b>NET FINANCIAL INCOME (EXPENSE)</b>			4.4.10	<b>508</b>	<b>(287)</b>





<b>INCOME (LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX AND EXCEPTIONAL ITEMS</b>		<b>(18,722)</b>	<b>(17,238)</b>
Exceptional income from non-capital transactions		0	0
Exceptional income from capital transactions		39	48
Reversals of provisions and expense reclassifications		170	266
<b>EXCEPTIONAL INCOME</b>		<b>208</b>	<b>314</b>
Exceptional expenses on non-capital transactions		2	15
Exceptional expenses on capital transactions		59	117
Exceptional depreciation, amortization and provisions		0	2
<b>EXCEPTIONAL EXPENSES</b>		<b>61</b>	<b>134</b>
<b>NET EXCEPTIONAL ITEMS</b>	4.4.11	<b>147</b>	<b>180</b>
Corporate income tax	4.4.12	(1,728)	(1,782)
<b>TOTAL INCOME</b>		<b>5,493</b>	<b>4,956</b>
<b>TOTAL EXPENSES</b>		<b>22,340</b>	<b>20,233</b>
<b>PROFIT OR LOSS</b>		<b>(16,847)</b>	<b>(15,277)</b>
Basic net earnings per share (in euros)	4.4.13	(0.20)	(0.19)
Diluted net earnings per share (in euros)		(0.20)	(0.19)



### 3. CASH FLOW STATEMENT

<b>Cash flow statement</b>	<b>Note No.</b>	<b>2018</b>	<b>2017</b>
<b>(In € thousand)</b>			
<b>Cash flow from operating activities</b>			
Net profit/(loss)	2	(16,847)	(15,277)
<b>Income and expenses with no impact on cash or unrelated to operating activities</b>			
Operating depreciation and amortization expenses	4.4.9	1,493	1,357
Reversals of operating depreciation and amortization expenses	4.4.9	(9)	(361)
Financial depreciation and amortization expenses	4.4.9	(1,307)	85
Exceptional depreciation and amortization		(14)	2
Reversals of exceptional provisions	4.4.9	(156)	(265)
Expense reclassifications on capitalized assets	4.4.2	(59)	(78)
Amount of grants recognized under income	4.4.11	(38)	(38)
(Gains)/losses on disposal of assets	4.4.11	59	1
Cancellation of operating/exceptional receivables		(42)	0
<b>Operating cash flows</b>		<b>(16,920)</b>	<b>(14,575)</b>
<b>Change in other current assets and liabilities</b>			
Inventories	4.3.4	27	(2)
Trade receivables and related accounts	4.3.5	97	441
Trade payables and related accounts	4.3.15	2,316	544
Other receivables	4.3.6	(34)	101
Prepayments and accrued income		(196)	178
Tax and employee-related liabilities	4.3.16	255	30
Other accruals and deferred income	4.3.17	1,114	2,484
Accruals and deferred income		(41)	(127)
<b>Net cash from (used in) operating activities</b>		<b>(13,381)</b>	<b>(10,927)</b>
<b>Cash flow from investing activities</b>			
Purchase of intangible fixed assets:	4.3.1	(16)	(30)
Purchase of property, plant and equipment	4.3.2	(222)	(308)
Purchase of long-term investments	4.3.3	2,828	(15)
Net capital expenditure		0	11
Change in working capital requirements with regard to assets	4.3.17	(20)	(35)
<b>Net cash used in investing activities</b>		<b>2,570</b>	<b>(377)</b>
<b>Net cash generated from financing activities</b>			
Proceeds from borrowings	4.3.14	1,425	11,521
Repayment of borrowings	4.3.14	(2,143)	(2,609)
Subordinated grants received/repaid	4.3.12	(47)	(198)
Investment grants received	4.3.11	0	0
Capital increase	4.3.10	50,000	25
Transaction costs charged to merger premium	4.3.10	(3,214)	(4)
<b>Net cash from financing activities</b>		<b>46,021</b>	<b>8,735</b>
<b>Net change in cash and cash equivalents</b>		<b>35,211</b>	<b>(2,569)</b>
Opening cash, cash equivalents and marketable securities	4.3.7	7,481	10,050
Closing cash, cash equivalents and marketable securities	4.3.7	42,692	7,481
<b>Net change in cash and cash equivalents</b>		<b>35,210</b>	<b>(2,569)</b>



## 4. NOTES TO THE FINANCIAL STATEMENTS

### 4.1. Key events of the year

#### + **€50.0 million raised in oversubscribed placement led by US Healthcare Investors**

On September 27, 2018, Valneva SE announced that it has raised €50.0 million of gross proceeds in a private placement of its ordinary shares. The transaction, led by blue-chip US healthcare investors and supported by the Company's existing major shareholders, was heavily oversubscribed.

The capital raise was conducted by means of a private placement reserved for qualified investors. Approximately 81% of the shares were allocated to US investors. Two of the Company's major shareholders, Groupe Grimaud and MVM Life Science Partners, also participated in the placement. Groupe Grimaud and MVM Life Science Partners have subscribed 12% and 6% of the new shares respectively. On this basis, after completion of the capital increase, Groupe Grimaud and MVM Life Science Partners hold 15.1% and 7.3% of the ordinary shares of the Company respectively.

#### + **Extension of drawdown period for the European Investment Bank Loan**

On September 20, 2018, Valneva SE announced that it has agreed, with the European Investment Bank ("**EIB**"), a one-year extension to its loan facility. The €25.0 million loan was granted to the Company by the EIB in July 2016. Valneva has drawn down €10.0 million of the €25.0 million facility and can now draw down a further €15.0 million before the end of July 2019, subject to conditions precedent. Under the terms of the agreement signed with the EIB, each credit tranche is repayable at the end of a five-year period commencing from the drawdown date.

Valneva plans to use the funds to advance its research and development ("**R&D**") programs, including its Lyme disease vaccine candidate.

#### + **Transfer of Valneva Liquidity Providing Contract from Natixis to Oddo BHF**

On July 18, 2018, Valneva SE announced that its Liquidity Providing Agreement was transferred from Natixis to Oddo BHF. By agreement dated June 25 2018, Valneva has entrusted Oddo BHF and Natixis with the implementation of a liquidity and market supervision contract. Consistent in particular with the AMF Decision 2018-01 establishing liquidity contracts on equity securities as an accepted market practice, this agreement is effective for a period of one year starting July 2, 2018 and tacitly renewable.

### 4.2. Accounting policies and methods

#### 4.2.1. General background

The financial statements have been drawn up in accordance with French generally accepted accounting principles in line with the requirements of Regulation 99-03 of the French Accounting Regulation Committee relating to regulation 2016-07 of the French accounting standard setter (*Autorité des Normes Comptables* or ANC), and applied in accordance with the fundamental accounting principles of prudence, going concern, consistency and accruals, the time period concept and general financial statements preparation and presentation rules.

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

The financial information is expressed in thousands of euros and was approved by the Management Board on March 20, 2019.



#### 4.2.2. Use of and changes in estimates

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

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

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

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

#### 4.2.3. Unrealized foreign exchange gains and losses

Foreign currency income and expense items are translated in the accounts at the exchange rate prevailing on the transaction date.

In accordance with Regulation 2015-05 of 2 July 2015 on forward financial instruments and hedging transactions applicable as from 1 January 2017, foreign exchange gains and losses on trade receivables and payables are now recognized under "other income and expenses" in the operating income statement. Foreign exchange gains and losses on financial transactions remain recognized in the financial income statement.

Foreign-currency denominated receivables, payables and cash balances are recorded in the balance sheet at the closing exchange rate. Translation differences resulting from the retranslation of foreign-currency denominated receivables and payables at the closing exchange rate are recorded in "Unrealized foreign exchange gains/losses" in the balance sheet. A contingency provision is recorded to cover all unrealized foreign exchange losses. The portion of the unrealized loss corresponding to trade receivables and payables is recognized in operating income to ensure a symmetry between the recognition of the unrealized loss and the permanent loss.

#### 4.2.4. Intangible fixed assets

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

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

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

#### 4.2.5. Research and development expenditures

Research expenditure is expensed as and when incurred.

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

- + the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- + the intention to complete the intangible asset and use or sell it;
- + its ability to use or sell the intangible asset;
- + how the intangible asset will generate probable future economic benefits;



- + the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- + the ability to measure reliably expenditures attributable to the intangible asset during its development

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

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

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

#### 4.2.6. Concessions, patents and similar rights

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

#### 4.2.7. Property, plant and equipment

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

The estimated useful lives are as follows:

+ Constructions	
› Buildings	
i) Structure	25 years
ii) Roofing	25 years
iii) Weatherboarding	25 years
iv) Exterior woodwork	20 years
v) Interior partitions	20 years
› General installations	
i) Fluid and energy systems	10 to 15 years
ii) Air treatment	10 years
iii) Ventilation and air conditioning	10 years
› Buildings on land owned by third parties	8 to 10 years
+ Land	
› Land improvements	10 years
› Plantations	10 years
+ Plant, machinery and equipment	4 to 10 years
+ Vehicles	4 years
+ Office and computer equipment	3 to 10 years
+ Furniture	4 to 10 years





#### 4.2.8. Impairment of assets

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

##### External indications:

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

##### Internal indicators:

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

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

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

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

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

#### 4.2.9. Borrowing costs

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

#### 4.2.10. Financial assets

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

The value of each equity investment is determined in reference to the share in the net equity and future prospects of the subsidiaries. When this value is lower than their carrying amount, an impairment expense is recorded for the difference.

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



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

#### **4.2.11. Inventories**

Inventories are stated at cost using the weighted average cost price. Amounts for impairment may be recognized on the basis of the net realizable value.

#### **4.2.12. Receivables and related accounts**

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

#### **4.2.13. Cash at bank and in hand**

Cash at bank and in hand includes ready cash in current bank accounts and revolving short term deposits (one and three months) .

#### **4.2.14. Employee commitments**

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

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

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

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

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

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

#### **4.2.15. Grant income**

Operating grants are recognized upon the signature of the contracts.

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

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

#### **4.2.16. Subordinated grants**

Subordinated grants are recognized in liabilities under "Subordinated grants". Should failure to complete work be reported, the debt waiver is recognized in "Other exceptional income". Grants used to finance research and development projects that are capitalized are recognized under



"Development expenditure", whereas those used for projects not capitalized are recognized under "Operating Grants".

#### **4.2.17. Provisions for contingencies and losses**

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

#### **4.2.18. Payables**

Payables are stated at nominal amount.

#### **4.2.19. Revenues**

Valneva SE's know-how and intellectual property are focused on the manufacture of vaccines: Valneva SE offers research and commercial licenses for its EB66<sup>®</sup> cell lines to biotechnology companies and the pharmaceutical industry for the production of viral vaccines;

Sales generated by Valneva SE originate from:

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

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

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

#### **4.2.20. Operating grants**

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

#### **4.2.21. Other income**

Other income includes mainly:

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

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

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



#### 4.2.22. Staff costs

##### CICE wage tax credit

The **CICE** (*crédit d'impôt pour la compétitivité et l'emploi*) represents a tax credit granted to companies with salaried employees reducing social security charges. The CICE rate tax credit must be allocated against income tax payable for the year in which the wages taken into account for the calculation of CICE were paid.

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

Receivables relating to CICE wage tax receivables for 2015, 2016, 2017 and 2018 will be paid back in 2019, 2020, 2021 and 2022 and for that reason have not yet been allocated to expenses.

The 2014 CICE (*Crédit d'Impôt Compétitivité Emploi*) wage tax credit receivable was allocated to training expenses R&D equipment and other investments.

#### 4.2.23. Net exceptional items

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

#### 4.2.24. Corporate income tax

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

##### (a) Current tax

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

##### (b) Research tax credit

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

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

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

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

#### 4.2.25. Earnings per share/Diluted earnings per share

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



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

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

### 4.3. Notes to the balance sheet

#### 4.3.1. Net intangible fixed assets

##### (a) Change from January 1, 2018 to December 31, 2018

(in € thousands)	January 1, 2018	Changes in the period			December 31, 2018
		Increase	Decrease	Other changes in the period	
Preliminary expenses	0	0	0	0	0
Development expenditure	7,923	59	(504)	0	7,478
Goodwill	0	0	0	0	0
Concessions, patents and rights	0	0	0	0	0
Software	291	16	0	46	352
Intangible assets under development	46	0	0	(46)	0
Other	0	0	0	0	0
<b>Gross intangible fixed assets</b>	<b>8,260</b>	<b>75</b>	<b>(504)</b>	<b>0</b>	<b>7,830</b>
Preliminary expenses	0	0	0	0	0
Development expenditure (1)	7,251	564	(492)	0	7,323
Goodwill (2)	0	0	0	0	0
Concessions, patents and rights (3)	0	0	0	0	0
Software	179	51	0	0	230
<b>Total amortization</b>	<b>7,430</b>	<b>615</b>	<b>(492)</b>	<b>0</b>	<b>7,553</b>
<b>Net intangible fixed assets</b>	<b>830</b>	<b>(540)</b>	<b>(12)</b>	<b>0</b>	<b>277</b>
Development expenditure	156	0	(156)	0	0
Concessions, patents and rights	0	0	0	0	0
Software	0	0	0	0	0
<b>Total accelerated tax depreciation or amortization</b>	<b>156</b>	<b>0</b>	<b>(156)</b>	<b>0</b>	<b>0</b>
<b>Net tax value of intangible fixed assets</b>	<b>674</b>	<b>(540)</b>	<b>144</b>	<b>0</b>	<b>277</b>
(1) Of which exceptional depreciation	1,168	0	0	0	1,168
(2) Of which exceptional depreciation	0	0	0	0	0
(3) Of which exceptional depreciation	0	0	0	0	0

**Development expenditure:** New development expenditures of €59 thousand were capitalized in 2018 in accordance with the accounting policy described in Note 4.2.5.

**Software:** Deployment of a new reporting tool for €46 thousand



**(b) Change from January 1, 2017 to December 31, 2017**

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

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

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



### 4.3.2. Net intangible fixed assets

#### (a) Change from January 1, 2018 to December 31, 2018

(in € thousands)	January 1, 2018	Changes in the period			December 31, 2018
		Increase	Decrease	Other changes in the period	
Land	679	0	0	0	679
Buildings on own land	3,026	0	0	0	3,026
Buildings on land of third parties	557	0	0	0	557
Building installations and improvements	2,711	18	0	0	2,729
Plant, machinery and equipment	3,848	154	(23)	0	3,980
General installations, miscellaneous improvements	9	0	0	0	9
Vehicles	5	0	0	0	5
Office, IT equipment, furniture	541	49	(36)	0	554
Recoverable packaging	2	0	0	0	2
Tangible fixed assets under construction		0	0	0	0
Prepayments	0	1	0	0	1
<b>Gross intangible fixed assets</b>	<b>11,377</b>	<b>222</b>	<b>(59)</b>	<b>0</b>	<b>11,540</b>
Land	206	28	0	0	233
Buildings on own land	1,004	133	0	0	1,138
Buildings on land of third parties	380	62	0	0	442
Building installations and improvements	1,639	179	0	0	1,818
Plant, machinery and equipment	2,921	231	(23)	0	3,130
General installations, miscellaneous improvements	4	1	0	0	5
Vehicles	5	0	0	0	5
Office, IT equipment, furniture	426	39	(36)	0	429
Recoverable packaging	2	0	0	0	2
<b>Total depreciation</b>	<b>6,588</b>	<b>672</b>	<b>(59)</b>	<b>0</b>	<b>7,202</b>
Impairment	0	0	0	0	0
Plant, machinery and equipment	7	0	0	0	7
<b>Net intangible fixed assets</b>	<b>4,782</b>	<b>(450)</b>	<b>0</b>	<b>0</b>	<b>4,332</b>

€222 thousand in capital expenditures were incurred for fixtures, laboratory and IT equipment for the Saint-Herblain site.

**(b) Change from January 1, 2017 to December 31, 2017**

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

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

**4.3.3. Financial assets****(a) Change from January 1, 2018 to December 31, 2018**

(in € thousands)	January 1, 2018	Acquisitions / Contributions/ Transformations / Mergers	Disposals	December 31, 2018
Non-consolidated investments	169,526	(2,837)	0	166,689
Receivables on non-consolidated investments	0	0	0	0
Loans (1)	170	17	0	187
Deposits and bonds	41	(8)	0	33
Treasury shares	646	0	0	646
Liquidity agreement	600	0	0	600
<b>Gross value</b>	<b>170,983</b>	<b>(2,828)</b>	<b>0</b>	<b>168,155</b>
Non-consolidated investments	9,045	(1,168)	0	7,877
Depreciation of deposits and bonds	0	0	0	0
Treasury shares impairment	298	(56)	0	242
Liquidity agreement impairment	284	(34)	0	250
<b>Total depreciation</b>	<b>9,627</b>	<b>(1,258)</b>	<b>0</b>	<b>8,369</b>
<b>Total net long-term investments</b>	<b>161,356</b>	<b>(1,570)</b>	<b>0</b>	<b>159,786</b>

(1): Long-term loans in connection with social housing levies €187 thousand

**Non-consolidated investments**

- + Decrease in shares of the subsidiary Vaccines Holdings Sweden AB.

Vaccines Holdings Sweden AB made a payment of €2.791 million decided by the Board of Directors on August 3, 2018 authorized by the general meeting of May 29, 2018. This payment reduces the initial capital contribution of €17 million made to this subsidiary in 2015. A payment of the same nature has already been made in October 2016 in the amount of €4.4 million, bringing the amount of equity shares to €9.8 million at December 31, 2018.

- + Derecognition of shares of the subsidiary, Valneva Toyama Japan K.K.

Following the liquidation of the subsidiary on December 17, 2018, shares were canceled for their initial amount ( €46 thousand)

**Treasury shares**

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

The liquidity agreement entered into in July 2007 with Natixis was transferred on June 25, 2018 to Oddo BHF. This liquidity agreement covering ordinary shares of Valneva SE is compliant in particular with the AMF Decision 2018-01 establishing liquidity contracts on equity securities as an accepted market. It is effective as a July 2, 2018 for a one-year period subject to tacit renewal in the amount of €600 thousand at December 31, 2018.



Assets held under this liquidity agreement included both cash and shares (72,788 shares at December 31, 2018). The portion in shares has been valued on the basis of the average trading price for December 2018, resulting in the reversal of a depreciation expense of €34 thousand. At December 31, 2018, the remaining amount of this depreciation amounted to €250 thousand.

An impairment of €56 thousand for treasury shares was recorded according to this same principle of measurement at December 31, 2018. At December 31, 2018, the remaining amount of this depreciation amounted to €242 thousand.

#### Impairment of equity investments

- + The impairment of Valneva Toyama Japan K.K. securities was written back to income following the derecognition of the securities (€46 thousand).
- + The Impairment of BliNK Biomedical SAS securities (fully written down at December 31, 2015 in the amount of €8,998 thousand) was reversed in the amount of €1,122 thousand based on the net equity of this company and the earnings prospects announced on December 31, 2018.

#### Portfolio of shares held in treasury:

(in € thousands)	Number of shares at December 31, 2018	Gross	Provision	Net
Liquidity agreement	72,788	487	250	237
Financial compensation:		646	242	404
+ Ordinary shares with a value of €0.15	124,322			
+ Preferred shares with a value of €0.01	124,322			

#### (b) Change from January 1, 2017 to December 31, 2017

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

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





### Treasury shares

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

The liquidity agreement concluded in July 2007 amounted to €600 thousand at December 31, 2017. Assets held under this liquidity agreement included both cash and shares (64,200 shares at December 31, 2017). The portion in shares has been valued on the basis of the average trading price for December 2017, resulting in the reversal of a depreciation expense of €14 thousand. At December 31, 2017, the remaining amount of this provision amounted to €284 thousand.

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

### Non-consolidated investments

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

### Portfolio of shares held in treasury:

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

### 4.3.4. Inventories and work-in-progress

#### (a) Change from January 1, 2018 to December 31, 2018

(in € thousands)	January 1, 2018	Increase	Decrease	December 31, 2018
Raw materials and supplies	183	0	(27)	156
Impairment	0	0		0
<b>Total</b>	<b>183</b>	<b>0</b>	<b>(27)</b>	<b>156</b>

#### (b) Change from January 1, 2017 to December 31, 2017

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

### 4.3.5. Trade receivables and related accounts

(in € thousands)	December 31, 2018	December 31, 2017
Trade receivables	190	287
Doubtful trade receivables	0	0
<b>Gross value</b>	<b>190</b>	<b>287</b>
Impairment of trade receivables	0	0
<b>Total trade receivables (net value)</b>	<b>190</b>	<b>287</b>

**(a) Trade receivables by maturity at December 31, 2018**

<b>(in € thousands)</b>	<b>Gross</b>	<b>Up to 1 year</b>	<b>More than 1 year</b>
Trade receivables	190	190	0
Doubtful trade receivables	0	0	0
Trade receivables – Sales invoice accruals	0	0	0
<b>Total</b>	<b>190</b>	<b>190</b>	<b>0</b>

**(b) Trade receivables by maturity at December 31, 2017**

<b>(in € thousands)</b>	<b>Gross</b>	<b>Up to 1 year</b>	<b>More than 1 year</b>
Trade receivables	287	287	0
Doubtful trade receivables	0	0	0
Trade receivables – Sales invoice accruals	0	0	0
<b>Total</b>	<b>287</b>	<b>287</b>	<b>0</b>

**4.3.6. Other receivables**

<b>(in € thousands)</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Corporate income tax	7,454	7,717
VAT	142	189
Current account advances / Valneva Toyama Japan K.K.	0	142
Current account impairment charges / Valneva Toyama Japan K.K.	0	(142)
Current account advances / subsidiaries	24,141	23,624
Other operating receivables	82	114
<b>Total other receivables (net value)</b>	<b>31,820</b>	<b>31,644</b>

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

<b>(in € thousands)</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
2018 RTC	1,728	0
2017 RTC	1,782	1,782
2016 RTC	1,901	1,901
2015 RTC	1,851	1,851
2014 RTC	0	1,965
2018 CICE wage tax credit	44	0
2017 CICE wage tax credit	51	51
2016 CICE wage tax credit	45	45
2015 CICE wage tax credit	52	52
2014 CICE wage tax credit	0	70
<b>Total corporate income tax receivables (net value)</b>	<b>7,454</b>	<b>7,717</b>

**(a) Trade receivables by maturity at December 31, 2018**

(in € thousands)	Gross	Up to 1 year	More than 1 year
Corporate income tax	7,454	1,903	5,551
VAT	142	142	0
Current account advances / subsidiaries	24,141	24,141	0
Other operating receivables	82	82	0
<b>Total</b>	<b>31,820</b>	<b>26,269</b>	<b>5,551</b>

**(b) Trade receivables by maturity at December 31, 2017**

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

**4.3.7. Net cash – (€m)****Net cash flow items**

(in € thousands)	December 31, 2018	December 31, 2017
Cash at bank and in hand (1)	22,692	6,477
Fixed term deposits	20,000	1004
<b>Cash assets</b>	<b>42,692</b>	<b>7,481</b>
Bank facilities	0	0
Cash liabilities	0	0
<b>Net cash flow</b>	<b>42,692</b>	<b>7,481</b>
(1) Of which notes sent for collection or discounting:	0	0

**4.3.8. Prepaid expenses**

(in € thousands)	December 31, 2018	December 31, 2017
Office supplies	5	5
Maintenance and repairs	34	30
Leasing expenses	0	2
Rent and service charges	42	41
Insurance premiums	81	89
Documentation	4	13
Conventions	38	36
Travel expenses	17	25
Fees	207	167
Advertising, contributions	71	4
Bank services	11	14
Employee benefit expense	1	0
Site security services	3	3
Royalties, concessions, patents	84	65
<b>Total</b>	<b>597</b>	<b>494</b>

**4.3.9. Accrued income**

(in € thousands)	December 31, 2018	December 31, 2017
Trade receivables and related accounts (1)	0	0
Bank – Accrued interest on time deposits	0	0
<b>Total accrued income (1)</b>	<b>0</b>	<b>0</b>

**4.3.10. Shareholders' equity****(a) Change from January 1, 2018 to December 31, 2018**

(in € thousands)	January 1, 2018	Changes in the period			December 31, 2018
		Increase	Decrease	Other changes	
Share capital or individual share	11,816	2000	0	0	13,816
Additional paid-in capital	221,294	44,786	0	0	266,080
Regulated reserves	52,832	0	0	0	52,832
Retained earnings/(accumulated deficit)	(88,923)	0	0	(15,277)	(104,200)
<b>Net income/(loss) for the year</b>	<b>(15,277)</b>	<b>0</b>	<b>(16,847)</b>	<b>15,277</b>	<b>(16,847)</b>
Net investment grants	97	0	(38)	0	59
Tax-driven provisions	156	0	(156)	0	0
<b>Total shareholders' equity</b>	<b>181,995</b>	<b>46,786</b>	<b>(17,041)</b>	<b>0</b>	<b>211,740</b>

**Share capital**

At December 31, 2018, the share capital in the amount of €13,816 thousand was comprised of 92,106,952 shares, of which (a) 90,917,048 ordinary shares with a par value of €0.15, (b) 17,836,719 preferred shares with a par value of € 0.01, and (c) 789 convertible preferred shares with a par value of €0.15.

Corporate actions in 2018:

Valneva carried out a capital increase on October 1, 2018. The final gross proceeds of the rights issue amounted to €50,000,002.50, corresponding to the issuance of 13,333,334 new ordinary shares, issued at a subscription price of €3.75 per share.

This issue generated an increase in the share capital of €2,000 thousand and share premium of €48 thousand.

At December 31, 2018, the breakdown of the capital ownership structure was primarily as follows:

- + 14.88% by the Groupe Grimaud La Corbière SA;
- + 8.10% by Bpifrance Participations SA; and
- + 7.44% by two funds managed by MVM Life Science Partners LLP (MVM IV LP & MVM GP (No.4) Scottish LP).

The remaining capital is held as follows:

- + 0.80% held by employees and management;
- + 1.19% by other private persons as shareholders to the Company's knowledge (including private persons of the Grimaud family - including Frédéric Grimaud, Chairman of the Supervisory Board and Financière Grand Champ SAS - in addition to independent members of the Supervisory Board, Alain Munoz, James Sulat and Alexander Von Gabain); and



- + the remaining 67.60% by the free float.

The rates are calculated in reference to a total share capital of 92,106,952 Valneva SE shares, divided into (a) 90,917,048 ordinary shares (ISIN FR0004056851) with a par value of €0.15 per share, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a par value of €0.01 per share, and increased to €0.15 per share and (c) 789 convertible preferred shares (ISIN XFCS00X0I9M1), with a par value of 0.15.

### Other equity

€3,214 thousand relating to the share issuance costs were charged against additional paid-in capital.  
No dividend was paid in 2018.

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

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

### Equity warrants (*Bons de souscription d'actions* or "BEA")

In 2018, there were no grants of warrants.

### (b) Change from January 1, 2017 to December 31, 2017

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

### Share capital

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

#### Corporate actions in 2017:

- + The purchase and subsequent cancellation of 285 convertible preferred shares, in accordance with the provisions of article 13.4, (iv) of the articles of association, thus increasing the total number of said shares to 789 (compared to 1,074 before this corporate action);
- + Award of 1000 free shares.

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

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

The remaining capital is held by:

- + 0.93% held by employees and management;





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

Rates are calculated in reference to total share capital of 78,773,618 Valneva SE shares, divided into (a) 77,583,714 ordinary shares (ISIN FR0004056851) with a par value of €0.15 per share, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a par value of €0.01 per share, and increased to €0.15 per share and (c) 789 convertible preferred shares (ISIN XFCS00X019M1), with a par value of 0.15.

### Other equity

No dividend was paid in 2017.

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

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

### Equity warrants ( *Bons de souscription d'actions* or "BEA")

In 2017, 87,500 BSA 27 warrants were subscribed in exchange for payment (decisions of the management board of December 7 and 15, 2017), in the amount of €25 thousand.

#### 4.3.11. Investment grants

(in € thousands)	MENRT 04G608	REGION EPF	REGION EPF	REGION EPF	REGION Energy	DEPT 44	TOTAL
Amount granted	441	111	137	115	15	87	
Grant date	05-Jan-05	12-Oct-06	12-Oct-06	12-Oct-06	31-Dec-08	12-Oct-09	
<b>Net amount at 01/01/2011</b>	<b>75</b>	<b>50</b>	<b>81</b>	<b>83</b>	<b>13</b>	<b>85</b>	<b>994</b>
Grant for 2011	0	0	0	0	0	0	0
Amounts reclassified as operating grants	0	0	0	0	0	0	-116
Grant transferred to 2011 net income	14	7	10	10	3	3	146
<b>Net amount at 12/31/2011</b>	<b>61</b>	<b>43</b>	<b>71</b>	<b>73</b>	<b>10</b>	<b>82</b>	<b>732</b>
Grant for 2012	0	0	0	0	0	0	0
Amounts reclassified as operating grants	0	0	0	0	0	0	0
Grant transferred to 2012 net income	15	6	10	11	2	4	145
<b>Net amount at 12/31/2012</b>	<b>46</b>	<b>37</b>	<b>61</b>	<b>62</b>	<b>8</b>	<b>78</b>	<b>587</b>
Grant transferred to 2013 net income	13	6	10	11	2	3	129
<b>Net amount at 12/31/2013</b>	<b>33</b>	<b>31</b>	<b>51</b>	<b>51</b>	<b>6</b>	<b>75</b>	<b>458</b>
Grant transferred to 2014 net income	7	6	10	10	1	3	40
<b>Net amount at 12/31/2014</b>	<b>26</b>	<b>25</b>	<b>41</b>	<b>41</b>	<b>5</b>	<b>71</b>	<b>418</b>
Grant transferred to 2015 net income	6	6	10	10	1	3	36
Decrease in the grant	0	0	0	0	0	0	209
<b>Net amount at 12/31/2015</b>	<b>20</b>	<b>19</b>	<b>31</b>	<b>31</b>	<b>4</b>	<b>68</b>	<b>173</b>
Grant transferred to 2016 net income	6	7	11	10	1	3	38
Decrease in the grant	0	0	0	0	0	0	0
<b>Net amount at 12/31/2016</b>	<b>14</b>	<b>12</b>	<b>20</b>	<b>21</b>	<b>3</b>	<b>65</b>	<b>135</b>
<b>Grant transferred to 2017 net income</b>	<b>6</b>	<b>6</b>	<b>11</b>	<b>10</b>	<b>1</b>	<b>4</b>	<b>38</b>
Decrease in the grant	0	0	0	0	0	0	0
<b>Net amount at 12/31/2017</b>	<b>8</b>	<b>6</b>	<b>9</b>	<b>11</b>	<b>2</b>	<b>61</b>	<b>97</b>
<b>Grant transferred to 2018 net income</b>	<b>8</b>	<b>6</b>	<b>9</b>	<b>11</b>	<b>1</b>	<b>3</b>	<b>38</b>
Decrease in the grant	0	0	0	0	0	0	0
<b>Net amount at 12/31/2018</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>58</b>	<b>59</b>

#### 4.3.12. Subordinated grants

(in € thousands)	OSEO Vivabio	NANTES Metropole	TOTAL
Amount granted	2,770	894	4,558
Grant date	26-Jun-09	16-Nov-09	
<b>Net amount at 01/01/2011</b>	<b>2,770</b>	<b>894</b>	<b>4,558</b>
Grant for 2011	0	0	0
Repayment during 2011	0	0	0
<b>Net amount at 12/31/2011</b>	<b>2,770</b>	<b>894</b>	<b>4,558</b>
Grant for 2012	0	0	0
Repayment during 2012	0	0	(178)
<b>Net amount at 12/31/2012</b>	<b>2,770</b>	<b>894</b>	<b>4,380</b>
Grant for 2013	0	0	0
Repayment during 2013	0	0	(179)
<b>Net amount at 12/31/2013</b>	<b>2,770</b>	<b>894</b>	<b>4,201</b>
Repayment during 2014	0	(72)	(250)
<b>Net amount at 12/31/2014</b>	<b>2,770</b>	<b>822</b>	<b>3,951</b>
Decrease in aid in line with actual expenses	(1,307)	0	(1,307)
<b>Financial returns</b>	<b>194</b>	<b>0</b>	<b>194</b>
Repayment during 2015	0	(143)	(322)
<b>Net amount at 12/31/2015</b>	<b>1,658</b>	<b>679</b>	<b>2,516</b>
Decrease in aid in line with actual expenses	0	0	0
Financial returns	198	0	198
Repayment during 2016	(70)	(179)	(428)
<b>Net amount at 12/31/2016</b>	<b>1,786</b>	<b>500</b>	<b>2,286</b>
Financial returns	204	0	204
Repayment during 2017	(223)	(179)	(402)
<b>Net amount at 12/31/2017</b>	<b>1,767</b>	<b>321</b>	<b>2,088</b>
Financial returns	210	0	210
Repayment during 2018	(79)	(178)	(257)
<b>Net amount at 12/31/2018</b>	<b>1,898</b>	<b>143</b>	<b>2,041</b>

#### 4.3.13. Provisions for contingencies and losses

##### (a) Change from January 1, 2018 to December 31, 2018

(in € thousands)	January 1, 2018	Changes in the period			December 31, 2018
		Increase	Reversals		
			Used	Not used	
Disputes	12	0	0	(12)	0
Foreign exchange risks	197	92	0	0	289
Retirement severance benefits	294	39	0	0	333
Miscellaneous risks	96	0	(2)	0	94
Restructuring costs	9	167	0	(9)	168
<b>Total provisions for contingencies and losses</b>	<b>608</b>	<b>299</b>	<b>(2)</b>	<b>(21)</b>	<b>884</b>
of which operating	315	206	0	(9)	512
of which financial	197	92	0	0	289
of which exceptional	96	0	(2)	(12)	82

A provision for restructuring costs was recorded for €168 thousand relating to the R&D department's reorganization initiated in July 2018.

**(b) Change from January 1, 2017 to December 31, 2017**

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

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

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

**4.3.14. Borrowings**

(in € thousands)		At 31 December	
		2018	2017
CA €800 thousand loan of 12/31/2009 <sup>(1)</sup>	3-month Euribor floating rate + 1.10%	0	160
CM €600 thousand loan of 12/23/2009 <sup>(1)</sup>	3-month Euribor floating rate + 1.25%	60	120
CM €1,200 thousand loan of 05/05/2011 <sup>(1)</sup>	3-month Euribor floating rate + 0.70%	0	86
CE €600 thousand loan of 12/23/2009(1)	1-month Euribor floating rate + 1.20%	60	120
LCL €500 thousand loan of 12/23/2009 <sup>(1)</sup>	1-month Euribor floating rate + 1.25%	0	100
EIB €5,000 thousand loan of 04/12/2017 <sup>(1)</sup>	3-month Euribor floating rate + 8.50%	5,091	5,000
EIB €5,000 thousand loan of 12/11/2017 <sup>(1)</sup>	3-month Euribor floating rate + 8.50%	5,000	5,000
RTC credit collateralization	1-month Euribor floating rate + 1.70%	4,432	4,776
Current bank facilities, bank credit balances		4	2
<b>Total</b>		<b>14,646</b>	<b>15,364</b>

(1) of which accrued interest €96 thousand

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



- + No covenants are associated with loans predating 2010, loans obtained to finance a portion of the work related to the construction of the laboratories of Valneva SE and their equipment.
- + Loans obtained from Crédit Agricole and Crédit Lyonnais maturing in 2019 were repaid in advance at December 31, 2018. The interest rate hedge implemented in 2012 for these loans through Groupe Grimaud La Corbière expired on December 31, 2018.
- + On September 20, 2018, Valneva SE announced the extension of the drawdown period for its existing European Investment Bank ("EIB") loan. The €25 million loan was granted to the Company by the EIB in July 2016. To date, Valneva has drawn down €10 million of the facility and can now draw down a further €15 million before the end of July 2019, subject to conditions precedent. Under the terms of the agreement signed with the EIB, each credit tranche is repayable at the end of a five-year period commencing from the drawdown date. The loan is secured by collateral over Company's material subsidiaries, including security ranking behind those granted in connection with Valneva's existing asset-based financing to the investment fund managed by Pharmakon Advisors as part of the loan agreement referred to above.

In addition, the loan agreement provides for other undertakings such as maintaining a positive EBITDA by the Group and a minimum cash balance of €3 million.

#### (a) As at December 31, 2018

(in € thousands)	Gross	Up to 1 year	More than 1 year	More than 5 years
<b>Total financial debt</b>	<b>14,646</b>	<b>4,646</b>	<b>10,000</b>	<b>0</b>
+ of which loans secured during the year	4,427			
+ of which loans repaid during the year	2,143			

The loans obtained during the year represent:

- + the renewed collateralization of the 2015 and 2016 Research Tax Credits (RTC);
- + the collateralization of the 2017 RTC with BPI.

Repayment of these loans includes the collateralization of the 2014 RTC.

#### (b) As at December 31, 2017

(in € thousands)	Gross	Up to 1 year	More than 1 year	More than 5 years
<b>Total financial debt</b>	<b>15,364</b>	<b>5,114</b>	<b>10,250</b>	<b>0</b>
+ of which loans secured during the year	14,770			
+ of which loans repaid during the year	2,609			

The loans obtained during the year represent:

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

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

#### 4.3.15. Trade payables and related accounts

##### (a) As at December 31, 2018

(in € thousands)	Gross	Up to 1 year	More than 1 year	More than 5 years
Operating payables	3,245	3,170	75	0
Notes payable	0	0	0	0
Operating payables - purchase invoice accruals	442	442	0	0
<b>Total</b>	<b>3,687</b>	<b>3,612</b>	<b>75</b>	<b>0</b>

##### (b) As at December 31, 2017

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

#### 4.3.16. Tax and employee-related liabilities

(in € thousands)	December 31, 2018	December 31, 2017
VAT due	15	12
Other taxes	5	10
Wages and salaries	1,027	811
Employee benefit expense	479	454
Other payables, repayable grants*	131	115
<b>Total tax and employee-related liabilities (1)</b>	<b>1,657</b>	<b>1,402</b>
(1) up to 1 year	1,657	1,402
More than 1 and less than 5 years	0	0
more than 5 years	0	0

* Grants (Amounts in thousands of euros)	Allocated	Reversed	Paid	Balance
DIACT (2008)	550	420	130	0
OSEO (2009)	6,016	1,594	4,422	0
NANTES (2009)	894	0	894	0
ANR (2010)	541	76	465	0
FEDER	1,500	366	1,134	0
FUI RHONES ALPES	374	276	113	(15)
FUI PAYS DE LOIRE	628	430	314	(116)
<b>Total grants and advances</b>	<b>10,503</b>	<b>3,162</b>	<b>7,472</b>	<b>(131)</b>



#### 4.3.17. Other financial liabilities

(in € thousands)	December 31, 2018	December 31, 2017
Payables on non-consolidated investments	0	0
Amounts due in respect of fixed asset purchases	8	28
Other operating payables	5,474	4,360
<b>Total other liabilities</b>	<b>5,482</b>	<b>4,388</b>

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

##### (a) As at December 31, 2018

(in € thousands)	Gross	Up to 1 year	More than 1 year	More than 5 years
Payables on non-consolidated investments	0	0	0	0
Payables to fixed asset suppliers	8	8	0	0
Payables to fixed asset suppliers – purchase invoice accruals	0	0	0	0
Other financial liabilities	5,474	5,474	0	0
<b>Total</b>	<b>5,482</b>	<b>5,482</b>	<b>0</b>	<b>0</b>

##### (b) As at December 31, 2017

(in € thousands)	Gross	Up to 1 year	More than 1 year	More than 5 years
Payables on non-consolidated investments	0	0	0	0
Payables to fixed asset suppliers	28	28	0	0
Payables to fixed asset suppliers – purchase invoice accruals	0	0	0	0
Other financial liabilities	4,360	4,360	0	0
<b>Total</b>	<b>4,388</b>	<b>4,388</b>	<b>0</b>	<b>0</b>

#### 4.3.18. Deferred income

(in € thousands)	December 31, 2018	December 31, 2017
Operating grants	0	0
Research services and royalties	0	32
<b>Total deferred income</b>	<b>0</b>	<b>32</b>

##### (a) As at December 31, 2018

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



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

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

**4.3.19. Accrued expenses**

(in € thousands)	December 31, 2018	December 31, 2017
Trade payables and related accounts	442	649
Tax and employee-related liabilities	1,511	1,243
Borrowings and financial liabilities	96	6
Other financial liabilities	19	16
<b>Total accrued expenses</b>	<b>2,068</b>	<b>1,914</b>

**4.4. Notes to the income statement****4.4.1. Revenues**

(in € thousands)	December 31, 2018	December 31, 2017
Research services	106	399
Other services	2,038	2,380
<b>Total</b>	<b>2,144</b>	<b>2,779</b>

  

(in € thousands)	December 31, 2018	December 31, 2017
Sales in France	169	262
Export sales	1,975	2,517
<b>Total</b>	<b>2,144</b>	<b>2,779</b>

**4.4.2. Own production of goods and services capitalized**

(in € thousands)	December 31, 2018	December 31, 2017
Development expenditure	59	78
<b>Total</b>	<b>59</b>	<b>78</b>

**4.4.3. Operating grants**

(in € thousands)	December 31, 2018	December 31, 2017
FEDER	0	0
DIACT	0	0
OSEO	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**4.4.4. Other income**

(in € thousands)	December 31, 2018	December 31, 2017
Upfront and milestones	1,299	966
Translation gains on trade receivables and payables	18	0
Other	4	0
<b>Total</b>	<b>1321</b>	<b>966</b>



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

(in € thousands)	December 31, 2018	December 31, 2017
Reversals of provisions for contingencies and losses	8	361
Operating expense reclassifications	19	14
<b>Total</b>	<b>27</b>	<b>375</b>

#### 4.4.6. Purchases and external expenses

Main charges (in € thousands)	December 31, 2018	December 31, 2017
Work by various third parties	7,987	5,846
Fees	2,307	3,827
Maintenance and repairs	303	270
Administrative services	2,249	1,953
Temporary personnel	30	0
Travel expenses	410	439
Symposiums, seminars, conferences	136	96
Post and telephone expenses	61	42
Entertainment expenses	130	121
Property leasing	164	180
Leasing expenses	55	48
Equipment leasing	15	23
Sundry transport expenses	52	65
Advertising, publications, public relations	152	131
Documentation	15	17
Insurance premiums	237	243
Waste management	37	30
Security services	9	9
Training fees	21	37
Bank services	42	41
Natural gas	22	19
Water	3	2
Electricity	90	86
Dues and related contributions	34	23
<b>Total</b>	<b>14,560</b>	<b>13,548</b>

#### 4.4.7. Taxes, duties and related amounts

(in € thousands)	31-Dec-18	31-Dec-17
<b>Taxes on remuneration</b>	<b>92</b>	<b>88</b>
Training	51	50
Apprentices tax	25	22
Other taxes / remuneration (FNAL)	16	16
<b>Other taxes</b>	<b>65</b>	<b>117</b>
Local taxes	52	53
CFE - CVAE regional business tax	(1)	4
Employer contribution for handicapped workers	3	6
Withholding taxes	9	50
Stamp and registration duties	1	2
Other taxes	2	2
<b>Total</b>	<b>157</b>	<b>205</b>

**4.4.8. Personnel****(a) Employees**

Average number of employees	December 31, 2018	December 31, 2017
Executives and higher intellectual professions	42	40
Intermediate professions	3	3
Office employees/workers	4	4
Workers	0	0
Seconded personnel	0	0
<b>Total</b>	<b>49</b>	<b>46</b>

+ Employees present at December 31, 2018: 47 employees of which 43 on permanent contracts and on 4 on fixed term contract.

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

**(b) Staff costs**

(in € thousands)	December 31, 2018	December 31, 2017
Wages and salaries	3,947	3,616
Employee benefit expense	1,564	1,453
CICE wage tax credit	(44)	(51)
Other personnel expenses	73	94
<b>Total</b>	<b>5,540</b>	<b>5,113</b>

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

(in € thousands)	December 31, 2018	December 31, 2017
Fixed compensation	858	530
Variable remuneration	198	166
Fringe benefits	17	9
<b>All Management Board members</b>	<b>1,073</b>	<b>705</b>
Attendance fees	285	268
<b>All Supervisory Board members</b>	<b>285</b>	<b>268</b>
<b>Total</b>	<b>1,358</b>	<b>973</b>

Restricted shares (bonus shares) (Restricted shares fully vested)	December 31, 2018	December 31, 2017
Management Board members	0	0
Supervisory Board members	0	0
Stock options (number of shares subscribed)	December 31, 2018	December 31, 2017
Management Board members	0	0
Supervisory Board members	0	0
Equity warrants (BSA) (number of shares subscribed)	December 31, 2018	December 31, 2017
Management Board members	0	0
Supervisory Board members	0	0

**(d) Employee benefits****Assumptions used for the valuation of pension benefits**

	December 31, 2018	December 31, 2017
Discount rate	1.60%	1.50%
Salary increase rate	2%	2%
Social security charge rate	48.00%	47.00%
Employee turnover rate by age	Details below	Details below

2018 data	Supervisors	Managers	Office employees/workers
20-29 years	18.00%	33.24%	3.33%
30-29 years	9.00%	16.56%	1.68%
40-29 years	3.00%	5.52%	0.57%
50-29 years	0.00%	0.00%	0.00%
60 years and older	0.00%	0.00%	0.00%

**Change in net commitments and reconciliation of the provision**

(in € thousands)	December 31, 2018	December 31, 2017
<b>Commitment at the beginning of period</b>	<b>293</b>	<b>278</b>
<b>Commitment at the end of period</b>	<b>332</b>	<b>293</b>
<b>Provision at the beginning of period</b>	<b>293</b>	<b>278</b>
Charge for the period	39	15
Reversal of the period	0	0
<b>Provision at the end of period</b>	<b>332</b>	<b>293</b>

**4.4.9. Depreciation, amortization & impairment of fixed assets**

(in € thousands)	December 31, 2018	December 31, 2017
Intangible fixed assets	615	639
Property, plant and equipment	672	702
<b>Total fixed assets (A)</b>	<b>1,287</b>	<b>1,341</b>
Employee commitments	39	15
Provisions for operating contingencies and losses	159	(361)
<b>Total provisions (B)</b>	<b>198</b>	<b>(346)</b>
<b>Total net charges excluding current assets (C=A+B)</b>	<b>1,485</b>	<b>995</b>
Trade receivables and other current assets	0	0
<b>Total assets (D)</b>	<b>0</b>	<b>0</b>
<b>Exceptional amortization (E=C+D)</b>	<b>1,485</b>	<b>995</b>
Provisions for unrealized foreign exchange losses	92	62
Impairments of current account balances	(142)	(14)
Impairment of financial assets	(1,258)	36
<b>Total financial assets (F)</b>	<b>(1,307)</b>	<b>84</b>
Exceptional amortization of fixed assets (G)	0	0
Impairment of fixed assets (H)	0	(4)
Accelerated tax depreciation or amortization of fixed assets (I)	(156)	(156)
Other provisions (J)	(14)	(104)
<b>Total exceptional items (K=G+H+I+J)</b>	<b>(170)</b>	<b>(264)</b>

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

(in € thousands)	December 31, 2018	December 31, 2017
Revenue from marketable securities and deposits	12	2
Interest on borrowings	(873)	(405)
Interest on repayable loans	(210)	(204)
Interest on current accounts	301	388
Translation adjustments	14	17
Losses on investment-related receivables	(42)	0
Impairment of financial assets /reversals	1,308	(85)
Misc.	(1)	(1)
<b>Net financial income/(expense)</b>	<b>508</b>	<b>-287</b>

**4.4.11. Net exceptional items**

(in € thousands)	December 31, 2018	December 31, 2017
Net income on disposals	(59)	0
Depreciation and provisions, net of reversals on tangible fixed assets	0	4
Amortization and provisions, net of reversals on intangible fixed assets	0	0
Provisions for contingencies and losses net reversals	14	103
Accelerated tax depreciation and amortization charges and reversals	156	156
Share of grant transferred to income	38	38
Misc.	(2)	(121)
<b>Net exceptional items</b>	<b>147</b>	<b>180</b>

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

(in € thousands)	December 31, 2018	December 31, 2017
Net profit/(loss)	(16,847)	(15,277)
Income tax	(1,728)	(1,782)
Net loss before tax	(18,575)	(17,059)
<b>Effective tax rate</b>	<b>0</b>	<b>0</b>

**(b) Tax losses carried forward**

	December 31, 2018	December 31, 2017
Losses carried forward at the beginning of the period	122,692	105,522
Losses generated during period	22,686	17,170
Losses utilized during period	0	0
Prior losses used	0	0
Losses expired during period	0	0
<b>Losses carried forward at the end of the period</b>	<b>145,378</b>	<b>122,692</b>

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

(in € thousands)	December 31, 2018	December 31, 2017
Deferred tax assets (investment grants and accelerated tax depreciation or amortization)	60	71
Deferred tax liabilities		
Operating grants taxable at time of allotment	0	0
Unrealized gains from UCITS	0	0
Employee profit-sharing	0	0
<b>Total deferred tax assets/deferred tax liabilities</b>	<b>60</b>	<b>71</b>

**4.4.13. Earnings per share**

		December 31, 2018	December 31, 2017
Basic net loss (in euros)	(a)	(16,847,324.21)	(15,276,741.00)
Average number of shares outstanding:	(b)	82,097,818.68	78,773,324.00
Total number of potential shares	(c)	107,533,441.00	99,874,220.00
<b>Basic net earnings per share (in euros)</b>	<b>(a) / (b)</b>	<b>(0.20)</b>	<b>(0.19)</b>

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





## 5. OTHER INFORMATION

### 5.1. Commitments and contingent liabilities

#### 5.1.1. Debt guarantee by collateral

(in € thousands)	December 31, 2018	December 31, 2017
Equipment pledge	0	86
Pledges on non-consolidated investments (1)	147,876	147,876

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

#### 5.1.2. Off-balance-sheet commitments

(in € thousands)	As at December 31,	
	2018	2017
<b>Commitments given</b>		
+ Commitment on Pharmakon / Valneva Austria GMBH loan <sup>1</sup>	14,546	25,906
+ Financial returns on OSEO2 reimbursable loans <sup>2</sup>	1,106	1,237
+ Property lease commitment	164	292
+ Equipment financing lease	33	12
+ Comfort letter in favor of Valneva GMBH <sup>3</sup>	4,644	5,622
+ Comfort letter in favor of the ERP fund for a loan relating to the <i>Pseudomonas</i> project	0	1,000
+ Comfort letter and guarantee for the benefit of Valneva Canada Inc. for a contract for vehicles	22	44
+ Mortgage on loans	120	500
+ Interest payable on loans	1	6
<b>Total commitments given</b>	<b>20,636</b>	<b>34,619</b>
<b>Commitments received</b>	<b>0</b>	<b>0</b>
<b>Total commitments received</b>	<b>0</b>	<b>0</b>

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

(2) The maximum amount repayable of reimbursable loans under the Vivabio program was reduced to €3 million in July 2015. This amount that is repayable until 2024, was recognized in the amount of €1,898 thousand (see Note 4.3.12)

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

#### 5.1.3. Contingent liabilities

In July 2016, a claim for additional payment was raised, and litigation was filed in December 2016, in connection with the 2009 acquisition of Humalys SAS, by which Vivalis SA (now Valneva SE) had acquired a technology, which was later combined with other antibody discovery technologies and spun off to Blink Biomedical SAS in early 2015. Former shareholders of Humalys claimed additional consideration as a result of the spin-off transaction. The first instance decision in the Humalys case is expected this year (2019). Valneva, after consultation with its external advisors, believes that this claim is unsubstantiated and the filed litigation is not likely to succeed in court. Detailed information on the potential specific financial consequences which might result from a successful claim could adversely affect Valneva's ability to defend its interests in this case, and therefore is not provided.

Following the merger between the companies Vivalis SA and Intercell AG in 2013, certain former Intercell shareholders initiated legal proceedings before the Commercial Court of Vienna to request a revision of the exchange ratio between Intercell and Valneva shares used in the merger. Valneva filed an extensive statement in response to the petitions in which it described the basis for the original exchange ratio, including the use of independent third parties. If the court decides to revise the exchange ratio, there is legal uncertainty as to whether the court could extend this revision to all former Intercell shareholders who exchanged their shares, even if they were not a party to the dispute (*erga omnes effect*). If the court so decides and this is confirmed after exhaustion of appeals, Valneva may be forced to compensate all former shareholders following the reevaluation of the exchange ratio. The outcome of the proceedings to review the exchange ratio cannot be predicted



with certainty at the present time. It is, therefore, currently not possible to estimate whether a specific shareholder group will be granted additional payments or what the amount of these payments might be. However, Valneva, after consultation with its external advisors, believes that these legal proceedings are unsubstantiated and are not likely to succeed in court. Detailed information on the potential specific financial consequences which might result from a successful claim could adversely affect Valneva's ability to defend its interests in this case, and therefore is not provided

## 5.2. Information concerning related parties

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

1. For the Groupe Grimaud La Corbière and Groupe Grimaud La Corbière companies, services rendered related to normal operating activities :

An interest-rate swap hedge allocation agreement generated a charge of €1k excluding tax, fully paid at December 31, 2018. This contract ended on October 31, 2018.

A collaboration and research license agreement and a contract for the provision of premises and equipment (Vital Meat Project) signed in 2018 generated revenue of €117k for the 2018 financial year (€22k is included in trade receivables at 31 December 2018).

2. Valneva Toyama Japan K.K. was liquidated on December 17, 2018. For 2018, company charged back to Valneva its operating expenses in the amount of €20 thousand and €23 thousand for equipment. A debt waiver in the amount of €42 thousand was granted to Valneva Toyama KK upon its liquidation in order to settle the current account balances and reciprocal trade receivables and payables between the two companies.

3. Valneva SE guaranteed a loan of US\$41 million from the investment fund managed by Pharmakon Advisors for the benefit of Valneva Austria GmbH (Initial amount of US\$30 million in December 2013, increased by US\$11 million in July 2015). The purpose of this loan is to support growth in sales of the Japanese encephalitis vaccine of Valneva IXIARO®/JESPECT® and to promote the Company's portfolio of vaccine candidates. In February 2014, an agreement was signed between the two parties (and revised in November 2015 after the amount borrowed was increased by US\$11 million) whereby Valneva SE charges interest to Valneva Austria of 0.77 percent applied to the remaining loan amount outstanding. For 2018, interest thus invoiced amounted to €130 thousand). The remaining capital due at 31 December of €14.5 million will be repaid by Valneva Austria GmbH in January 2019.

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

Under the terms of this agreement, in 2018 Valneva SE re-invoiced €1,302 thousand and Valneva Austria GmbH re-invoiced €9,800 thousand.

These invoices were recognized in the current account which are settled by a payment at the beginning of each quarter (with a credit balance for the net of €4,750 thousand at December 31, 2018).

In October 2013, a loan agreement was executed between Valneva SE and Valneva Austria GmbH for an initial amount of €30 million subject to a rate of interest of 3-month EURIBOR plus 1 percent (€112 thousand invoiced for fiscal 2018). At December 31, 2018, the amount of this loan was €20 million. €5 million will come due on December 31, 2019, €15 million will be repaid after Valneva Austria GMBH has repaid the Pharmakon debt (Biopharma).



4. An agreement between Valneva SE and Vaccines Holdings Sweden AB entering into effect starting in 2016 sets guidelines for re-invoicing services by Valneva SE. Under this agreement, €0.2 thousand were invoiced for fiscal 2018.
5. A loan agreement, entering into effect in March 2015, was signed between Valneva SE and its subsidiary Valneva Canada Inc. The amount of this loan, subject to interest at a rate of 3-month CDOR plus 1 percent is limited to C\$10 million and must be paid back before January 31, 2020. The loan amount represented €1.8 million at December 31, 2018 and €51 thousand in interest was charged in 2018.

An agreement between Valneva SE and Valneva Canada Inc. entering into effect starting in 2015 sets guidelines for re-invoicing services by Valneva SE. The amount charged back under this agreement represented income of €46 thousand for 2018.

6. A loan agreement, entering into effect as from November 30, 2015 was signed between Valneva SE and its subsidiary Valneva UK Ltd. The amount of this loan, subject to interest at a rate of 3-month LIBOR plus 1 percent, is limited to £4 million and must be paid back before January 31, 2020. The loan amount represents €1.5 million at December 31, 2018 and €8 thousand for interest was invoiced in 2018.
7. An agreement between Valneva SE and Intercell USA Inc. (today Valneva USA Inc.), entering into effect in 2015 sets guidelines for the re-invoicing of services between these two companies. The amount charged back under this agreement represented income of €103 thousand and an expense of €92 thousand for Valneva SE for 2018.
8. An agreement between Valneva SE and Valneva Sweden AB entering into effect in 2015 sets guidelines for re-invoicing services by Valneva SE. The amount charged back under this agreement represented income of €384 thousand for 2018. An amendment to this agreement entering into effect on January 1, 2017 sets guidelines for the re-invoicing of services between these two companies. The amount charged back under this agreement represented an expense of €14 thousand for Valneva SE for 2018.

(in € thousands)	December 31, 2018	December 31, 2017
<b>Financial assets</b>		
Equity investments (1)	166,688	169,526
Loans	0	0
<b>Receivables</b>		
Other receivables	24,141	23,624
<b>Payables</b>		
Trade payables and related accounts		95
Other financial liabilities	5,430	4,278
<b>Revenues</b>	1,957	2,081
<b>Financial income</b>	301	388
<b>Operating expenses</b>		
Other purchases and external expenses	9,905	7,554
<b>Financial expense</b>		
Interest and similar expenses	0	0

(1) Cf. Appendix 4.3.3



### 5.3. Valneva SE's share capital after the exercise of different dilutive instruments at December 31, 2018

*Valneva SE's capital structure at December 31, 2018 (to the company's knowledge)*

Shareholders	Shares held (a)			%
	Ordinary shares	Preferred shares	Convertible preferred shares	
<b>Groupe Grimaud La Corbière SA (b)</b>	<b>13,704,830</b>	<b>0</b>	<b>0</b>	<b>14.88</b>
<b>Bpifrance Participations SA</b>	<b>7,456,785</b>	<b>0</b>	<b>0</b>	<b>8.10</b>
<b>Fonds MVM (MVM IV LP &amp; MVM GP (No.4) Scottish LP)</b>	<b>6,851,139</b>	<b>197,768</b>	<b>0</b>	<b>7.44</b>
<b>Management Board members</b>	<b>Total Management Board members</b>	<b>626,978</b>	<b>238</b>	<b>0.68</b>
	Mr. Franck Grimaud	482,589	0	0.52
	Mr. Thomas Lingelbach	129,983	238	0.14
	Mr. Frédéric Jacotot	4,802	0	0.01
	Mr. David Lawrence	4,802	0	0.01
<b>Employees (non-corporate officers)</b>		<b>105,071</b>	<b>10</b>	<b>0.11</b>
	<b>Other shareholders (private individuals)</b>	<b>1,173,319</b>	<b>1,469</b>	<b>1.27</b>
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS (b)				
	724,899	0	0	0.79
Including independant members of the Supervisory Board	Mr. Alain Munoz	41,800	0	0.05
	Mr. James Sulat	17,867	0	0.02
	Mr. Alexander Von Gabain	38,218	1,469	0.04
	Ms. Anne-Marie Graffin	0	0	0.00
	Mr. Ralf Clemens	0	0	0.00
<b>Other floating capital</b>	<b>61,198,926</b>	<b>989,630</b>	<b>0</b>	<b>67.52</b>
<b>SUBTOTAL BY CATEGORY</b>	<b>90,917,048</b>	<b>1,189,115</b>	<b>789</b>	<b>100</b>
<b>TOTAL</b>		<b>92,106,952</b>		<b>100</b>

(a) The percentages indicated in the table are calculated in reference to a total share capital of 92,106,952 shares Valneva SE, divided into (a) 90,917,048 ordinary shares (ISIN FR0004056851) with a par value of €0.15 per share, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a par value of €0.01 per share, and increased to €0.15 per share and (c) 789 convertible preferred shares (ISIN XFCS00X0I9M1), with a par value of 0.15.

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

#### Number of ordinary shares to be issued or vested dilutive instruments

Shareholders	Dilutive instruments - Number of ordinary shares to be issued (c)				
	Stock-options	Equity warrants (BSA)	Preferred shares	Convertible preferred shares	
<b>Groupe Grimaud La Corbière SA (b)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Bpifrance Participations SA</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Fonds MVM (MVM IV LP &amp; MVM GP (No.4) Scottish LP)</b>	<b>0</b>	<b>0</b>	<b>1,557,425</b>	<b>0</b>	
<b>Management Board members</b>	<b>Total Management Board members</b>	<b>330,921</b>	<b>0</b>	<b>1,876</b>	<b>3,042,200</b>
	Mr. Franck Grimaud	109,962	0	0	855,162
	Mr. Thomas Lingelbach	209,962	0	1,876	1,147,752
	Mr. Frédéric Jacotot	10,997	0	0	462,562
	Mr. David Lawrence	0	0	0	288,362
<b>Employees (non-corporate officers)</b>		<b>2,589,043</b>	<b>0</b>	<b>85</b>	<b>1,118,254</b>
	<b>Other shareholders (private individuals)</b>	<b>7,698</b>	<b>164,000</b>	<b>11,580</b>	<b>0</b>
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS (b)					
	0	43,000	0	0	
Including independant members of the Supervisory Board	Mr. Alain Munoz	0	22,250	0	0
	Mr. James Sulat	0	22,250	0	0
	Mr. Alexander Von Gabain	0	22,250	11,575	0
	Ms. Anne-Marie Graffin	0	22,250	0	0
	Mr. Ralf Clemens	0	12,500	0	0
<b>Other floating capital</b>	<b>0</b>	<b>0</b>	<b>7,793,311</b>	<b>0</b>	
<b>SUBTOTAL BY CATEGORY</b>	<b>2,927,662</b>	<b>164,000</b>	<b>9,364,277</b>	<b>4,160,454</b>	
<b>TOTAL</b>			<b>16,616,393</b>		

(b) the Grimaud Family Shareholding Group is comprised of the company "Groupe Grimaud La Corbière", the private shareholders of the GRIMAUD family and "Financière Grand Champ SAS".

(c) The exchange rates for the different dilutive instruments are defined as follows:

- + Stock options: for plans 6 and 7, 1 option confers a right to obtain 1.099617653 Valneva SE ordinary share (which is then rounded up to the next highest unit for beneficiaries), whereas plans 8 and 9 and 10, 1 confer a right to obtain one ordinary Valneva SE share;
- + BSA warrants 25 and 27: 1 free BSA equity warrants confers a right to obtain 1 Valneva SE ordinary share;
- + Preferred shares (ISIN FR0011472943): The conversion rate applicable to preferred shares is 0,5246 (rounded up to 0,5250 by virtue of the provisions of Valneva SE's articles of association);
- + Convertible preferred shares (ISIN XFCS00X0I9M1) :
  - 2015-2019 program
    - the conversion of convertible preferred shares (for consideration or free) into ordinary shares is carried out as follows: Number of convertible preferred shares\*100 (maximum conversion ratio according to the plan rules);
    - For free convertible preferred shares, it should be noted that only 1 convertible preferred shares for consideration confers a right to obtain 25 free convertible preferred shares;
  - 2017-2021 program
    - the conversion of convertible preferred shares into ordinary shares is carried out as follows: Number of convertible preferred shares\*62 (maximum conversion ratio according to the plan rules);



Structure of Valneva SE's shareholder base after the exercise and vesting of dilutive instruments

Shareholders	Ordinary shares after exercise or final grant of all dilutive instruments	%
Groupe Grimaud La Corbière SA (b)	13,704,830	12.74
Bpifrance Participations SA	7,456,785	6.93
Fonds MVM (MVM IV LP & MVM GP (No.4) Scottish LP)	8,208,564	7.63
<b>Total Management Board members</b>	<b>4,001,975</b>	<b>3.72</b>
Mr. Franck Grimaud	1,447,713	1.35
Mr. Thomas Lingelbach	1,489,573	1.39
Mr. Frédéric Jacotot	478,361	0.44
Mr. David Lawrence	293,164	0.27
Mr. Wolfgang Bender	293,164	0.27
<b>Employees (non-corporate officers)</b>	<b>3,812,453</b>	<b>3.55</b>
<b>Other shareholders (private individuals)</b>	<b>1,356,597</b>	<b>1.26</b>
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS (b)	767,899	0.71
Mr. Alain Munoz	64,050	0.06
Mr. James Sulat	40,117	0.04
Mr. Alexander Von Gabain	72,043	0.07
Ms. Anne-Marie Graffin	22,250	0.02
Mr. Ralf Clemens	12,500	0.01
<b>Other floating capital</b>	<b>68,992,237</b>	<b>64.17</b>
<b>TOTAL</b>	<b>107,533,441</b>	<b>100</b>

(b) the Grimaud Family Shareholding Group is comprised of the company "Groupe Grimaud La Corbière", the private shareholders of the GRIMAUD family and "Financière Grand Champ SAS".

5.4. Subsidiaries and associates

SUBSIDIARIES (more than 50 percent)					
Name	Share capital Shareholders' equity <sup>1</sup>	Ownership interest <sup>2</sup> Dividends <sup>3</sup>	Gross value of securities Net value of securities	Loans, advances <sup>4</sup> Guarantees <sup>5</sup>	Net sales <sup>6</sup> Profit or loss <sup>7</sup>
Valneva Austria GmbH <sup>8</sup>	€ 10,070,000	100.00%	€ 147,876,224	€ 20,000,000	€ 66,243,395
	€ 210,927,029	€0	€ 147,876,224	€ 19,190,000	€ 21,361,230
Vaccines Holdings Sweden AB <sup>8</sup>	SEK 50,000	100.00%	€ 9,813,136	€0	SEK 0
	SEK 208,851,569	€0	€ 9,813,136	€0	SEK 1,521,989
Valneva Canada Inc. <sup>8</sup>	CAD 1,000	100.00%	€731	€ 1,794,642	CAD 34,342,247
	CAD 1,687,468	€0	€731	€ 22,112	CAD 1,191,513
Valneva Scotland Ltd. <sup>8</sup>	GBP 100	100.00%	€136	€ 1,462,692	GBP 7,227,916
	GBP 346,762	€0	€136	€0	GBP 223,015
NON-CONSOLIDATED INVESTMENTS (less than 50 percent)					
Name	Share capital Shareholders' equity <sup>1</sup>	Ownership interest <sup>2</sup> Dividends <sup>3</sup>	Gross value of securities Net value of securities	Loans, advances <sup>4</sup> Guarantees <sup>5</sup>	Net sales <sup>6</sup> Profit or loss <sup>7</sup>
BlINK Biomedical SAS	€ 16,168,068	43.29%	€ 8,998,528	€0	€ 4,092,530
	- €15,765,05	€0	€ 1,121,586	€0	€ 2,187,304

- (1) Equity = equity other than earnings and share capital.
- (2) Ownership interest = percentage held by Valneva at 12/31/2018.
- (3) Dividends = dividends received by Valneva in 2018.
- (4) Loans, advances = loans, financial advances, current account advances.
- (5) Guarantees = outstanding balance of guarantees given by Valneva.
- (6) Net sales = sales excluding tax.
- (7) Profit or loss = reported net income or loss of the last financial period.
- (8) 2018 IFRS data.



## 5.5. Market Risks

### 5.5.1. Interest rate risk

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

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

The Company has also obtained loans to finance its investments and to support research and development. At December 31, 2018, borrowings totaled €14,646 thousand at the 3-month and 1-month Euribor floating rates. (see Note 4.3.14).

### 5.5.2. Exchange rate risk

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

## 5.6. Events after the reporting period

No significant events have occurred since the end of the fiscal year and until March 20, 2019.





## 6. STATUTORY AUDITORS' REPORT ON THE SEPARATE PARENT COMPANY FINANCIAL STATEMENTS

### **PricewaterhouseCoopers Audit**

63, rue de Villiers  
92208 Neuilly-sur-Seine

### **Deloitte & Associés**

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

## **VALNEVA**

Société Européenne  
6 Rue Alain Bombard  
44800 Saint-Herblain

## **Statutory auditors' report on the financial statements** For the year ended December 31, 2018

To the Annual General Meeting of Valneva SE

### **Opinion**

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of Valneva SE for the year ended December 31, 2018.

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, 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

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



## Basis for Opinion

### Audit Framework

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

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

### Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (*Code de déontologie*) for statutory auditors.

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

#### PricewaterhouseCoopers Audit

Country	Nature of non-audit services provided	Amount (€)
France	Non-audit services required by law (reports on share capital transactions)	€1,809

#### Deloitte & Associés

Country	Nature of non-audit services provided	Amount (€)
France	Non-audit services required by law (reports on share capital transactions)	€5,236
France	Other non-audit services (attestation on Atlanpole Biotherapies expenses)	€1,139

## Justification of Assessments - Key Audit Matters

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

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



Key Audit Matter	How our audit addressed the key audit matter
<p><b>Investments in subsidiaries</b>  <i>(Notes 4.2.10 and 4.3.3 “Financial assets” and 4.4.9 “Depreciation, amortization &amp; impairment of fixed assets” to the financial statements and 5.4 “Subsidiaries and associates”)</i></p>	
<p>Valneva SE has investments in subsidiaries for a net amount of €158,812 thousand as of December 31, 2018.</p> <p>The account balance is made of the acquisition costs of each of the Company’s different subsidiaries.</p> <p>At the end of a reporting period, the Company determines the carrying amount of each investment based on the Group’s equity in the underlying net assets of its subsidiary and future perspectives of these companies. When this value at the closing date is lower than the net carrying amount, an impairment is recorded for the difference.</p> <p>Given the significant amount of these investments and Management’s judgment in assessing the future perspectives of the subsidiaries, we determined the valuation of these assets to be a key audit matter.</p>	<p>Based on the investment valuation made by Management, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>- We obtained an understanding of the Group’s procedures regarding the valuation of the investments in subsidiaries</li> <li>- We examined the methodologies used to assess the carrying amount of investments</li> <li>- We verified the accuracy of data used for the calculation based on the Group’s equity in the underlying net assets of its subsidiaries with the data used during our audit of the Group’s financial statements</li> <li>- We made inquiries with the Company’s Finance Department to assess the future perspectives of each subsidiary (development of acquired technologies, production and commercialization of vaccines), and corroborate this information with data used during our audit of the Group’s financial statements</li> </ul>
<p><b>Contingencies</b>  <i>(Note 5.1.3 “Contingencies” to the financial statements)</i></p>	
<p>Valneva is involved in two disputes. Firstly, the former shareholders of Humalys, a subsidiary acquired in the past by Valneva subsequently spun off to Blink Biomedical, have initiated legal proceedings questioning the amount of the earn-out payment. Secondly, the former shareholders of Intercell, entity merged with Valneva SE, have initiated legal proceedings with regards to the exchange ratio in order to obtain financial compensation following the merger.</p>	<p>To assess that it is unlikely that Valneva will be liable in these disputes and thus justifying the absence of any provision recorded in the financial statement for these two litigations:</p> <ul style="list-style-type: none"> <li>- We discussed the status of these two disputes with the Company’s Management and in-house legal counsel</li> <li>- We analyzed the documentation supporting the positions of the parties in</li> </ul>



<p>Management considered these disputes as contingent liabilities, considering low the probability of an outflow of resources, and therefore did not recognize any provision in the financial statements.</p> <p>Given the uncertainties surrounding the outcomes of these litigations, we have considered the accounting treatment, the absence of provision, and disclosures to the financial statements to be a key audit matter.</p>	<p>the framework of the legal procedure</p> <ul style="list-style-type: none"><li>- We obtained and analyzed the notes and responses from lawyers to our external confirmation requests.</li></ul> <p>In addition, we verified that Note 5.1.3 "Contingencies" to the financial statements provided appropriate disclosure.</p>
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### Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

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

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of management board and in the other documents with respect to the financial position and the financial statements provided to the Shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to the payment terms required by Article D.441-4 of the French Commercial Code

### ***Report on Corporate Governance***

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a public purchase offer or exchange, provided pursuant to Article L. 225-37-5 of the French Commercial Code we have verified their compliance with the source documents communicated to us. Based on our work, we have no observations to make on this information.

### ***Other information***

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



## Report on Other Legal and Regulatory Requirements

### **Appointment of the Statutory Auditors**

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

As at December 31, 2018, PricewaterhouseCoopers Audit and Deloitte & Associés were in the 7th year and 12th year of total uninterrupted engagement.

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

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

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

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

The financial statements were approved by the Management Board.

### **Statutory Auditors' Responsibilities for the Audit of the Financial Statements**

#### *Objectives and audit approach*

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

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

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

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.



- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

#### *Report to the Audit Committee and Governance*

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

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

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

Neuilly-sur-Seine and Marseille, March 20, 2019

The Statutory Auditors

**PricewaterhouseCoopers Audit**

**Deloitte & Associés**

French original signed by

Thierry CHARRON

French original signed by

Christophe PERRAU

*This is a free translation into English of the statutory auditors' report on the financial statements issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by European regulation and French such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.*

*This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.*

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