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VALNEVA
Société Européenne with a Management Board and a Supervisory Board
Share capital: €8,390,317.14
Registered office: 70, rue Saint Jean de Dieu, 69007 Lyon
Lyon Companies Register (RCS) No.: Identification no.: 422 497 560

MANAGEMENT BOARD ANNUAL REPORT

TO THE ANNUAL ORDINARY GENERAL MEETING OF JUNE 26, 2014

FOR THE FISCAL YEAR ENDED 31 DECEMBER 2013

To the shareholders,

We have called you to this Annual Ordinary General meeting in accordance with the provisions of the law and the Company's Articles of Association to report to you on the activity of our Company and the Group for the year ended 31 December 2012, the results of its operations and outlook, and submit for your approval the separate and consolidated annual financial statements for the period.

The separate and consolidated annual financial statements of the period and the report were submitted to the Supervisory Board for review. You will also be presented with the Supervisory Board's report.

All documents and items provided for by applicable regulations have been made available to you within the required deadlines.

The Statutory Auditors will provide in their report all information concerning the fair presentation of the separate and consolidated financial statements.

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

We provide below various pieces of information required under French regulation.

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1 – SITUATION OF THE COMPANY AND THE GROUP AND ITS ACTIVITY IN THE YEAR UNDER REVIEW, RESEARCH AND DEVELOPMENT/PROGRESS MADE OR DIFFICULTIES ENCOUNTERED

1.1 COMPOSITION AND FORMATION OF THE VALNEVA GROUP

Valneva SE ("the Company"), with its affiliates, (hereinafter together "the Group") is a European biotechnology company focusing on the development of vaccines and antibody discovery.

The Company results from the June 28, 2013 merger between Intercell AG and Vivalis SA.

Valneva's mission is to excel both in antibody discovery, development and commercialization of vaccines, as well as in programs based on innovative technologies developed by the Company, conducted internally or through collaborations with industrial partners.

1.2 ACTIVITIES OF THE GROUP

Highlights of FY 2013 included:

+ The merger between Vivalis and Intercell
+ Bioproduction activity's divestiture by Valneva, to the indian biopharmaceutical company Biological E.,
+ €40 million's share capital increase of the Company,
+ Majid Mehtali's passing in August 2013,
+ Signature of a $30 million's loan agreement at the end of December 2013,
+ Update on Phase II/III interim analysis of Valneva's Pseudomonas aeruginosa vaccine candidate,
+ Positive Phase I Results for Valneva's Clostridium Difficile Vaccine Candidate.
+

1.2.1 Merger between Vivalis and Intercell

Valneva SE was formed in May 2013 through the merger between Austrian biotech company Intercell AG and French biotech company Vivalis SA.

The merger was announced in December 2012 and approved in February/March 2013 by the Extraordinary Shareholders' Meetings of Intercell and Vivalis.

The aim of the merger was to create a fully integrated company specialized in vaccine development and antibody discovery with complementary skills and capabilities as well as diversified sources of revenues (marketed products and partnerships).

Intercell had been created in 1998 as a spin-off of the Research Institute of Molecular Pathology (IMP) in Vienna and was listed on the Vienna Stock Exchange since February 28,

2005. Intercell was manufacturing, marketing and distributing its own Japanese Encephalitis vaccine, had further vaccine candidates in clinical development, and proprietary platforms such as the IC31® adjuvant.

Vivalis had been created in 1999 as a spin-off of Groupe Grimaud, one of the world's leaders in animal genetic selection, and was listed on the Paris Stock Exchange since June 2007. The Nantes-based company had two proprietary technologies, the EB66® duck cell line – a novel vaccine production platform it was licensing to the world's leading pharmaceutical companies (GSK, Sanofi, Boehringer Ingelheim, etc) - and Viva|Screen®, a microarray-based single cell screening platform allowing rapid analysis and discovery of new and rare human monoclonal antibodies.

1.2.2 Bioproduction activity's divestiture by Valneva, to the Indian biopharmaceutical company Biological E.

In early June 2013, Valneva announced the sale of its Clinical Manufacturing Operations (CMO) in France to Biological E., a leading Indian biopharmaceutical company, as part of the Company's strategy to realize cost synergies of EUR 5 to 6 million annually. The sale was completed in November 2013.

1.2.3 €40 million's share capital increase of the Company

At the end of June 2013, Valneva launched a fully underwritten EUR 40 million capital increase with preferential subscription rights to strengthen the Company's financial profile and flexibility. The capital increase was oversubscribed by 146%, and the final gross proceeds amounted to EUR 40.2 million, with the issuance of around 15.2 million new shares. This share capital increase has been approved and recorded on July 5, 2013 by the Management Board of the Company.

1.2.4 Majid Mehtali's passing in August 2013

In August 2013, Valneva had to announce the passing of its Management Board member and Chief Scientific Officier, Majid Mehtali, at the age of 51. His passing was a great loss for the Company but the strong research team built by Majid Mehtali continued his work according to plan.

1.2.5 Signature of a $30 million's loan agreement at the end of December 2013

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

In addition to the guarantee given by the Company, this loan is secured by the payment of income related to sales of IXIARO / JESPECT on a special account with restricted use, and by a pledge of Valneva Austria shares and Valneva Scotland shares. The loan has a fixed interest rate of 9.5%. From 2016, Valneva will pay a fee of 2.6% to Pharmakon on IXIARO® /JESPECT® vaccine sales revenues made during the loan term.

1.2.6 Positive Phase I Results for Valneva's Clostridium Difficile Vaccine Candidate

The Company announced positive Phase Ia/Ib results for the company's vaccine candidate IC84 to prevent diseases caused by the bacterium Clostridium difficile (C. difficile). The pathogen is one of the main causes of nosocomial diarrhea.

IC84 showed a favorable safety and tolerability profile (primary objectives) in both study populations, elderly subjects and adults.

The vaccine candidate was highly immunogenic in elderly subjects and was able to induce similar immune responses to Clostridium difficile toxins A and B as the ones observed in adults in part Ia of the study (secondary objective).

1.2.7 Update on Phase II/III interim analysis of Valneva's Pseudomonas aeruginosa vaccine candidate

The Company provided an update on the Phase II/III efficacy study interim analysis of its Pseudomonas aeruginosa vaccine candidate - Valneva's vaccine candidate, IC43, is a recombinant subunit vaccine consisting of two outer membrane proteins (OprF and OprI) of Pseudomonas aeruginosa. These outer membrane proteins have been shown to be disease-relevant targets in numerous preclinical and several early clinical trials.

The development partners – Valneva and Novartis Vaccines & Diagnostics have initiated discussions on trial continuation in agreement with the recommendations of a Data Monitoring Committee (DMC) following their data review on the primary efficacy endpoint and safety data from 394 patients.

Although the stringent pre-specified futility criterion in regards to the primary efficacy endpoint was formally met, the difference in all-cause mortality rates (at Day 28) between the vaccine and placebo group in this randomized, placebo controlled double blind study, was considered clinically meaningful and in line with the trend observed in the previous study. Additionally there were no concerns with regard to the observed safety profile.

2 – BUSINESS DEVELOPMENT, RESULTS AND FINANCIAL POSITION

2.1 Valneva group (IFRS)

The consolidated financial statements for the year 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union.

They are prepared under the historical cost convention as modified by the fair value of financial assets available for sale.

Insofar companies Valneva Austria GmbH (formerly Intercell AG), Valneva Scotland Ltd. (formerly Intercell Biomedical, ldt), Intercell USA and Elatos were acquired in May, said companies have been incorporated into the 2013 financial statements as at June 1st, 2013.

As part of the analysis of the evolution of the business, results and financial position of the Group, the data for 2013 are put into perspective in relation to the data of 2012, being recalled the evolution of the Group consolidation scope:

Name	**Country**	**Interests held at december 31**	
		2013	**2012**
Vivalis Toyama Japan KK	JP	100%	100%
Valneva Austria GmbH	AT	100%	-
Valneva Scotland Ltd.	RU	100%	-
Intercell USA, Inc.	US	100%	-
Elatos GmbH	AT	100%	-

Recurring operating income

Recurring operating income amounts to €35.9 million for fiscal year 2013 compared to €5.9 million for FY 2012.

Revenues and grants by business segment are broken down as follows:

In thousands of euros	**FY ended on december 31**	
	2013	**2012**
Revenues and grants by business segment *	**35,991**	**5,909**
EB66® Cell line	3,668	3,455
VivalScreen® Technology	2,884	2,440
Ex-Intercell operations	29,362	-
Income not attributed to an operating segment	77	14

Revenue from collaboration agreements and license agreements concluded with the two main clients amounted respectively to €3.539 million (0 € in 2012), and €1.151 million (€1.994 million in 2012). Products sale to the main client generated €12.709 million (0€ in 2012).

Recurring operating expenses

Operating expenses for the year ended 31 December 2013 amounted to €56.8 million, compared to €18.7 million for the prior fiscal year.

R&D expenses represent 37.68% of total recurring operating expenses in 2013, vs. 59.19% in 2012.

GSA expenses represent 25.89% of total recurring operating expenses in 2013.

Staff expenses increased significantly between 2012 and 2013, due to the evolution in the average headcount linked to the merger between Intercell and Vivalis: during 2013, the Group's workforce averaged 193 employees, against 99 employees in 2012.

Financial charges with respect to employee benefits include the following:

In thousands of euros	**FY ended on december 31**	
	2013	**2012**
Salaries	13,335	5,137
Social security contributions	3,666	2,144
Training and education	317	139
Stock-options allocated to the employees and Management Board members	173	221
Other employee benefits	290	32
Total	**17,781**	**7,673**
Reclassification of business disposal	-	(514)
Employee benefit expenses	**17,781**	**7,159**

Other Revenue and Expenses – Net' include the following:

In thousands of euros	**FY ended on december 31**	
	2013	**2012**
Taxes, duties, fees, charges other than income taxes	(282)	(321)
Gain / (loss) on disposal of fixed assets, net	1,260	-
Miscellaneaous income/(expenses), net	180	-
Total	**1,157**	**(321)**
Reclassification of business disposal	-	28
Other income/(expenses), net	**1,157**	**(292)**

Net gains on sale of fixed assets include a gain of € 1.312 million resulting from the completion in November 2013 of the sale of the bioproduction activity (CMO) located in Nantes, to Biological E., a leading Indian biopharmaceutical company.

Raw material and other purchases increased from €2.3 million in 2012 to €3.3 million in 2013.

Operating profit/(loss)

Operating loss for 2013 came to €-20.8 million vs. €-12.8 million for FY 2012.

Net financial income/(expense)

FY 2013 yielded a loss of €2.969 million, compared to €56,000 in fiscal year 2012.

It should be noted that the Group has benefited from the assistance provided by the government for the negotiation of debt facilities which the Company could not otherwise benefit. The aid includes providing guarantees on outstanding amounts due.

Corporate income tax

The company recorded a €348,000 tax burden (vs. €96,000 for the previous years), being understood that the income tax includes tax payable of €(386,000) and deferred tax of €38,000.

Net income/(loss) from continuing activities

Continuing activities posted a loss of €24 million in 2013, compared to a loss of €13 million in 2012.

Result per share came to €(0.61) in 2013, as for 2012.

Result from assets held for sale or discontinued activities

This item posted a loss of €137,000 in 2013, compared to a loss of €1.8 million for 2012. The detailed breakdown is presented in section 20 in the appendix to the financial statements.

Net income/(loss)

Net yearly loss amounts to €-24.1 million in 2013 vs. €-14.8 million for the previous fiscal year.

Non-current assets

Group non-current assets amounts to €191.045 million at December 31, 2013, vs. €38.446 million at December 31, 2012.

The group's intangible assets and Goodwill amounted to €125 million in 2013 vs. €17 million in 2012. Intangible assets comprise essentially R&D projects, JEV vaccine, Pseudomonas vaccine and Viva|Screen® technology.

Property, plant and equipment assets increased between 2012 and 2013, from €12.1 million to €45.1 million, provided that the depreciation charges were allocated to research and development expenses for €2.344 million (against € 1.583 million in 2012), as well as to general, selling and administrative expenses for €86,000 (€200,000 in 2012).

Other non-current assets that were carried at €8.9 million at 31 December 2012 increased to €20.6 million at December 31, 2013.

Current assets

Current assets (including cash and cash equivalents) changed significantly over the period, from €15.1 million at 31 December 2012 to €63.3 million at the end of 2013; this change was essentially concentrated on treasury.

Shareholders' Equity

The evolution in shareholders' equity is detailed in the notes to the consolidated financial statements (items 21 and 22).

This variation is mainly to achieve the following two operations:

- The merger between Intercell and Vivalis conducted May 28, 2013,
- The capital increase of July 5, 2013 which resulted in the issuance of 15,165,215 new ordinary shares.

Liabilities

Total non- current liabilities increased over the year up to €17.6 million to €82.2 million.

Current liabilities meanwhile increased from €9.8 million for fiscal year 2012 to €28.1 million in 2013.

The total borrowings (current and non-current) increased from €6.7 million in 2012 against €71.2 million in 2013.

In this regard, we remind you that on December 9, 2013, the Group announced that it has secured a funding of $ 30 million, underwritten with an investment fund managed by Pharmakon Advisors, to the benefit of Valneva Austria GmbH, an Austrian subsidiary. The loan has a term of five years and was concluded at a fixed interest rate of 9.5%. From 2016, Valneva will pay to Pharmakon a fee corresponding to 2.6% of the sales made of IXIARO®/JESPECT® made over the life of the loan. The financing transaction was finalized on 20 December 2013. The fixed interest rate and the fees, arising in connection with the loan, are recorded as financial expenses.

Cash and Treasury

The Group's net cash position and current financial assets amount to €36.5 million and €3.6 million respectively at 31 December 2013, compared to €0.8 million and €11.2 million at the end of the previous year.

Net cash provided by (or used in) investing activities amounted to €21.8 million at 31 December 2013 against €4.3 million at 31 December 2012, corresponding in particular to:

- The acquisition of other activities / cash gained from the merger between Vivalis and Intercell (€11.6 million against €(2.7) million in 2012)
- Proceeds from sale of property, plant and equipment (€3.144 million in 2013 against 6,000€ in 2012), which corresponds to the sale by the Group, in November 2013, of

the bioproduction activities (CMO) located in Nantes, to the benefit of the company Biological E.

Detailed information on cash and cash equivalents is provided in Note 19 of the appendix to the annual financial statements.

2.2 – Valneva (statutory accounts - FR GAAP)

These financial statements have been prepared in accordance with French generally accepted accounting principles as defined by the French accounting standards committee (*comité de la réglementation comptable* or CRC).

Pursuant to the merger with Intercell AG effective as from 28 May 2013 and in accordance with the merger agreement, the statutory financial statements of Valneva SE take into account its retroactive effect for tax and balance sheet purposes from 1 January 2013.

Operating income

Operating income amounts to EUR 3.78 million, up from EUR 3.1 million for fiscal 2012.

Revenue came to EUR 1.7 million for 2013 compared to EUR 2.2 million in 2012.

Other operating income (mainly grants and licensing income) came to EUR 2.1 million in 2013, up from EUR 0.9 million the prior year. This change is attributable mainly to recognition of EUR 1.1 million for the FEDER grant in 2013 though with a period of eligibility covering 2009-2013.

Operating expenses

Operating expenses for the year ended 31 December 2013 amounted to EUR 16.5 million compared to EUR 18.3 million for the prior year.

Purchases of raw materials and external expenses represented EUR 7.1 million in 2013 compared to EUR 8.1 million in 2012.

Staff costs amounted to EUR 6.2 million in 2013 compared to EUR 6.8 million in 2012.

Allowances for depreciation and amortization represented EUR 2.8 million in 2013 compared to EUR 3.1 million in 2012.

The decline in expenses across all line items reflects mainly the discontinuation of the biologicals CMO operation associated with its sale to Biological E in the 2013 fourth quarter.

Income/(loss) from ordinary activities

The operating loss from ordinary activities for the year ended 31 December 2013 was EUR 12.7 million, down from EUR 15.2 million in the prior year.

Net financial income/(expense)

Net financial expense came to EUR 0.8 million for 2013 compared to net financial income of EUR 0.3 million in 2012, and reflecting mainly the merger as well as the partial write-down of Vivalis Toyama Japan shares linked to the discontinuation of R&D activity in Japan.

Net exceptional items

Net exceptional items resulted in the income of EUR 1.5 million in 2013 compared to EUR 0.2 million in 2012.

This change reflects mainly a net gain from the disposal of the clinical manufacturing operations based in Nantes to Biological E., an Indian biopharmaceutical company.

Corporate income tax

The negative income tax item corresponds to research tax credit (RTC). This came to EUR 2 million in 2013 compared to EUR 2.8 million in 2012 and is linked to the decline in operating expenses.

Net income/(loss)

The net loss for 2013 was EUR 10 million compared to EUR 12 million in the prior year.

Fixed assets

Fixed assets rose from EUR 30.5 million in 2012 to EUR 153 million in 2013 (net value).

This increase reflects in part the contribution of Intercell shares in connection with the merger and in part the disposal of assets associated with the biologicals contract manufacturing operation.

Current assets

Current assets came to EUR 56.4 million in 2013, up from EUR 25.6 million.

This increase is mainly due to the advance granted by the company to its Austrian subsidiary, recognition of the 2013 research tax credit and the reduction in prepaid expenses at 31 December 2012 for merger-related costs.

Shareholders' equity

Shareholders equity rose from EUR 34.4 million at 31 December 2012 to EUR 185.3 million at 31 December 2013 with detailed explanations on this change provided in the notes to the statutory accounts (point 4.3.10).

This change reflects mainly completion of the following two corporate actions:

+ The merger between Vivalis and Intercell completed on 28 May 2013,

- The capital increase of 5 July 2013 resulting in the issuance of 15,165,215 new ordinary shares.

Liabilities

Total debt increased in the period from EUR 18.2 million to EUR 19.8 million.

Total borrowings rose from EUR 6.7 million in 2012 to EUR 11 million in 2013. This change reflects mainly the collateralization of research tax credit receivables that largely offset the repayment of loans for the biologicals contract manufacturing building sold and accordingly repaid before term.

Operating payables declined from EUR 4 million to EUR 2.7 million, mainly due to the discontinuation of the biologicals CMO activity in the last quarter of 2013.

Payables to suppliers of fixed assets declined from EUR 6.7 million at the end of 2012 to EUR 4.5 million at the end of 2013 with the last fixed-price payment for Humalys.

Cash

Cash came to EUR 14.1 million at 31 December 2013, up from EUR 12 million one year earlier.

It was directly impacted by the cash contribution from Intercell in connection with the merger (+ EUR 21.3 million).

- Net cash used in operating activities represented outflows of EUR 38.2 million at 31 December 2013, up from EUR 13.5 million at 31 December 2012 and corresponding mainly to a EUR 30 million advance granted to the Austrian subsidiary.
- Net cash from (used in) investing activities represented an inflow of EUR 1.5 million in 2013 compared to an outflow of EUR 5.1 million in 2012, and reflecting mainly:
- EUR 5 million in proceeds from the sale of the building and equipment to Biological E.
- The last fixed price payment under the Humalys financing arrangement for EUR 2 million.
- Net cash from financing activities rose significantly (EUR 17.5 million in 2013 compared to EUR 0.2 million in 2012) in large part from the EUR 40.2 million capital increase of July 2013, the collateralization of research tax credit receivables for EUR 6.2 million and the repayment of Intercell's convertible bond debt contributed in connection with the merger or EUR 18.4 million.

3 - RISKS AND UNCERTAINTIES

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

Risks associated with the Group's activity

Risk associated with dependence on a single product

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

Risk of marketing failure

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

Risks associated with production of the Japanese encephalitis vaccine

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

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

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

Marketing authorisations for veterinary vaccines produced in the EB66® cell line were obtained by the Chemo-Sero Therapeutic Research Institute (Kaketsuken), a co-development partner to GlaxoSmithKline (GSK), in Japan in 2012, and by FARVET SAC in Peru in 2014. However, European and American health authorities have not yet authorised marketing of a vaccine* produced on the EB66® cell line for human use.

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

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

Development risks of Group licensee products

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

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

Development risks of Group products

a) Antibodies in oncology

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

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

b) Vaccines

The Group's Research and Development (R&D) activities, and especially its programmes in the final clinical trial phase, are costly and time-consuming. The results of R&D are inherently uncertain, and the Group may experience delays or failures in clinical trials. To continue to develop and market its product candidates, the Group will have to obtain authorisations from authorities such as the US Food and Drug Administration (FDA), the European Medicines Agency (EMA) and other health organisations. These authorisations may be delayed or denied if the Group is not able to meet regulatory requirements, particularly those concerning the safety and effectiveness of its product candidates. Changes in regulatory requirements, adverse effects or ineffectiveness in clinical trials may force the Group to halt development of its product candidates, prevent regulatory approval of its product candidates, or have an adverse effect on existing products and activities.

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

To develop and market its products, the Group has entered and will enter into collaboration agreements, research licenses and commercial licenses with biopharmaceutical and pharmaceutical companies and, less frequently, with academic institutions. These agreements are necessary for the research, development, manufacture and marketing of the

Group's products. The Group may fail to keep these agreements in force or to establish new agreements on acceptable terms, which could significantly limit or delay its ability to develop and market its discoveries and inventions, and thus to reap the benefits of its R&D programmes and technologies. The success of strategic partnerships depends in part on the performance of the strategic partners, over which the Group has little or no control. Partners may postpone or terminate one or more of these strategic partnerships, develop alternative products independently or in collaboration with a third party, and thus compete with the Group's product candidates or technologies. They may also fail to commit sufficient resources to the development or marketing of Group product candidates that depend on partnerships or collaborations, or may not live up to the Group's expectations. If one of these risks were to occur, the development of certain products could be stopped and/or the marketing of certain products prevented or delayed, which would have a material adverse effect on the Group's activities, financial situation or operating results.

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

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

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

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

Risks associated with internal and external growth

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

Risks associated with the 2013 merger

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

When the merger was announced, the parties envisaged that the new company would be able to realize synergies. A combination of scale savings on overhead costs, rationalization of R&D platforms, disposal of Intercell antibodies discovery platform, and disposal of Vivalis manufacturing for third parties business would allow Valneva to complete savings for an estimated amount of €5 to 6 million per year over two years following closure of the transaction. Already in the first seven months, Valneva was able to progress its integration process and implement changes, allowing it to achieve a number of the synergies sought. The sale of the CMO facility to Biological E was announced in June and completed in November 2013. This initiative alone will generate savings of up to EUR 3m.

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

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

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

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

For example, fetal bovine serum, a critical and scarce raw material used in the manufacturing of the Japanese encephalitis vaccine, may not be available in the required quantities in the future. Also, in connection with this vaccine, litigation is currently in arbitration with the supplier of an ingredient used for the manufacture of the vaccine.

Litigation reserves have been taken in the amount of EUR 350,000. This litigation could indirectly result in the supplier deciding to stop supplying this substance. The Group could thus have difficulties finding other suppliers that satisfy the particular specifications required for this ingredient

Risks related to competition

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

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

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

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

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

Financial Risks

Historical operating losses - Risks related to expected future losses

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

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

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

Uncertainty of additional funding and future capital requirements

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

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

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

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

+ delay, reduce or even eliminate research and development programmes;
+ reduce its workforce;
+ close some of its sites;

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

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

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

Liquidity Risk

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

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

Dilution risk

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

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

Risk of not collecting funds promised under subsidised research programmes

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

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

Risk of impairment of intangible assets

Impairment of intangible assets could lead to substantial losses in the Group's accounts. The Group's balance sheet includes significant intangible assets from projects and technologies under development and which were acquired during business combinations (please refer to Note 13 to the consolidated financial statements). If the Group is unable to successfully develop these projects and technologies and to generate future cash flows from them, it may never have the opportunity to recover the sums invested to acquire these assets, thereby compromising their value. Such impairment of intangible assets would result in substantial losses in the Group's accounts.

Risk of losing tax deficits

In the future, the Group may not be able to use its tax-loss carryforwards and may therefore be obliged to pay higher taxes than expected and/or to reimburse tax credits.

Legal Risks

Risks related to patents

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

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

- the Group fails to develop new patentable inventions;

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

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

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

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

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

Dependence on third parties and access to certain technologies

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

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

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

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

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

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

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

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

Any action against the Group for damages, preventing it from manufacturing or marketing infringing products or processes, or requiring it to obtain a license from a third party to continue its activities could negatively impact the Group's finances and prospects. There is no guarantee that the Group could successfully defend its position or obtain a license under economically acceptable terms.

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

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

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

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

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

Risks related to the Group's trademarks

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

Risks related to potential conflicts with licensees, partners and distributors

The Group has granted licenses to use its EB66® platforms and Viva|Screen, as well as rights to distribute its Japanese encephalitis vaccine; it co-finances the development of several products with Novartis under the Strategic Alliance Agreement. The Group may have difficulties collecting the amounts owed by its licensees, distributors and partners. The Group may have to spend large sums to recover these amounts due or may not be able to recover them at all.

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

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

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

Product liability risk

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

Disputes

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

Arbitral litigation involving a Valneva subsidiary and one of its suppliers is ongoing. Please refer to the paragraph "Risks related to the quality and availability of products delivered by suppliers" above.

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

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

Risks associated with concentration of ownership

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

Market risk

Currency risk

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

Interest rate risk

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

Please refer to Note 3.1(a) to the consolidated financial statements for more on liquid assets and indebtedness.

Price risk

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

4 - FORECASTED TRENDS AND OUTLOOK

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

+ Valneva anticipates continued growth of in-market sales of IXIARO®/JESPECT® and a significant increase in the profitability of its JEV vaccine in 2014 following the amendment of its Marketing and Distribution Agreement (MDA) with its main distribution partner.
+ The Company expects 2014 overall IFRS revenue to grow to € 40 – 45 million and – together with merger synergies - to contribute to significant reduction of operating loss, while continuing to progress its key development programs.

5 – SIGNIFICANT EVENTS BETWEEN CLOSING DATE OF THE FISCAL YEAR AND DATE THIS REPORT IS PREPARED

Significant events and transactions that occured between 31 December 2013, and the date on which this report was prepared, are as follows:

+ - At the beginning of January, Valneva amended its agreement with Novartis (NVD) for the marketing and distribution of its vaccine against Japanese encephalitis IXIARO®. The amendment included commitments on minimum targets for sales growth during the coming years. Valneva also transferred to its partner the responsibility of the sales to the U.S. military, Valneva now accounting only two-thirds of the sales of the product in the U.S. Army. This allow reducing the marketing activities in the United States .

+ - In late February, Valneva announced the initiation of a fourth program for monoclonal antibody discovery with Sanofi Pasteur, the vaccines division of Sanofi (Euronext : SAN and NYSE: SNY), on its proprietary platform for screening cell, Viva|Screen®. Under the terms of the agreement signed with Sanofi Pasteur in June 2010, Sanofi Pasteur obtained exclusive worldwide rights for the development and commercialization of the discovered antibodies. On its side, Valneva may receive, if successful, payments of up to €35 million by infectious disease, paid at different stages of development, as well as royalty payments associated with products sales. Sanofi Pasteur finances, in addition, collaborative research activities related to the assessed infectious diseases.
+ - Early March, Valneva announced the signing of a new research agreement with Emergent BioSolutions Inc. (NYSE: EBS), and the transfer of an existing commercial agreement, for the development of vaccines on Valneva's EB66® cell line.
+ Mid- March, Valneva issued a statement released by Aeras on the initiation of a Phase II clinical trial for its vaccine candidate against tuberculosis (TB) Aeras-404, using the Valneva proprietary adjuvant IC31®.

6 – EQUITY INVESTMENTS DURING THE FISCAL YEAR

Apart from the consequences of the merger that occurred between Vivalis and Intercell on May 28, 2013 (and notably the equity investment of Valneva Austria GmbH (formely Intercell Austria GmbH), Valneva Scotland ltd (formerly Intercell Biomedical Ltd), Intercell USA and Elatos), the Company has not made any other equity investments during the fiscal year 2013.

7 – SUBSIDIARIES AND PARTICIPATIONS

7.1. – VIVALIS TOYAMA JAPAN K.K.

Vivalis Toyama Japan K.K. is a subsidiary established on 18 April 2011 as part of the asset acquisition from the Japanese company SC World.

Vivalis Toyama Japan KK is a *Kabushiki Kaisha* with capital of ¥5,660,000.

This subsidiary, whose R&D activities have been stopped in December 2013, worked closely with VALNEVA SE's Lyon site to develop the VIVA│Screen® technology platform for the discovery of new antibodies.

At December 31, 2013, the team was composed of 8 employees, among which 6 are now dismissed.

Key figures of the subsidiary at 31 December 2012 were (in ¥):

- Net worth: 8,045,488
- Operating revenue: 102,882,260
- Result: -23,690,252
- Total assets: 110,150,994

7.2 – SMOL THERAPEUTICS

SMOL THERAPEUTICS is a French simplified corporation (*société par actions simplifiée*) with a capital of €1,000, created on March 18, 2011.

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

7.3 – VALNEVA AUSTRIA GMBH

Valneva Austria GmbH is a fully-owned research subsidiary, working in the fields of vaccination, product development (technical/clinical), quality control, management of regulatory affairs, and general and administrative services.

At December 31, 2013, the team was composed of 128 employees.

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

- INTERCELL USA, Inc.: a subsidiary responsible for marketing and sales of the vaccine against Japanese encephalitis to the U.S. army and the private market, as well as international sales through distribution partners. At December 31, 2013, the team was composed of 6 employees.
- VALNEVA SCOTLAND Ltd.: This subsidiary is primarily involved in the production of the IXIARO®/JESPECT® vaccine against Japanese encephalitis. At December 31, 2013, the team was composed of 85 employees.
- ELATOS GmbH: a subsidiary created in January 2013. Its activities were originally related to the proprietary platform eMAB®, which contributes to the discovery of monoclonal antibodies.

At the date of preparation of this Annual Report, the figures on the financial statements of these subsidiaries at December 31, 2013 were not available.

Interests of the Company only concerns companies that are member of the consolidation scope of the Group. Financial impacts are detailed if the appendix to the consolidated financial statements.

8 – PROPOSED APPROPRIATION OF EARNINGS

As indicated in the accounts presented to you, the loss after all provisions, taxes and depreciation amounts to €9,952,449.94.

Our proposal is to allocate the negative result of the year (€ -9,952,449.94) to Retained Earnings, which will thus move from € -33,879,959.61 to € -43,832,409.55.

9 – REMINDER OF DIVIDENDS PREVIOUSLY DISTRIBUTED

By virtue of the provisions of Article 243 bis of the French General Tax Code, no dividend has been distributed since the Company was created.

10 – NON-TAX DEDUCTIBLE EXPENSES

By virtue of the provisions of Articles 223 quater and 223 quinquiès of the French General Tax Code, we inform you that the financial statements of the fiscal year under review do not take into account any expenses which are not deductible from taxable income.

11 – SUPPLIERS' TERMS OF PAYMENT (Article D441-4 of the French commercial code)

Article L.441-6, subparagraph 9 of the French Commercial Code, stipulates that the time frame agreed upon by the parties for the settlement of amounts due cannot exceed forty-five days end of month, or sixty days from the date on which the invoice is issued. Barring any agreement, maximum delay is 30 days from the date of receipt of the goods or of the performance of the service.

The breakdown by payment maturity of invoices issued by Valneva's suppliers unpaid at year-end 2013 is as follows:

In euros	30 days	60 days	Over 60 days	Total outstanding at 31 December 2013
Amounts due to trade suppliers as at 31 December 2013	€ 940,753.04	€ 28,191.33	€ 62,863.53	€ 1,031,807.90
Amounts due to equipment suppliers as at 31 December 2013	€ 138.528,83	€ 0	€ 4,272,066.85	€ 4,410,595.68
Commercial paper (trade bills) outstanding as at 31 December 2013	€ 0	€ 0	€ 0	€ 0
Total	**1,079,281.87 €**	**21,191.33 €**	**4,334,930.38 €**	**5,442,403.58 €**

The breakdown by payment maturity of invoices issued by Valneva (ex-Vivalis)'s suppliers unpaid at year-end 2012 is as follows:

In euros	30 days	60 days	Over 60 days	Over 90 days	Total outstanding at 31 December 2013
Amounts due to trade suppliers as at 31 December 2012	€ 437,018.50	€ 137,262.13		€ 1,205.56	€ 575,486.19
Amounts due to equipment suppliers as at 31 December 2012	€ 4,109.82	€ 348,820.18		€ 4,300,000.00	€ 4,652,930.00
Commercial paper (trade bills) outstanding as at 31 December 2012	€ 7,932.88	€ 4,125.61			€ 12,058.49
Total	**€ 449,061.20**	**€ 490,207.92**		**€ 4,301,205.56**	**€ 5,240,474.68**

12 – EMPLOYEE SHAREHOLDING (Article L225-102 of the French commercial code)

In accordance with the provisions of article L.225-102 of the French Commercial Code, we report on the status of employee shareholding as of the last day of the year under review, i.e., 31 December 2013.

Company Stock Option Plans

Options to subscribe for or purchase shares granted by the Company and in force on 31 December 2013 are described in the table below.

The Company has only granted stock options to subscribe for shares.

It should be pointed out that the difference between allotted options and exercisable options is as follows:

+ some allotted options become null and void as the person concerned is no longer an employee or company representative;
+ some allotted option become null and void as the objectives upon which their exercising depends have not been achieved;
+ some options are not allotted and become null and void owing to expiry of the authorisation given by the General Meeting;
+ some options are not allotted and become null and void owing to a capping mechanism decided on by the General Meeting and ensuring that the total number of shares to be issued as a result of the exercising of authorised share options or

authorised share equity warrants does not exceed, in total, a number set by the meeting.

STOCK OPTION PLANS								
	Plan 1	**Plan 2**	**Plan 3**	**Plan 4**	**Plan 4 bis**	**Plan 5**	**Plan 6**	**Plan 7**
Decision to grant options	General Meeting: 29/06/2001 Meeting of the Board of Directors: 12/07/2001	General Meeting: 23/05/2002 Meeting of the Management Board: 23/05/2002	General Meeting: 29/11/2002 Meeting of the Management Board: 20/12/2002 01/09/2003 06/10/2003 05/01/2005 01/02/2005	General Meeting: 03/11/2004 Meeting of the Management Board: 05/04/2005 05/10/2005	General Meeting: 03/11/2004 Meeting of the Management Board: 03/04/2006	General Meeting: 13/09/2005 Meeting of the Management Board: 03/04/2006	General Meeting: 09/06/2009 Meeting of the Management Board: 01/10/2010	General Meeting: 28/06/2013 Meeting of the Management Board: 02/10/2013
Number of beneficiaries	9	19	9	4	2	2	1	293
Duration of plan (as from the date of the Management Board's decision)	Until 12/07/2011	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Option/share conversion ratio	1:108	1:108	1:114	1:114	1:114	1:114	1:1	1:1
Subscription price	€0.30	€0.45	€1.80	€1.80	€1.80	€1.80	€5.19	€3.21
Number of options authorised	2,420	1,810	3,610	2,400	1,100 written down to 440 (a)	660	290,000	2,231,356
Number of options granted to employees and/or corporate officers	2,420	1,810	3,225	2,300	320	530	14,000	1,052,950
Number of options exercised at 31 December 2013	1,320	1,310	2,709	1,360	160	290	0	0
Number of options null and void at 31 December 2013	1,100	500	426	240	0	150	7,000	38,350
Exercisable options not exercised at 31 December 2013	0	0	90	700	160	90	7,000	1,014,600
of which options exercisable by corporate officers	0	0	0	700	160	90	0	300,000
Starting date for the exercise of options	12/07/05	23/05/06	01/09/04 06/10/07 05/01/09 01/02/09 And upon achievement of objectives	05/04/2009 05/10/2009 And upon achievement of objectives	Achievement of objectives	Achievement of objectives	Achievement of objectives	02/10/2015 02/10/2017 (d)

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STOCK OPTION PLANS								
	Plan 1	**Plan 2**	**Plan 3**	**Plan 4**	**Plan 4 bis**	**Plan 5**	**Plan 6**	**Plan 7**
Number of shares subscribed at 31 December 2013	132,664	135,000	287,326	149,646	17,280	31,320	0	0
Total number of shares available for take up at 31 December 2013	0	0	10,260	79,800	18,240	10,260	7,000	1,014,600
Balance of options still to be allotted and status of the authorisation to allot options	0 Authorisation expired	0 Authorisation expired	0 Authorisation expired	0 Authorisation expired	0 Authorisation expired	0 Authorisation expired	0 Authorisation expired	1,178,406 (c) Valid until 28 August 2016
Balance of shares available for take up at 31 December 2013 from options not yet allotted (b)	0	0	0	0	0	0	0	1,178,406 (c)

Status of stock option plans at 31 December 2013
(a) The number of authorised options is 1,100. It is stipulated by the General Meeting in accordance with the reality of the increases in subscribed capital that this number be proportionally reduced. Subscriptions having been only partial, the number of options that can be allotted has therefore been reduced to 440.
(b) Options not yet granted have a term of ten years from their date of allotment to a given person.
(c) Notwithstanding potential future free share grants, in accordance with the authorisation referred to in Resolution 25 of the General Meeting of 28 June 2013, it should be noted that the total number of shares issued pursuant to this plan and the free share allocation plan decided on in Resolution 25 of said General Meeting cannot exceed 2,231,356.
(d) 50% of options may be exercised after being held for two years, the remaining 50% becoming exercisable after being held for four years.
At 31 December 2013, there remained 1,022,640 exercisable options from all of the Company's plans, accounting for a total of 1,140,160 shares available for subscription, i.e., a potential capital increase of €171,024 in nominal terms, for a maximum potential dilution of 2.04%[1].

Free share plans

During fiscal year 2013, 53,833 free shares were transferred to beneficiaries in the form of new ordinary shares following the vesting period for free share under the 23 July2009, 22 February 2010 and 6 September 2011 plans.

At 31 December 2013, a total of 97,333 free shares under all Company plans were not yet fully vested, representing a maximum potential capital increase of €14,599.95 and potential dilution of 0.17%[2].

The following table summarises the terms of free share grants at 31 December 2013:

[1] *This rate is obtained by reference with the total share capital of 55.898.115 Valneva shares, divided in 54.709.000 ordinary shares and 17.836.719 preferred shares.*
[2] *This rate is obtained by reference with the total share capital of 55.898.115 Valneva shares, divided in 54.709.000 ordinary shares and 17.836.719 preferred shares.*

FREE SHARE PLANS			
	Plan 1	**Plan 2**	**Plan 3**
Decision to grant free shares	**General Meeting:** 31/03/2007 **Meeting of the Management Board:** Allotment 1: 04/09/2007 Allotment 2: 25/07/2008 Allotment 3: 23/07/2009 Allotment 4: 23/07/2009 Allotment 5: 22/02/2010 Allotment 6: 22/02/2010	**General Meeting:** 09/06/2009 **Meeting of the Management Board:** Allotment 1: 22/02/2010 Allotment 2: 22/02/2010 Allotment 3: 22/02/2010 Allotment 4: 01/10/2010 Allotment 5: 01/10/2010 Allotment 6: 06/09/2011 Allotment 7: 06/09/2011	**General Meeting:** GM No.1: 10/06/2010 GM No.2: 07/06/2011 GM No.3: 04/06/2012 **Meeting of the Management Board:** Allotment 1: 24/07/2013 Allotment 2: 24/07/2013
Number of beneficiaries	49	47	27
Vesting date	▪ Allotment 1: 4 years, i.e., 04/09/2011(a) ▪ Allotment 2: 4 years, i.e., 25/07/2012 ▪ Allotment 3: 4 years, i.e., 24/07/2013 ▪ Allotment 4: 2 years, i.e., 23/07/2011 ▪ Allotment 5: 2 years, i.e., 22/02/2012 ▪ Allotment 6: 2 years as of 01/01/2011, i.e., 01/01/2013	▪ Allotment 1: 2 years as of 01/01/2011, i.e., 01/01/2013 ▪ Allotment 2: 2 years as of 01/01/2012, i.e., 01/01/2014 ▪ Allotment 3: 4 years, i.e., 22/02/2014 ▪ Allotment 4: 4 years, i.e., 01/10/2014 ▪ Allotment 5: 2 years, i.e., 01/10/2012 ▪ Allotment 6: 4 years, i.e., 06/09/2015 ▪ Allotment 7: 09/10/2013	Allotment 1: 24/07/2017 Allotment 2: 24/07/2015
Lock-up period (from the vesting date)	Allotment 1: 2 years (b) Allotment 2: 2 years Allotment 3: 2 years Allotment 4: 2 years Allotment 5: 2 years (b) Allotment 6: 2 years (b)	Allotment 1: 2 years (b) Allotment 2: 2 years (b) Allotment 3: 2 years Allotment 4: 2 years Allotment 5: 2 years Allotment 6: 2 years Allotment 7: 2 years	Allotment 1: 2 years Allotment 2: 2 years
Number of free shares authorised	436,000	290,000	GM No.1: 7,500 GM No.2: 7,500 GM No.3: 157,000
Number of options granted to employees and/or corporate officers	436,000	137,500	52,000
Number of free shares vested at 31 December 2013	377,000	58,667	0
Number of free shares lapsed at 31 December 2013	59,000	31,500	2,000
Number of free shares to be fully granted at 31 December 2013	0	47,333	50,000
Number of free shares to be fully granted to corporate officers	0	33.333	0

FREE SHARE PLANS			
	Plan 1	**Plan 2**	**Plan 3**
Balance of free shares still to be granted and status of the authorisation to grant options	0 Authorisation expired	0 Authorisation expired	GM No. 1 and 2: 0 Authorisations used GM No.3: 120,000 Authorisation expiring on 04/08/2015

2 years for corporate officers.
The Company's Supervisory Board has set out the terms of lock-up for free shares granted to company officers. Two options are available:
- the free shares many not be transferred before the termination of their duties, or
- corporate officers are required to keep a certain number of shares from the plan in a nominative form until termination of their duties.
The Company's corporate officers most often choose the second option (generally 20 to 25% of vested free shares must be kept).

The percentage of capital represented by shares owned by Company employees as per definition of Article L.225-102 of the French Commercial Code was 0,28%[3] at 31 December 2013, i.e. 158,290 Valneva Shares.

[3] This rate is obtained by reference with the total share capital of 55.898.115 Valneva shares, divided in 54.709.000 ordinary shares and 17.836.719 preferred shares.

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13 – MANDATES (article L225-102-1 subparagraph 3)

Management Board

Management Board members

Upon completion of the merger with Intercell AG on 28 May 2013, and in accordance with decisions 1 to 4 taken by the Company's Supervisory Board on 10 May 2013, the Management Board was composed of the following members:

Name	Offices and positions held outside the Company by the Management Board member in 2013	Other offices and positions held outside the Company in the last five fiscal years by the Management Board member
Thomas Lingelbach **Chairman of the Management Board, CEO** (Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Management functions and appointments:** - Managing Director of Valneva Scotland Ltd. - Managing Director of Elatos GmbH - President & CEO of Intercell USA Inc. **Supervisory Board:** - Chairman: Intercell Austria AG	**Management functions and appointments:** - CEO – Intercell AG (since May 2011) **Other mandates and Functions:** - COO- Intercell AG (2007-2011)
Franck Grimaud **Member of the Management Board, CBO and Managing Director** (Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Management functions and appointments:** - Managing Director and President of SMOL Therapeutics SAS (from September 11, 2013) – Company transferred to Valneva SE through transfer of its assets and liabilities on December 30, 2013. - President and Representative Director of Vivalis Toyama Japan KK. **Directorships:** - Director of Grimaud Deyang Animal Co Ltd (China). - Director of Chengdu Grimaud Breeding Co Ltd (China).	**Management functions and appointments:** - President of Humalys (until January 3, 2011 – company transferred through transfer of its assets and liabilities) **Directorships**: - Member of the Board of Directors of TLC Pharma (France) until February 10, 2010
Majid Mehtali* **Member of the Management Board** (Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Management functions and appointments:** - President of Smol Therapeutics SAS; - Representative Director of Vivalis Toyama Japan KK;	**Management functions and appointments:** - Managing Director of Humalys (until January 3, 2011- Company transferred trough transfer of its assets and liabilities)
Reinhard Kandera **Member of the Management Board and CFO** (Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Management functions and appointments:** - Managing Director of Valneva Scotland Ltd., - Managing Director of Elatos Gmb -Director of Intercell USA Inc. **Supervisory Board:** - Vice- Chairman: Intercell Austria AG	**Other mandates and Functions:** - CFO - Intercell AG since march 2009

** Until August 2013*

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Supervisory Board

Upon completion of the merger with Intercell AG on 28 May 2013, and in accordance with the resolutions of of the Company's General Meetings of 12 December 2012 (Resolutions 2, 5 and 6) and 7 March 2013 (Resolutions 12 to 15), the Supervisory Board was composed of the following members:

Name	**Appointments and functions exercised by Supervisory Board members outside the Company in 2013**	**Other appointments and functions exercised by Supervisory Board members outside the Company in the last five years**
Frédéric Grimaud **Chairman of the Supervisory Board** (Appointed by the EGM of 12 December 2012, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Management functions and appointments:** - Chairman of the Management Board of the Grimaud Group - Chairman of Grimaud Frères Sélection SAS - Chairman of Hypharm SAS - Chairman of Filavie SAS - Chairman of HUBBARD SAS until 31 January 2013 - Permanent representative of Hubbard Holding SAS as CEO of HUBBARD SAS since 1 February 2013 - Chief Executive Officer of HUBBARD HOLDING SAS - Chairman of the Board of Directors of Chengdu Grimaud Breeding Farm Ltd - Chairman of the Board of Directors of Grimaud (Putian) Breeding Farm Co Ltd (China) - Chairman of the Board of Directors of Grimaud (Deyang) Animal Health Co Ltd (China) - Chairman of Hubbard LLC (United States) - Chairman of Novogen - Member of the Steering and Management Committee of La Couvée SAS - Chairman of Grimaud Vietnam Company - Chairman of Choice Genetics SAS - Chairman of the Board of Directors of Pen Ar Lan SA - Chairman of GALOR SAS since 18 November 2013 - Chairman of BLUE GENETICS HOLDING since 31 May 2013 - Chairman of the Board of Directors of Blue Genetics Mexico since 26 July 2013 **Other directorships:** - Grimaud Italia SRL (Italy) - Choice Genetics USA LLC - Chairman of the Council of Choice Genetics Vietnam since 20 January 2013 **Supervisory Board:** - Supervisory Board member of Hubbard Polska Sp Zoo (Poland) - Permanent representative of the Grimaud Group as Supervisory Board member of France Food Alliance SAS - Supervisory Board member - Intercell Austria AG	**Management functions and appointments:** - Chairman of Grimaud Freres Selection SAS - Chairman of the Board of Directors of La Canarderie de la Ronde SA until 19 June 2006 - Chairman of the Board of Directors of Couvoir du Moulin Brûlé SA until 29 April 2008 - Chairman of the board and CEO of Grimaud Farms of California Inc. (United States) until 31 July 2008 - Chairman of Canarderie de la Ronde until 25 June 2009 **Directorships:** - Director of Hubbard Co Ltd (Asia) (Thai company voluntary liquidated on 12 February 2010) - Director of Hubbard Holding co Ltd (Thai company voluntary liquidated on 12 February 2010) - Director of Bucolica NV (Holland) until 13 March 2010 - Chairman of the Board of Directors of Grimaud (Malaysia) SDN BHD (voluntary liquidated)

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Name	Appointments and functions exercised by Supervisory Board members outside the Company in 2013	Other appointments and functions exercised by Supervisory Board members outside the Company in the last five years
Alain Munoz **Member of the Supervisory Board** (Appointed by the EGM of 12 December 2012, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Supervisory Board:** - Member of the Supervisory Board of Zealand Pharma (Denmark) - Member of the Supervisory Board of Auris Pharma (Switzerland) - Member of the Supervisory Board of Medesis Pharma SA - Member of the Supervisory Board of Genticel SA - Supervisory Board member - Intercell Austria AG **Director:** - Director of Hybrigenics SA **Other appointments:** - Manager: SARL Science and Business Management	**Management functions and appointments:** - Chairman of Amistad Pharma SAS **Supervisory Board:** - Chairman of the Supervisory Board of Novagali Pharma - Member of the Supervisory Board of Erytech SA
Michel Greco **Member of the Supervisory Board** (Appointed by the EGM of 12 December 2012, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Chairman:** - Noraker SAS (France) **Chairman of the Board:** - Glycovaxyn (Switzerland) **Director:** - Immutep - Texcell **Supervisory Board:** - Supervisory Board member - Intercell Austria AG **Other appointments:** - Chairman of Hospital St-Joseph, St-Luc de Lyon - Director of the Fourvière Hospital of Lyon - Deputy Administrator and Director of the Industrial Pharmacy Institute of Lyon (IPIL) -WHO: Chairman of the " Measles Project" group and the "new vacccines STOP TB Working Group"	**Supervisory Board**: - Chairman of the Supervisory Board - Intercell (Austria) until December 2012 **Directorships:** - Director - Vakzine Project management (VPM) (Germany) until September 2008 - Director of Vaxgen (United States) (2003-2008) - Director of IVI "International Vaccine Institute" (Korea) until 2010 - Director of Argos Therapeutics (United States) until start of 2012 - Director of IAVI (New York) – 2003-2012 - Director or Aeras TB Vaccines Foundation (Washington 2003-2012)
James Sulat **Member of the Supervisory Board** (Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Directorships:** - Chairman of the Board of Directors – Momenta Pharmaceuticals Inc. **Supervisory Board:** - Vice-Chairman Supervisory Board - Intercell Austria AG **Management functions and appointments:** - Chief Executive Officer, Chief Financial Officer and Member of the Board of Directors – Maxygen Inc.	**Supervisory Board**: - Member of the Supervisory board of Intercell AG (2005 to present) **Directorships:** - Chairman of the Board of Directors – Momenta Pharmaceuticals Inc. (2008 to present) **Management functions and appointments:** - Chief Executive Officer, President, Chief Financial Officer and Member of the Board of Directors – Memory Pharmaceuticals Corp. (2005-2008)

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Name	Appointments and functions exercised by Supervisory Board members outside the Company in 2013	Other appointments and functions exercised by Supervisory Board members outside the Company in the last five years
Hans Wigzell **Member of the Supervisory Board** (Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Directorship:** - Member of the Board of Directors– Karolinska Development AB - Member of the Board of Directors – Raysearch AB - Member of the Board of Directors – SOBI AB - Member of the Board of Directors – Sarepta Therapeutics **Supervisory Board:** - Member of the Supervisory Board - Intercell Austria AG **Other functions and appointments:** - President – Stockholm School of Entrepreneurship	**Supervisory Board**: - Member of the Supervisory Board of Intercell AG
Alexander Von Gabain **Member of the Supervisory Board** (Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Supervisory Board**: -Member of the Supervisory Board – Functional Genetics - Chairman of the Supervisory Board – INiTSUniversitäresGründerservice Wien GmbH - Member of the Governing Board of the European Institute of Innovation and Technology (EIT) - Chairman of the Governing Board of the European Institute of Innovation and Technology (EIT) - Chairman of the Supervisory Board - Intercell Austria AG **Other functions and appointments:** - Professor of microbiology – Max Perutz Laboratories of the University of Vienna - Foreign Associate Professor - Karolinska Institute - Scientific advisor - Zytoprotec Ltd. - Member of the WHO Stop Tuberculosis Committee	**Supervisory Board**: - Member of the Supervisory Board – Intercell AG - Member of the Supervisory Board – TVM Capital **Other functions and appointments:** - Scientific and strategy consultant for the Management Board – Intercell AG
Anne-Marie Graffin **Member of the Supervisory Board** (Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	**Directorships:** - Member of the Board of Directors – Themis Bioscience GmbH **Supervisory Board** -Member of the Supervisory Board – Nanobiotix - Member of the Supervisory Board - Intercell Austria AG **Other mandates:** Managing Partner of SARL SMAG Consulting	**Directorships:** 2008 to 2010: -Member of the Board of Directors - Sanofi Pasteur MSD S.A Spain - Member of the Board of Directors - Sanofi Pasteur MSD S.A Portugal - Member of the Board of Directors - Sanofi Pasteur MSD Limited UK - Member of the Board of Directors - Sanofi Pasteur MSD Limited Ireland - Member of the Board of Directors - Sanofi Pasteur MSD S.A Portugal

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14 – RENEWAL OF THE TERMS OF OFFICE OF THE MEMBERS OF THE SUPERVISORY BOARD

Readers are reminded that the terms of office of the members of the Supervisory Board expire at the end of the Ordinary General Meeting of Shareholders, which will be called in 2016 to approve the financial statements of the fiscal year ended 31 December 2015.

15 - FACTORS LIKELY TO HAVE AN IMPACT IN CASE OF A PUBLIC OFFERING

15.1 – COMPANY CAPITAL STRUCTURE AT 31 DECEMBER 2013

At 31 December 2013, the Company's share capital stood at €8,384,717.19, divided into 54,709,000 ordinary shares with a nominal value of €0.15 each, and 17,836,719 preferred shares with a nominal value of €0.01 each.

This corresponds to 54,709,000 theoretical voting rights.

At December 31 2013, the main shareholders were:

		Shares held	Percentage of share capital (in %) [4]	Number of theorical voting rights	%
GRIMAUD Group (a)		**11,843,327**	**21,19**	**11,843,327**	**21,65**
Bpifrance Participations SA		**5,499,863**	**9,84**	**5,499,863**	**10,05**
Management Board		**524,746**	**0,94**	**523,880**	**0,96**
	Franck GRIMAUD	375,140	0,67	375,140	0,69
	Thomas LINGELBACH*	98,978	0,18	98,740	0,18
	Reinhard KANDERA*	50,628	0,09	50,000	0,09
Private individual shareholders with registered shares		**1,767,060**	**3,16**	**1,765,591**	**3,23**
- O/w private individual shareholders of the Grimaud family and Financière Grand Champ SAS* (a)		884,070	1,58	884,070	1,62
- O/w investors		392,323	0,70	392,323	0,72
- O/w Independent members of the Supervisory Board	Alain MUNOZ	41,800	0,07	41,800	0,08
	Michel GRECO	100	0	100	0
	James SULAT	13,500	0,02	13,500	0,02
	Alexander VON GABAIN*	23,517	0,04	22,048	0,04
Non-officer employees		**158,290**	**0,28**	**158,290**	**0,29**
Bearer shares*		**34,918,049**	**62,47**	**34,918,049**	**63,83**
Preferred Shares*		**1,186,780**	**2,12**	**0**	**0**
TOTAL		**55,898,115**	**100**	**54,709,000**	**100**

** Including bearer shares and/or preferred shares, if any.*
*** Bearer shares and preferred shares other than those included by the previous note.*
(a) Grimaud Group, the shareholders of the Grimaud family and Financière Grand Champ SAS constitutes together the "Grimaud Group Family".

15.2 – RESTRICTIONS UNDER THE ARTICLES OF ASSOCIATION ON THE EXERCISE OF VOTING RIGHTS OR THE TRANSFER OF SHARES DISCLOSED IN ACCORDANCE WITH ARTICLE L233-11 OF THE FRENCH COMMERCIAL CODE

It should be noted that prior to the merger, Vivalis shareholders benefitted from a double voting right for registered ordinary shares held for at least two years, under the terms set out

[4] This rate is calculated by reference to a total share capital of 55,898,115Valneva shares, divided into 54,709,000 ordinary shares and 17,836,719 preferred shares written down to a nominal value of €0.15.

in the Articles of Association. Following the merger with Intercell and pursuant to the 16 December 2012 version of the Merger Agreement, it was agreed that the double voting right for holders of Vivalis ordinary shares would be cancelled and that a new system of double voting rights would be instituted, to take effect two years after the merger, i.e. 28 May 2015.

Article 13 of the Articles of Association thus stipulates, *"Ordinary shares fully paid up for which it is evidenced that they have been held in registered form in the name of the same shareholder for at least two years from the registration of the Company as a European company, carry a double voting right in respect to that granted to other ordinary shares [of the Company], according to the portion of share capital they represent. This double voting right is also conferred, upon the issue of shares during a share capital increase by capitalisation of reserves, profits or issue premiums, to the registered ordinary shares granted free of consideration to a shareholder for previous ordinary shares already carrying this double voting right.* "

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

Finally, a shareholder agreement has also been signed on July 5, 2013 between Groupe Grimaud La Corbière (“GGLC”), the *Fonds Stratégique* d’Investissement (now *Bpifrance Participations*), Messrs Franck Grimaud, Majid Mehtali, Thomas Lingelbach and Reinhard Kandera.

The Agreement was signed in the context of Valneva's capital increase of approximately €40 million with retention of preferential subscription rights, laid out in the prospectus approved by the French financial market authority under visa No, 13-0275, This capital increase followed from the creation of Valneva through the merger of Vivalis and Intercell.

The Agreement's main provisions are as follows:

Non-federating agreement

Bpifrance Participations, GGLC and the Management Board members do not intend to act in concert with regards to Valneva. In particular, by signing this agreement, Bpifrance Participations chose to maintain its financial interests in Valneva.

Governance

Composition of the Supervisory Board

+ The Agreement notes that Vivalis' General Meeting of Shareholders of 7 March 2013, convened to approve the merger and capital increase, nominated the following individuals as initial members of the Supervisory Board for a 3-year term: (i) three candidates put forth by GGLC (Frédéric Grimaud, Michel Greco and Alain Munoz) whose terms took effect at the date of the merger between Vivalis and Intercell, (ii) three candidates put forth by Intercell (James Sulat, Alexander Von Gabain and Hans Wigzell) whose terms took effect at the date of the merger between Vivalis and Intercell, and (iii) one candidate put forth by Bpifrance Participations (Anne-Marie Graffin) whose term took effect at the date of settlement and delivery of the capital increase.
+ The Supervisory Board member nominated by Bpifrance Participations also sits on the Compensation and Appointments Committee.
+ Throughout the term of the Agreement, GGLC and Bpifrance Participations will make every effort to abide by these principles for allocating seats on the Board.
+ Bpifrance Participations will also serve as a non-voting member of the Supervisory Board for a period of three years as of the date of settlement and delivery of the capital increase.
+ Supervisory Board decisions are taken by simple majority of those members in attendance or represented, with the exception of (i) certain decisions requiring a qualified majority of 4 of the 7 members (budget, business plan, appointment and removal of Management Board members, distribution of dividends, draft resolutions for Extraordinary General Meetings, capital increases, etc,), and (ii) any decision for international relocation of Valneva's head office or a research and development centre operated by Valneva in France, which shall require a unanimous vote. For these two types of decision, the quorum (required only upon the first call) shall be the majority of the members with at least one representative nominated by each of GGLC, Intercell and Bpifrance Participations. Upon the second call, the quorum shall be the majority of Supervisory Board members.

Composition of the Management Board

The Agreement notes that Management Board members, appointed for 3-year terms as of the date of the merger between Vivalis and Intercell, are (i) two candidates put forth by GGLC (Franck Grimaud and Majid Mehtali) and (ii) two candidates put forth by the Intercell Supervisory Board (Thomas Lingelbach and Reinhard Kandera).

Following the death of Majid Mehtali, the Company's Management Board was made up of three members at the date of this Annual Report, namely Messrs, Franck Grimaud, Thomas Lingelbach and Reinhard Kandera.

Transfer of securities

- Lock-up. Bpifrance Participations shall be bound by a 2-year lock-up. This period shall be four years for GGLC (subject to certain exceptions such as a relief clause applicable to 50% of its securities as of the third anniversary of the Agreement). Management Board members shall be bound by a 3-year lock-up (subject to certain exceptions such as select cases of dismissal as well as a relief clause applicable to 20% of their securities).
- Free transfers. Transfers among affiliates shall remain free (subject to customary conditions: membership, solidarity of the transferor, etc,). Likewise, there is no restriction for contributions of Valneva securities by a party to a public offering.
- Right of first refusal. Following the lock-up period, any transfer of securities by GGLC or Bpifrance Participations (without prejudice to the abovementioned free transfers) shall be subject to a right of first refusal granted to Bpifrance Participations or GGLC, according to the circumstances, at the price offered by the transferor. Should this right be waived, the transferor shall be entitled to transfer the securities in question by any means for a period of three months, and at a sale price equal to or greater than the price offered to GGLC or Bpifrance Participations.
- Anti-dilution. Should Valneva wish to carry out a capital increase (in cash) liable to have a dilutive effect on Bpifrance Participations' stake in the Company, GGLC shall, at the request of Bpifrance Participations, make every effort to take measures guaranteeing that Bpifrance Participations' interest in the Company is maintained at its previous level.

Duration of the Agreement

The Agreement is concluded for a period of six years renewable by successive one-year periods, unless prior notice of termination is given by one of the parties.

15.3 – DIRECT OR INDIRECT PARTICIPATIONS IN THE COMPANY'S CAPITAL THAT THE COMPANY WOULD BE AWARE OF BY VIRTUE OF ARTICLES L233-7 AND L233-12

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

During FY 2013, the Company was informed that the following thresholds were crossed:

- The company Novartis AG declared that it had crossed the following thresholds on 28 May 2013, indirectly via the companies Novartis Pharma AG and Novartis Vaccines and Diagnostics, Inc. which it controls: (i) the legal threshold of 5% of the capital and voting rights of the Company, as well as the thresholds of 8% of the capital and 6% of voting rights to be declared pursuant to the Articles of Association.

  At 28 May 2013, Novartis AG therefore indirectly held 5,348,048 Valneva shares representing 2,674,024 voting rights, i.e. 9.35% of the capital and 6.80% of the voting rights, breaking down as follows:

	Number of shares	% of capital	Number of voting rights	% of voting rights
Novartis Pharma AG	3,788,048	6.63	1,894,024	4.82
Novartis Vaccines and Diagnostics, Inc.	1,560,000	2.73	780,000	1.98
Total concert	5,348,048	9.36	2,674,024	6.80

At that time, Novartis Pharma AG thus individually crossed the 5% legal threshold and the 6% threshold to be declared under to the Articles of Association.

These thresholds were crossed as a result of the merger in May 2013.

- Caisse des Dépôts et Consignations (CDC) declared to have crossed the following thresholds on 5 July 2013, indirectly via Fonds Stratégique d'Investissement (FSI) – now Bpifrance Participations SA - which it controls within the meaning of Article L.233-3 of the French Commercial Code: the thresholds between 2 and 10% for capital and voting rights pursuant to the Articles of Association, as well as the legal thresholds of 5% and 10% of the capital and voting rights.

These thresholds were crossed when FSI subscribed to the capital increase with retention of preferential subscription rights of shareholders.

At 5 July 2013, the CDC thus held 6,289,101 shares and voting rights, representing 11.51% of the capital and voting rights of the Company, breaking down as follows:

	Number of shares	% of capital	Number of voting rights	% of voting rights
FSI	5,499,863	10.07	5,499,863	10.07
CDC EVM	789,238	1.44	789,238	1.44
Total CDC	6,289,101	11.51	6,289,101	11.51

- Etablissement Public Industriel et Commercial BPI Groupe (formerly EPIC OSEO) – hereinafter, "EPIC BPI-Groupe" – declared to have crossed the following thresholds on 12 July 2013, indirectly via Bpifrance Participations SA (formerly FSI), a company controlled by BPI-Groupe SA: the legal thresholds of 5% and 10% of the capital and voting rights of the Company, as well as the thresholds between 2 and 8% of the capital and 2 and 10% of the voting rights pursuant to the Articles of Association.

At 12 July 2013, EPIC BPI-Groupe thus indirectly held, via Bpifrance Participations SA, 5,499,863 shares and voting rights, i.e. 9.86% of the capital and 10.07% of the voting rights of the Company.

To the Company's knowledge, no other shareholder held directly or indirectly, alone or in concert, more than 2% of the capital or voting rights of the Company, except as stated above.

To the Company's knowledge, since the closing of fiscal 2013 and until the date this Annual Report was prepared, there have not been any significant changes to the distribution of the capital and voting rights.

15.4 – LIST OF ALL SECURITY HOLDERS WITH SPECIAL CONTROL RIGHTS AND DESCRIPTION OF SAID RIGHTS

The Company is not aware of the existence of special control rights.

15.5 – CONTROL MECHANISMS PROVIDED IN A POTENTIAL EMPLOYEE SHAREHOLDING SCHEME, WHERE CONTROL RIGHTS ARE NOT EXERCISED BY THE LATTER

The Company has not implemented an employee stock ownership system potentially including mechanisms of control when the rights of control are not exercised by the personnel.

15.6 – SHAREHOLDERS' AGREEMENTS KNOWN TO THE COMPANY AND WHICH MAY RESULT IN SHARE TRANSFER AND VOTING RIGHTS RESTRICTIONS (SHAREHOLDERS' AGREEMENT)

The main provisions of the Shareholders Agreement signed on July 5, 2013, related notably to the transfer of Valneva's shares, are described in section 15.2 of this Annual Report.

15.7 – RULES AND REGULATIONS PERTAINING TO NOMINATION AND REPLACEMENT OF MEMBERS OF THE MANAGEMENT BOARD, AS WELL AS TO A MODIFICATION OF THE ARTICLES OF ASSOCIATION

Rules and regulations in this matter are statutory and in accordance with legal requirements.

15.8 – POWERS OF MANAGEMENT BOARD, ESPECIALLY FOR ISSUANCE AND BUYBACK OF SHARES

With regards to the powers of the Management Board, especially for issuance and buy-back of shares, the powers are those provided by statutory provisions applicable to european companies with a Management Board and a Supervisory Board.

Status of delegations granted in Extraordinary General Meetings

Please, refer to section 28 of this Annual Report.

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Authorised capital for fiscal year 2013

Combined General Meeting of 7 March 2013

The Combined General Meeting of 7 March 2013 delegated to the Management Board the power to increase the share capital as follows:

Operation	Resolution	Duration of the Authorization	Terms and maximum amount of the capital increase/reduction	Status of the authorisation
Capital increase through issue of ordinary shares or any securities giving access to the capital with preferential subscription rights	9	26 months i.e. until 7 may 2015	The possibility of one or more capital increases immediately and/or in the future by issuing ordinary shares of the Company or any security granting access in any way, immediately and/or in the future, to the capital of the Company; The overall nominal increase in share capital carried out immediately or in the future pursuant to the powers delegated by the General Meeting in this resolution may not exceed a total of two million five-hundred thousand (2,500,000) euros net of the share premium, to which amount will be added the amount of shares or securities issued for any adjustments in accordance with applicable law or regulations and, where necessary, with contractual stipulations providing for other adjustments to preserve the rights of the holders of securities giving access to capital; In proportion to their rights in the capital, based on a single subscription price and in accordance with applicable law and regulations, shareholders may exercise their preferential rights to subscribe for ordinary shares and securities by virtue of this resolution. Furthermore, the Management Board may give the shareholders the right to subscribe for excess shares to be exercised in proportion to their rights and within the limit of their applications; If take-up for shares reserved as of right on the basis of existing shareholdings and, where applicable, for excess shares allotted subject to reduction, should fail to account for the entire issue of the shares or securities giving access to the share capital as defined above, the Management Board may use one or more of the following options: (i) limit the issue to the amount of applications for shares received provided that the latter account for at least three quarters of the issue decided, (ii) freely allocate all or part of shares not taken up, or (iii) offer all or part of the shares not taken up on the French market and/or in foreign markets; This delegation of authority automatically entails shareholders' waiver of their preferential right to subscribe for the shares to which these securities could give a right, for the benefit of the owners of securities giving access to the capital of the Company immediately or in the future issued pursuant to this delegation.	Authorization resolved by the combined shareholders meeting held on June 28, 2013 (23rd resolution) *** Authorization used for the share capital increase of July 5, 2013, for a nominal amount of 2,274,782.25€.

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Combined General Meeting of 28 June 2013

The Combined General Meeting of 28 June 2013 delegated to the Management Board the power to increase the share capital as follows:

Operation	Resolution	Duration of the authorisation	Terms and maximum amount of the capital increase	Status of the authorisation
Capital increase through issue of ordinary shares or any securities giving access to the capital with preferential subscription rights	18	26 months i.e. until 28 August 2015	The overall nominal increase in share capital carried out immediately or in the future pursuant to the powers delegated by the General Meeting in this resolution may not under any circumstances exceed a total of one million five-hundred thousand (1,500,000) euros or the equivalent value in a foreign currency, to which amount will be added the amount of shares or securities issued for any adjustments made in accordance with applicable law or regulations and, where necessary, with contractual stipulations providing for other adjustments to preserve the rights of the holders of securities giving access to capital; In accordance with applicable law and regulations, shareholders may exercise their preferential rights to subscribe for ordinary shares and securities by virtue of this resolution. Furthermore, the Management Board may give the shareholders the right to subscribe for excess shares to be exercised in proportion to their rights and within the limit of their applications; If take-up for shares reserved as of right on the basis of existing shareholdings and, where applicable, for excess shares allotted subject to reduction, should fail to account for the entire issue of the shares or securities giving access to the share capital as defined above, the Management Board may offer all or part of the shares not taken up; Securities giving access to shares in the Company thereby issued may consist of debt securities or be linked to the issuing of such securities, or else enable the issue thereof as intermediate securities. These debt securities may or may not be for an unlimited term, may or may not be subordinate, and may be issued in France or abroad, either in euros or in another currency, or in any other monetary units established by reference to several currencies. The maximal nominal amount of debt securities thereby issued cannot exceed seventy million euros (€70,000,000) or the equivalent value on the date of the issue decision, but will be independent of the amount of debt securities not giving access to capital for which issue may otherwise be authorised.	Authorization still in force *** Authorization not yet used

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Operation	Resolution	Duration of the authorisation	Terms and maximum amount of the capital increase	Status of the authorisation
Capital increase through issue of ordinary shares or any securities giving access to the capital with cancellation of preferential subscription rights by public offering.	19	26 months i.e. until 28 August 2015	The overall nominal amount of increases in share capital carried out immediately or in the future may not under any circumstances exceed a total of one million five-hundred thousand (1,500,000) euros or the equivalent value in a foreign currency, net of issue premium, to which amount will be added the amount of shares or securities issued for any adjustments made in accordance with applicable law or regulations and, where necessary, with contractual stipulations providing for other adjustments to preserve the rights of the holders of securities giving access to capital; The Company may carry out the capital increase through a public offering of securities. Shareholders' preferential subscription right to shares and securities giving access to the capital of the Company under this resolution will be cancelled. The Management Board may nevertheless grant the shareholders, pursuant to Article L. 225-135, paragraph 5, of the French Commercial Code, a priority subscription period for a time period that it will establish in accordance with applicable laws and regulations and for all or part of the issue. This priority subscription period shall not result in the creation of negotiable rights and must be exercised in proportion to the number of shares owned by each shareholder. Securities giving access to shares in the Company thereby issued may consist of debt securities or be linked to the issuing of such securities, or else enable the issue thereof as intermediate securities. These debt securities may or may not be for an unlimited term, may or may not be subordinate, and may be issued in France or abroad, either in euros or in another currency, or in any other monetary units established by reference to several currencies. The maximal nominal amount of debt securities thereby issued cannot exceed seventy million euros (€70,000,000) or the equivalent value on the date of the issue decision, but will be independent of the amount of debt securities not giving access to capital for which issue may otherwise be authorised. They may have a fixed or variable interest rate, with or without capitalisation, may be redeemed with or without a premium, and may be depreciated. The securities may also be purchased on the stock market or offered for sale or exchange by the Company.	Authorization still in force *** Authorization not yet used
Capitalisation of reserves, earnings or premiums	20	26 months i.e. until 28 August 2015	Possibility of one or more capital increases through capitalisation of premiums, reserves, earnings, etc. in the form of free shares or by increasing the par value of existing shares, or a combination of the two; The overall nominal amount of increases in share capital carried out immediately or in the future pursuant to this resolution may not under any circumstances exceed a total of one million five-hundred thousand (1,500,000) euros. Resulting fractional rights shall not be negotiable and shall be sold; the proceeds from the sale will be allocated to rights holders within the time frame set out in regulations;	Authorization still in force *** Authorization not yet used

valneva

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Operation	Resolution	Duration of the authorisation	Terms and maximum amount of the capital increase	Status of the authorisation
Capital increase with cancellation of preferential subscription rights through private placement.	21	26 months i.e. until 28 August 2015	The total amount of capital increases carried out immediately or in the future may not exceed the maximum provided for in applicable regulations, i.e. 20% of the share capital per year. Where necessary, the nominal amount of any shares issued pursuant to the law and contractual provisions to protect the rights of holders of securities giving access to capital shall be added to this ceiling. Preferential subscription rights to shares and securities giving access to the capital of the Company covered by this resolution shall be cancelled; Securities giving access to shares in the Company thereby issued may consist of debt securities or be linked to the issuing of such securities, or else enable the issue thereof as intermediate securities. These debt securities may or may not be for an unlimited term, may or may not be subordinate, and may be issued in France or abroad, either in euros or in another currency, or in any other monetary units established by reference to several currencies. The maximal nominal amount of debt securities thereby issued cannot exceed seventy million euros (€70,000,000) or the equivalent value on the date of the issue decision, but will be independent of the amount of debt securities not giving access to capital for which issue may otherwise be authorised. They may have a fixed or variable interest rate, with or without capitalisation, may be redeemed with or without a premium, and may be depreciated. The securities may also be purchased on the stock market or offered for sale or exchange by the Company.	Authorization still in force *** Authorization not yet used
Capital increase by issue of shares and/or securities giving access to the capital of the Company immediately and/or in the future, with cancellation of preferential subscription rights in consideration for contributions in kind of equity securities or securities giving access to capital.	22	26 months i.e. until 28 August 2015	Capital increase of no more than 10% of the share capital as adjusted for transactions subsequent to the General Meeting, where the provisions of Article L. 225-148 of the French Commercial Code do not apply. Where necessary, cancellation of preferential subscription right of the shareholders for the securities covered by this resolution.	Authorization still in force *** Authorization not yet used

Resolution No. 23:
The total amount of capital increases carried out immediately or in the future under resolutions 18 to 22 may not exceed three million euros (€3,000,000). Where necessary, the nominal amount of any ordinary shares issued in accordance with applicable law or regulations and, where necessary, with contractual stipulations providing for other adjustments to preserve the rights of the holders of securities giving access to the capital of the company immediately and/or in the future shall be added to this ceiling.

In accordance with Article L. 225-129-2, paragraph 2 of the French Commercial Code, the authorisation granted to the Management Board pursuant to resolutions 18 to 22 of this resolution supersedes and cancels – only for the future and the unused portion – the delegation of the same type granted under resolution 9 of the Combined General Meeting of 7 March 2013.

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Operation	Resolution	Duration of the authorisation	Terms and maximum amount of the capital increase	Status of the authorisation
Issue of stock options	24	38 months i.e. until 28 August 2016	The total number of options granted under this authorisation may not give rise to the right to subscribe to a total number of shares representing more than 4% of the capital of the Company at the date of recognition of the capital increase carried out pursuant to resolution 9 of the Combined General Meeting of 7 March 2013. Any free shares granted pursuant to resolution 25 of the meeting of 28 June 2013 shall be applied against this ceiling. The subscription price of the shares shall equal 90% of the average price of the shares over the twenty trading days preceding the date of grant by the Management Board.	Authorization still in force *** Authorization used for the "Valneva ESOP plan 2013" (Stock-options plan n°7): 1,052,950 options issued, giving the right to subscribe for 1,052,950 shares in total.
Free shares, buyback of shares by the Company on the market for this purpose	25	38 months i.e. until 28 August 2016	Issue of free shares to categories of beneficiaries to be determined by the Management Board from among: - salaried employees of the Company and its subsidiaries, - members of the Company Management Board and corporate officers of its subsidiaries. The total number of ordinary shares freely granted pursuant to this authorisation may not represent more than 4% of the capital of the Company at the date of recognition of the capital increase carried out pursuant to resolution 9 of the Combined General Meeting of 7 March 2013. Any shares issued through this resolution shall be deducted from the overall ceiling mentioned in resolution 24 of this General Meeting. Existing shares granted may be acquired in accordance with Article L 225-208 of the French Commercial Code.	Authorization still in force *** Authorization not yet used
Capitalisation of reserves, earnings or premiums	26	38 months i.e. until 28 August 2016	Possibility to carry out one or more capital increases through the capitalisation of premiums, reserves, earnings, etc. via grant of free shares; The overall nominal amount of capital increases carried out immediately or in the future under this resolution may not under any circumstances exceed 4% of the capital of the Company at the date of recognition of the capital increase carried out pursuant to resolution 9 of the Combined General Meeting of 7 March 2013, which is deducted pro rata from the abovementioned ceiling on the maximum number of free shares the Management Board may grant.	Authorization still in force *** Authorization not yet used

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Shares held by the Company

Authorisation of share buyback and cancellation programmes - AGM of March 7, 2013

Operation	Resolution	Duration of the authorisation	Terms and maximum amount of the capital increase	Status of the authorisation
Share capital reduction by cancellation of treasury shares	6	24 months i.e. until 7 March 2015	Authorisation to cancel, on one or more occasions and within the limit of 10% of the capital of the Company the day of cancellation, all or part of the ordinary and/or preferred shares that the Company may hold as a result of acquisitions under the share buyback programme authorised in resolution 11 of the meeting or buyback programmes authorised after the meeting in accordance with Article L225-209 of the French Commercial Code or pursuant to the Articles of Association. The excess of the purchase price of the shares over their par value will be recorded on the balance sheet of the Company under "Merger Premium" or in any other available reserve;	Authorization still in force *** Authorization not yet used
Authorisation granted to the Management Board to trade in Company shares	11	18 months i.e. until 7 September 2014	The purpose of the authorisation is to allow the Company to buy back its own shares under the conditions set out in Articles L225-209 et seq. of the French Commercial Code and in the description of the programme published according to the rules of the French Financial Markets Authority, for the following reasons: - ensure the liquidity or promote the market in the Company's share through an independent investment service provider, under a liquidity agreement established in compliance with the French Association of Investment Firms' (AFEI) code of business ethics; - allocate shares to employees as permitted by the regulations, especially through profit sharing schemes, stock options, company or group savings plans, or free shares; - conserve and reissue them in acquisitions within the limit of 5% of the capital; - conserve and reissue them when the rights attached to securities giving access to capital are exercised; - cancel them by a reduction in capital; - implement any market practice accepted or that will be accepted by the market authorities; - enable Intercell shareholders to exercise their exit right in the conditions and within the limits set out in Article 7.5 of the Merger Agreement. The minimum purchase price per share excluding expenses may not exceed 31.50 euros, subject to any adjustments relating to transactions on the capital of the Company. The maximum number of shares acquired under this resolution is 10% of the share capital of the Company on the date at which the purchase is completed. This amount shall take into account the treasury shares already held by the company on the transaction date, to ensure that the total amount of treasury shares does not exceed this 10% limit. The total amount spent on these purchases may not exceed 15 million euros.	Authorization still in force *** Authorization used to enable Intercell shareholders to exercise their exit right in the conditions and within the limits set out in Article 7.5 of the Merger Agreement, but also within the frame of the liquidity agreement concluded with "Natixis" (see section 23 of this Annual Report)

Concerning shares buy-back, please, refer also to section 23 of this Annual Report.

15.9 – AGREEMENTS ENTERED INTO BY THE COMPANY WHICH ARE ALTERED OR TERMINATED IN CASE CONTROL OF THE COMPANY IS MODIFIED

An anticipated reimbursement of the loan mentioned in section 1.2.5 of this Annual Report is payable, together with additional indemnities from which are deduced the interests that have been already paid, in case there would be a change of control of the Company.

15.10 – FINANCIAL COMPENSATION FOR MEMBERS OF THE MANAGEMENT BOARD OR FOR EMPLOYEES IN CASE OF RESIGNATION, DISMISSAL WITHOUT REAL AND SERIOUS GROUNDS OR IF TERMINATION IS DUE TO A PUBLIC OFFERING

This type of financial compensation has not been implemented within Valneva for its employees.

However, indemnities have been provided for the members of the Management Board of the Company, in case of resignation or dismissal from their mandate/functions, through their Management Agreement or their Employment and Management Agreement, concluded with the Company or its subsidiary, Valneva Austria GmbH.

Thomas Lingelbach Employee of Valneva Austria GmbH Under an Employment and Management Agreement (EMA) with Valneva Austria GmbH	**Franck Grimaud** Under a Management Agreement (MA) with Valneva SE	**Reinhard Kandera** Employee of Valneva Austria GmbH Under an Employment and Management Agreement (EMA) with Valneva Austria GmbH
If Mr. Thomas Lingelbach is removed from the Management Board <u>for cause</u>, the Employment and Management Agreement (***EMA***) will automatically terminate. If the termination constitutes a good cause for termination of EMA (pursuant to Sec 27 of the Austrian White Collar Workers Act), Mr. Thomas Lingelbach shall have no right to future remuneration. If Mr. Thomas Lingelbach resigns from the Management Board <u>for cause</u> and this also constitutes a good cause for termination of EMA by Mr. Thomas Lingelbach under Austrian law (Sec 26 of the Austrian White Collar Workers Act), Mr.	If Mr. Franck Grimaud is removed from the Management Board <u>for a good cause</u> (in accordance with article L. 225-61 of the French commercial code), the Management Agreement (***MA***) will automatically terminate, and Mr. Franck Grimaud shall have no right to future remuneration. Valneva SE may terminate the MA on 4 weeks' notice <u>without cause</u>, in which case Mr. Franck Grimaud shall be entitled to all remuneration until the end of the Initial Term, as well as its bonus, insurance, reimbursement of expenses and payment of benefits in kind until the	If Mr. Reinhard Kandera is removed from the Management Board <u>for cause</u>, the Employment and Management Agreement (***EMA***) will automatically terminate. If the termination constitutes a good cause for termination of EMA (pursuant to Sec 27 of the Austrian White Collar Workers Act), Mr. Reinhard Kandera shall have no right to future remuneration. If Mr. Reinhard Kandera resigns from the Management Board <u>for cause</u> and this also constitutes a good cause for termination of EMA by Mr. Reinhard Kandera under Austrian law (Sec 26 of the Austrian White Collar Workers Act), Mr.

Thomas Lingelbach Employee of Valneva Austria GmbH Under an Employment and Management Agreement (EMA) with Valneva Austria GmbH	**Franck Grimaud** Under a Management Agreement (MA) with Valneva SE	**Reinhard Kandera** Employee of Valneva Austria GmbH Under an Employment and Management Agreement (EMA) with Valneva Austria GmbH
Thomas Lingelbach shall be entitled to remuneration and bonus for period of 3 years from start of the contract (***Initial Term***). Valneva Austria GmbH may terminate the EMA on 4 weeks' notice without cause, in which case Mr. Thomas Lingelbach shall be entitled to all remuneration until the end of the Initial Term, as well as bonus, insurance, reimbursement of expenses and payment of benefits in kind until the end of the notice period. Mr. Thomas Lingelbach may resign on 4 weeks' notice without cause, in which case Mr. Thomas Lingelbach shall be entitled to remuneration and bonus until end of 12 month non-compete period unless waived by Valneva Austria GmbH. If so, Mr. Thomas Lingelbach shall not be entitled to any further remuneration after expiry of the notice period. The EMA can be terminated by mutual consent, in which case Mr. Thomas Lingelbach shall be entitled to remuneration and bonus for Initial Term, even if the proposal for termination was made by the board member. If Mr. Thomas Lingelbach resigns or is terminated from his Management Board member function or similar position within	end of the notice period. Mr. Franck Grimaud may resign on 4 weeks' notice without cause, in which case Mr. Franck Grimaud shall be entitled to remuneration and bonus until end of 12 month non-compete period unless waived by Valneva SE. If so, Mr. Franck Grimaud shall not be entitled to any further remuneration after expiry of the notice period. The MA can be terminated by mutual consent, in which case Mr. Franck Grimaud shall be entitled to remuneration and bonus for the Initial Term, even if the proposal for termination was made by the board member. If Mr. Franck Grimaud resigns or is terminated from his Management Board member function or similar position within the Valneva Group, before the end of the initial term, following a reduction in his responsibilities within his Management Board member function or similar position within the Valneva Group, Mr. Franck Grimaud shall be entitled to remuneration and bonus for the Initial Term. If Mr.Franck Grimaud resigns or is terminated from his Management Board member function or similar position within the Valneva Group for any other reason, Mr.Franck	Reinhard Kandera shall be entitled to remuneration and bonus for the Initial Term. Valneva Austria GmbH may terminate the EMA on 4 weeks' notice without cause, in which case Mr. Reinhard Kandera shall be entitled to all remuneration until the end of the Initial Term, as well as bonus, insurance, reimbursement of expenses and payment of benefits in kind until the end of the notice period. Mr. Reinhard Kandera may resign on 4 weeks' notice without cause, in which case Mr. Reinhard Kandera shall be entitled to remuneration and bonus until end of 12 month non-compete period unless waived by Valneva Austria GmbH. If so, Mr. Reinhard Kandera shall not be entitled to any further remuneration after expiry of the notice period. The EMA can be terminated by mutual consent, in which case Mr. Reinhard Kandera shall be entitled to remuneration and bonus for the Initial Term, even if the proposal for termination was made by the board member. If Mr. Reinhard Kandera resigns or is terminated from his Management Board member function or similar position within the Valneva Group,

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Thomas Lingelbach Employee of Valneva Austria GmbH Under an Employment and Management Agreement (EMA) with Valneva Austria GmbH	**Franck Grimaud** Under a Management Agreement (MA) with Valneva SE	**Reinhard Kandera** Employee of Valneva Austria GmbH Under an Employment and Management Agreement (EMA) with Valneva Austria GmbH
the Valneva Group, (including without limitation as CEO), before the end of the initial term, following a reduction in his responsibilities within his Management Board member function or similar position within the Valneva Group (incl. CEO), Mr. Thomas Lingelbach shall be entitled to remuneration and bonus for the Initial Term. If Mr.Thomas Lingelbach resigns or is terminated his Management Board member function or similar position within the Valneva Group (including without limitation as CEO) for any other reason, Mr.Thomas Lingelbach shall be entitled to remuneration and bonus until earlier of (i) Mr.Thomas Lingelbach finding an alternative full-time employment with an equivalent or similar level of remuneration and (ii) end of Initial Term. Mr. Thomas Lingelbach is not subject to statutory provisions of Austrian Corporate Staff and Self-Employment Provision Act.	Grimaud shall be entitled to remuneration and bonus until earlier of (i) Mr.Franck Grimaud finding an alternative full-time employment with an equivalent or similar level of remuneration and (ii) end of Initial Term.(***). (***) it must be noted that Mr. Franck Grimaud's rights to bonus under the termination provisions are subject to meeting performance criteria in accordance with French law. More generally, M. Franck Grimaud's contract and rights are subject to French corporate law rather than French employment law because he derives his rights from being a corporate officer rather than an employee.	before the end of the initial term, following a reduction in his responsibilities within his Management Board member function or similar position within the Valneva Group, Mr. Reinhard Kandera shall be entitled to remuneration and bonus for the Initial Term. If Mr.Reinhard Kandera resigns or is terminated from his Management Board member function or similar position within the Valneva Group for any other reason, Mr.Reinhard Kandera shall be entitled to remuneration and bonus until earlier of (i) Mr.Reinhard Kandera finding an alternative full-time employment with an equivalent or similar level of remuneration and (ii) end of Initial Term. Mr. Reinhard Kandera is not subject to statutory provisions of Austrian Corporate Staff and Self-Employment Provision Act.

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16 – SHARE CAPITAL DISTRIBUTION

Please, refer to section 15.1 of this Annual Report.

17 – COMPENSATION PAID TO CORPORATE OFFICERS (under Article L225-102-1 of the French commercial code)

The information given herein takes account of the merger with the company "Intercell AG". Therefore, the presentation of the global amount of compensation for the Management and Supervisory Board members is made in separate parts, with respect to the pre-merger period and the post-merger period, in order to take into consideration the changes in the composition of each Board.

In accordance with the AMF recommendations, the information given herein includes compensation allocated to the members of the Management and Supervisory Boards by:

+ the Company;
+ the companies controlled, pursuant to article L.233-16 of the French Commerical code, by the Company in which the mandate is exercised;
+ the companies controlled, pursuant to article L.233-16 of the French Commerical code, by the Company(ies) controlling the Company in which the mandate is exercised;
+ the company(ies) controlling pursuant to the same article the Company in which the mandate is exercised;
+ in consideration of the services they provided to companies of the Group.

The amounts presented below are on a gross basis before tax.

The Management Board

Global amount of compensation with respect to the pre-merger period

Remuneration

Franck Grimaud, Chairman of the Management Board, CEO	**2013**		**2012**	
	Amounts due	Amounts paid (until May 28, 2013)	Amounts due	Amounts paid
Fixed	€157,590 (Amount set by the Supervisory Board of Vivalis for the year 2013)	€52,530	€ 153,000	€ 153,000
Annual variable remuneration	€0 (Amount fixed with respect to the 2013 objectives not yet fixed by the Supervisory Board of Vivalis for the pre-merger period. The Supervisory Board of Vivalis indicates that this amount will be set when the merger is done.)	€17,671.50 (Amount paid with respect to the 2012 objectives)	€ 53,550 (Amount fixed with respect to the 2012 objectives)	€20,000 (for 2011)
Multi-year variable remuneration	0	0	0	0
Exceptional remuneration	0	0	0	0
Attendance fees	0	0	0	0
Fringe benefits[1]	€6,357 (for the year 2013)	€2,119	€6,661	€6,660.96
TOTAL	***€163,947***	***€72,320.50***	***€ 213,211***	***€ 179,660.96***

[1] A Social Insurance Contract for Company Directors and Managers (Convention Garantie Sociale des Chefs et Dirigeants d'Entreprise or GSC) has been granted to Franck Grimaud, member of the Management Board. The purpose of this Contract is to guarantee the payment of compensation in case of unemployment (up to 70% of the last professional income filed with the tax authorities). This GSC was set up pursuant to an authorization of the Board of Directors of 26 October 2000. The expense incurred by the Company for 2013 for the GSC was €6,357 compared with €6,660.96 for 2012.

Majid Mehtali, Management Board member, Managing Director*	**2013**		**2012**	
	Amounts due	Amounts paid (until May 28, 2013)	Amounts due	Amounts paid
Fixed	€189,519.96 (Amount set by the Supervisory Board of Vivalis for the year 2013)	€63,173.32	€ 183,999.96	€ 183,999.96
Annual variable remuneration	€0 (Amount fixed with respect to the 2013 objectives not yet fixed by the Supervisory Board of Vivalis for the pre-merger period. The Supervisory Board of Vivalis indicates that this amount will be set when the merger is done.)	€39,284.00 (Amount paid with respect to the 2012 objectives)	€ 64,400 (Amount fixed with respect to the 2012 objectives)	€34,000 (for 2011)
Multi-year variable remuneration	0	0	0	0
Exceptional remuneration	0	0	0	0
Attendance fees	0	0	0	0
Fringe benefits	0	0	0	0
TOTAL	***€189,519.96***	***€102,457.32***	***€ 248,399.96***	***€ 217,999.96***

** These amounts were paid in connection with an employment contract.*

Céline Breda, Management Board member, Managing Director*	**2013**		**2012**	
	Amounts due	Amounts paid (until May 28, 2013)	Amounts due	Amounts paid
Fixed	€111,786.96 (Amount set by the Supervisory Board of Vivalis for the year 2013)	€37,262.32	€ 107,487.48	€ 107,487.48
Annual Variable remuneration[1]	€20,000 (Amount fixed with respect to the 2013 objectives)	€17,162 (Amount paid with respect to the 2012 objectives)	€ 20,000 (Amount fixed with respect to the 2012 objectives)	€7,400 (for 2011)
Multi-year variable remuneration	0	0	0	0
Exceptional remuneration	0	0	0	0
Attendance fees	0	0	0	0
Fringe benefits	0	0	0	0
TOTAL	***€131,786.96***	***€54,424.32***	***€ 127,487.48***	***€ 114,887.48***

** These amounts are paid in connection with an employment contract.*

[1]Since the fiscal year 2008, this compensation has represented a percentage of the fixed remuneration. The variable portion is linked to annual performance and depends on the achievement of quantitative and qualitative objectives relating to the strategy of the Company, research programs and earnings. These objectives were set according to the recommendation of the Compensation and Nomination Committee. A preliminary performance review is undertaken midyear by the Compensation and Nomination Committee. Achievement of objectives is then validated by the Supervisory Board on the recommendation of the Compensation and Nomination Committee.
The amounts set out in the "Amounts due" column represent the maximum amounts that may be granted if all the objectives are met.

Options to subscribe for or purchase shares granted to each Management Board member by the Company (Vivalis) or by any Group company prior to the merger:

	Plan No. and date	Nature of options (purchase or subscription)	Measurement of options according to IFRS 2	Number of options granted in the period	Exercise price	Exercise period
Franck Grimaud, Chairman of the Management Board	None					
Majid Mehtali, Management Board member, Managing Director	None					
Céline Breda, Management Board member, Managing Director	None					

Options to subscribe for or purchase shares exercised prior to the merger by each Management Board member

Franck Grimaud, Chairman of the Management Board	**Plan No. and date**	**Number of options exercised in the period**	**Exercise price**
	None		
Total			
Majid Mehtali, Management Board member, Managing Director	**Plan No. and date**	**Number of options exercised in the period**	**Exercise price**
	None		
Total			
Céline Breda, Management Board member, Managing Director	**Plan No. and date**	**Number of options exercised in the period**	**Exercise price**
	None		
Total			

Performance shares granted to each Management Board Member prior to the merger

Performance shares granted by the shareholders' general meeting in the period to each company officer by the issuer or any company of the group	Plan No. and date	Number of shares granted in the period	Measurement of shares according to the method used for the consolidated financial statements	Vesting date	Date of availability	Conditions of performance
Franck Grimaud, Chairman of the Management Board	None					
Majid Mehtali, Management Board member, Managing Director	None					
Céline Breda, Management Board member, Managing Director	None					

Fully vested performance shares received by each Management Board Member after expiry of the vesting period and prior to the merger

Performance shares becoming available for each company officer	Plan No. and date	Number of shares becoming available in the period	Vesting conditions
Franck Grimaud, Chairman of the Management Board	None		
Majid Mehtali, Management Board member, Managing Director	Plan 1 Allotment 6 22 February 2010	17,666	2-year vesting period, assuming presence
	Plan 2 Allotment 1 22 February 2010	15,667	2-year vesting period, assuming presence
Céline Breda, Management Board member, Managing Director	None		

Global amount of compensation with respect to the post-merger period

Remuneration

Thomas Lingelbach, Chairman of the Management Board, CEO	**2013**	
	Amounts due	Amounts paid (from May 28, 2013 until December 31, 2013)
Fixed	€320,000 (payable in 14 equal instalments) (as set by the Supervisory Board of Valneva for 2013)	€228,571.43
Annual Variable remuneration[1]	Maximum 60% of the Annual gross salary i.e. €192,000 (as set by the Supervisory Board of Valneva for the objectives of the year 2013)	€133,000 (Amount paid for the objectives set for the year 2012 by Intercell AG, as well as for the period from January 2013 to May 2013)
Multi-year variable remuneration	0	0
Exceptional remuneration	0	€640,000[3]
Attendance fees	0	0
Fringe benefits		
- Leasing car	Max. €1,100 per month, i.e. €13,200 for a year	€7,261.77
- Death and endowment policy[2]	€1,000 per month, i.e. €12,000 for a year	€7,000
TOTAL	***€537,200***	***€1,015,833.20***

[1] The variable portion is linked to annual performance and depends on the achievement of quantitative and qualitative objectives relating to the strategy of the Company, research programs and earnings. These objectives have been set according to the recommendation of the Compensation and Nomination Committee. A preliminary performance review is to be undertaken by the Compensation and Nomination Committee. Achievement of objectives is to be then validated by the Supervisory Board on the recommendation of the Compensation and Nomination Committee. Amounts indicated under the heading "Amounts due" represent the maximum amounts that may be granted if all the objectives are met.
[2] A Death and endowment policy payable by Company has been subscribed. Monthly premiums are of €1,000 for the year 2013.
[3] Amount paid in July 2013 under a Conditional Settlement Agreement dated as of December 16, 2012 between Intercell AG, Vivalis SA and Thomas Lingelbach.
This payment was in consideration for a waiver of the rights granted by Intercell AG to Mr. Lingelbach in case of change of control of the company “Intercell AG” (rights granted by a "Change of Control Agreement" signed in November 2009 and amended in May 2011), and was also intended to allow Mr. Lingelbach to acquire shares of the Company after the Vivalis / Intercell merger.

Franck Grimaud, Member of the Management Board, Managing Director, CBO	**2013**	
	Amounts due	Amounts paid (from May 28, 2013 until December 31, 2013)
Fixed	€153,000, increased up to €240,000 during the next 3 years on a linear basis – payable in 12 equal installments (as set by the Supervisory Board of Valneva for 2013)	€114,707.39
Annual variable remuneration[1]	Maximum 60% of the Annual gross salary i.e., from €91,800 up to €144,000 (as set by the Supervisory Board of Valneva for the objectives of the year 2013)	0
Multi-year variable remuneration	0	0
Exceptional remuneration	0	0
Attendance fees	0	0
Fringe benefits		
- GSC[2]	€6,357 (for the year 2013)	€4,238
TOTAL	***From €251,157 up to 390,357€***	***€118,945.39***

[1] The variable portion is linked to annual performance and depends on the achievement of quantitative and qualitative objectives relating to the strategy of the Company, research programs and earnings. These objectives have been set according to the recommendation of the Compensation and Nomination Committee. A preliminary performance review is to be undertaken by the Compensation and Nomination Committee. Achievement of objectives is to be then validated by the Supervisory Board on the recommendation of the Compensation and Nomination Committee. The amounts set out in the "Amounts due" column represent the maximum amounts that may be granted if all the objectives are met.

[2] A Social Insurance Contract for Company Directors and Managers (Convention Garantie Sociale des Chefs et Dirigeants d'Entreprise or GSC) has been granted to Franck Grimaud, member of the Management Board. The purpose of this Contract is to guarantee the payment of compensation in case of unemployment (up to 70% of the last professional income filed with the tax authorities). This GSC was set up pursuant to an authorization of the Board of Directors of 26 October 2000. The expense incurred by the Company for 2013 for the GSC was €6,357 compared with €6,660.96 for 2012.

Reinhard Kandera, Member of the Management Board, CFO	**2013**	
	Amounts due	Amounts paid (from May 28, 2013 until December 31, 2013)
Fixed	€240,000 (payable in 14 equal instalments) (as set by the Supervisory Board of Valneva for 2013)	**€**171,428.57
Annual variable remuneration[1]	Maximum 60% of the Annual gross salary i.e. €144,000 (as set by the Supervisory Board of Valneva for the objectives of the year 2013)	**€**100,000 (Amount paid for the objectives set for the year 2012 by Intercell AG, as well as for the period from January 2013 to May 2013)
Multi-year variable remuneration	0	0
Exceptional remuneration	0	€240,000[3]
Attendance fees	0	0
Fringe benefits		
- Leasing Car	Max. €1,100 per month, i.e. €13,200 for a year	**€**3,603.36
- Death and endowment policy[2]	€12,000 for a year	0
TOTAL	***€409,200***	***€515,031.93***

[1] The variable portion is linked to annual performance and depends on the achievement of quantitative and qualitative objectives relating to the strategy of the Company, research programs and earnings. These objectives have been set according to the recommendation of the Compensation and Nomination Committee. A preliminary performance review is to be undertaken by the Compensation and Nomination Committee. Achievement of objectives is to be then validated by the Supervisory Board on the recommendation of the Compensation and Nomination Committee. The amounts set out in the "Amounts due" column represent the maximum amounts that may be granted if all the objectives are met.

[2] A Death and endowment policy payable by Company has been subscribed.

[3] Amount paid in July 2013 under a Conditional Settlement Agreement dated as of December 16, 2012 between Intercell AG, Vivalis SA and Reinhard Kandera.

This payment was in consideration for a waiver of the rights granted by Intercell AG to Mr. Kandera in case of change of control of the company "Intercell AG" (rights granted by a "Change of Control Agreement" signed in November 2009 and amended in May 2011), and was also intended to allow Mr. Kandera to acquire shares of the Company after the Vivalis / Intercell merger.

Majid MEHTALI, Member of the Management Board, CSO	**2013**	
	Amounts due	Amounts paid (from May 28, 2013 until December 31, 2013)
Fixed	€184,000, increased up to €240,000 during the next 3 years on a linear basis (as set by the Supervisory Board of Valneva for 2013)	€74,686.78
Annual variable remuneration[1]	Maximum 60% of the Annual gross salary i.e., from €110,400 up to €144,000 (as set by the Supervisory Board of Valneva for the objectives of the year 2013)	€67,466.67 (Amount paid for the objectives set for the year 2013)
Multi-year variable remuneration	0	0
Exceptional remuneration	0	0
Attendance fees	0	0
Fringe benefits	0	0
TOTAL	***From €294,400 up to 384,000€***	***€142,153.45***

[1] The variable portion is linked to annual performance and depends on the achievement of quantitative and qualitative objectives relating to the strategy of the Company, research programs and earnings. These objectives have been set according to the recommendation of the Compensation and Nomination Committee. Achievement of objectives has been validated by the Supervisory Board on the recommendation of the Compensation and Nomination Committee, following the passing of Majid Mehtali. The amounts set out in the "Amounts due" column represent the maximum amounts that may be granted if all the objectives are met

This document is a free translation. In case of discrepancy between the French and the English version, the French version shall prevail.

Options to subscribe for or purchase shares granted to each Management Board member by the Company or any Valneva Group company as from the merger:

	Plan No. and date	**Nature of options (purchase or subscription)**	**Measurement of options according to IFRS 2, with respect to the full vesting period**	**Number of options granted in the period**	**Exercise price**	**Exercise period**
Thomas Lingelbach, Chairman of the Management Board, CEO	Plan n° 7 dated October 2, 2013	Subscription shares	€160,936.47	100,000	€3.21	From October 2, 2015 for 50% of the options granted and from October 2, 2017 for the remaining 50%
Franck Grimaud, Management Board member, Managing Director, CSO	Plan n° 7 dated October 2, 2013	Subscription shares	€160,936.47	100,000	€3.21	From October 2, 2015 for 50% of the options granted and from October 2, 2017 for the remaining 50%
Reinhard Kandera, Management Board member, CFO	Plan n° 7 dated October 2, 2013	Subscription shares	€160,936.47	100,000	€3.21	From October 2, 2015 for 50% of the options granted and from October 2, 2017 for the remaining 50%
Majid MEHTALI, Member of the Management Board, CSO	NONE					

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Options to subscribe for or purchase shares exercised by each Management Board member as from the merger

Thomas Lingelbach, Chairman of the Management Board	**Plan No. and date**	**Number of options exercised in the period**	**Exercise price**
	None		
Total			
Franck Grimaud, Management Board member	**Plan No. and date**	**Number of options exercised in the period**	**Exercise price**
	None		
Total			
Reinhard Kandera, Management Board member	**Plan No. and date**	**Number of options exercised in the period**	**Exercise price**
	None		
Total			
Majid MEHTALI, Member of the Management Board, CSO	**Plan No. and date**	**Number of options exercised in the period**	**Exercise price**
	April 5, 2005 (Plan n°4)	385 (i.e. 41,580 shares)	€1.80
	April 3, 2006 (Plan n°4 bis)	160 (i.e. 17,280 shares)	€1.80
	April 3, 2006 (Plan n°5)	290 (i.e. 31,320 shares)	€1.80
Total		**835 (i.e. 90,180 shares)**	

Performance shares granted to each Management Board Member as from the merger

Performance shares granted by the shareholders' general meeting in the period to each company officer by the issuer or any company of the group	**Plan No. and date**	**Number of shares granted in the period**	**Measurement of shares according to the method used for the consolidated financial statements**	**Vesting date**	**Date of availability**	**Conditions of performance**
Thomas Lingelbach, Chairman of the Management Board, CEO	None					
Franck Grimaud, Management Board member, Managing Director, CSO	None					
Reinhard Kandera, Management Board member, CFO	None					
Majid MEHTALI, Member of the Management Board, CSO	None					

Fully vested performance shares granted, after expiry of the vesting period, to each Management Board Member, from the merger

Performance shares becoming available for each company officer	Plan No. and date	Number of shares becoming available in the period	Vesting conditions
Thomas Lingelbach, Chairman of the Management Board, CEO	None		
Franck Grimaud, Management Board member, Managing Director, CSO	None		
Reinhard Kandera, Management Board member, CFO	None		
Majid MEHTALI, Member of the Management Board, CSO	None		

Summary of remuneration, options and shares granted to each Management Board member

	2013	2012
Thomas Lingelbach, Chairman of the Management Board of Valneva SE		
Remuneration payable for the period	€537,200	n.a.
Valuation of options granted in the period	€160,936.47	n.a.
Valuation of performance shares granted in the period	None	n.a.
Total Thomas Lingelbach	**€698,136.47**	
Franck Grimaud, former Chairman of the Management Board of Vivalis SA, then member of the Management Board and Managing Director of Valneva SE		
Remuneration payable for the period	€163,947, then from €251,157 up to 390,357€ after the merger	€ 213, 211
Valuation of options granted in the period	€160,936.47	None
Valuation of performance shares granted in the period	None	None
Total Franck Grimaud	**€324,883, then from €412,093.47 up to €551,293.47**	**€ 213, 211**
Reinhard Kandera, Member of the Management Board of Valneva SE		
Remuneration payable for the period	€409,200	n.a.
Valuation of options granted in the period	€160,936.47	n.a.
Valuation of performance shares granted in the period	None	n.a.
Total Reinhard Kandera	**€570,136.47**	**€ 213, 211**
Céline Breda, former Management Board member and Managing Director of Vivalis SA		
Remuneration payable for the period	€131,786.96	€ 127,487.48
Valuation of options granted in the period	None	None
Valuation of performance shares granted in the period	None	None
Total Céline Breda	**€131,786.96**	**€ 127,487.48**
Majid Mehtali, former Management Board member and Managing Director of Vivalis SA		
Remuneration payable for the period	€189,519.96, then from €294,400 up to 384,000€ after the merger	€ 248,399.96
Valuation of options granted in the period	None	None
Valuation of performance shares granted in the period	None	None
Total Majid Mehtali	**€189,519.96, then from €294,400 up to 384,000€ after the merger**	**€ 248.399,96**

Management Board members	Employment contract		Supplemental retirement plan		Indemnities or benefits payable on termination or change of functions		Indemnities relating to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Thomas Lingelbach (Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	x[1]			x	x[5]		x[4]	
Franck Grimaud (Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)		x		x	x[2&5]		x[4]	
Reinhard Kandera (Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	x[1]			x	x[5]		x[4]	
Majid Mehtali (Appointed on 24 March 2004, effective end of term of office on August 10, 2013)	x[3]			x		x		x
Céline Breda (Appointed on 27 June 2005, effective end of term of office on May 28, 2013)	x[3]			x		x		x

[1] *With the subsidiary Valneva Austria GmbH.*
[2] *A Social Insurance Contract for Company Directors and Managers (Convention Garantie Sociale des Chefs et Dirigeants d'Entreprise or GSC) was granted to Franck Grimaud, member of the Management Board. The purpose of this Contract is to guarantee the payment of compensation in case of unemployment (up to 70% of the last professional income filed with the tax authorities). This GSC was set up pursuant to an authorisation of the Board of Directors of 26 October 2000.*
[3] *At the date of appointment of Majid Mehtali and Céline Breda as Management Board member, an employment agreement had already been signed between the company and Majid Mehtali and the Company and Céline Breda. Those agreements have not been terminated until the merger with Intercell concerning Majid Mehtali, and until resignation of Céline Breda on November 2013, as they were implementing operational duties and responsibilities different from their management board duties.*

Thomas Lingelbach Employee of Valneva Austria GmbH Under an Employment and Management Agreement (*EMA*) with Valneva Austria GmbH	**Franck Grimaud** Under a Management Agreement (*MA*) with Valneva SE	**Reinhard Kandera** Employee of Valneva Austria GmbH Under an Employment and Management Agreement (*EMA*) with Valneva Austria GmbH
The Board Member is subject to the legal restraint on competition pursuant to Sec 79 of the Austrian Stock Corporation Act (Aktiengesetz). In case the Supervisory Board of Valneva SE does not waive the following, the Board Member shall - for a period of one year following the termination of his *EMA* - not be gainfully employed with a competitor for whichever reason, especially in the fields of serums. "Being gainfully employed" means in particular (but not limited to) that the Board Member: - enters into a contractual relationship with a competitor of Valneva Austria GmbH, be it as white-collar employee, consultant or in a similar position; - becomes direct or indirect owner or shareholder of a home or foreign competitor of Valneva Austria GmbH , except for the investment in listed stock corporations for investment reasons only; - becomes member of a legal (representative) body of a competitor of Valneva Austria GmbH, especially in the management board, the supervisory board or as counsel or consultant, even if the services are not remunerated.	In case the Supervisory Board of Valneva SE does not waive the following, the Board Member shall - for a period of one year following the termination of his *MA* - not be gainfully employed with a competitor for whichever reason, especially in the fields of serums. "Being gainfully employed" means in particular (but not limited to) that the Board Member: - enters into a contractual relationship with a competitor of Valneva SE/ Valneva Austria GmbH, be it as white-collar employee, consultant or in a similar position; - becomes direct or indirect owner or shareholder of a home or foreign competitor of Valneva SE/ Valneva Austria GmbH , except for the investment in listed stock corporations for investment reasons only; - becomes member of a legal (representative) body of a competitor of Valneva SE/ Valneva Austria GmbH, especially in the management board, the supervisory board or as counsel or consultant, even if the services are not remunerated.	The Board Member is subject to the legal restraint on competition pursuant to Sec 79 of the Austrian Stock Corporation Act (Aktiengesetz). In case the Supervisory Board of Valneva SE does not waive the following, the Board Member shall - for a period of one year following the termination of his *EMA* - not be gainfully employed with a competitor for whichever reason, especially in the fields of serums. "Being gainfully employed" means in particular (but not limited to) that the Board Member: - enters into a contractual relationship with a competitor of Valneva Austria GmbH, be it as white-collar employee, consultant or in a similar position; - becomes direct or indirect owner or shareholder of a home or foreign competitor of Valneva Austria GmbH , except for the investment in listed stock corporations for investment reasons only; - becomes member of a legal (representative) body of a competitor of Valneva Austria GmbH, especially in the management board, the supervisory board or as counsel or consultant, even if the services are not remunerated.

Thomas Lingelbach Employee of Valneva Austria GmbH Under an Employment and Management Agreement (*EMA*) with Valneva Austria GmbH	**Franck Grimaud** Under a Management Agreement (*MA*) with Valneva SE	**Reinhard Kandera** Employee of Valneva Austria GmbH Under an Employment and Management Agreement (*EMA*) with Valneva Austria GmbH
In any case, this non-competition clause shall apply in the case of justified termination of the *EMA*/revocation of the board membership on cause by Valneva Austria GmbH (Sec 27 Austrian White Collar Workers Act [Angestelltengesetz]) or unjustified premature termination on cause by the Board Member (Sec 26 Austrian White Collar Workers Act) . In the case of any other termination mode, this non-competition clause shall only apply, if the Board Member has served the Company and/or Valneva Austria GmbH as Board Member for at least three years on the whole, and provided that the entire remuneration is paid for the 12 months' non-compete period. Furthermore, the Board Member shall not - for a period of 12 months following the termination of his *EMA* - induce personnel, free- lancer, consultants or members of the Scientific Board in whichever form to terminate their employment contracts with Valneva Austria GmbH.	In any case, this non-competition clause shall apply in the case of justified termination of the *MA*/revocation of the board membership on good cause by the Company, or for termination of the *MA* by the Board Member, except if this termination is due to circumstances involving legal, functional or actual diminution of the Board Member's responsibilities within his Management Board member function or similar position within the Valneva Group, such diminution not being itself due to circumstances likely to justify a revocation for good cause or any applicable similar ground of removal under the relevant jurisdiction. In the case of any other termination mode, this non-competition clause shall only apply, if the Board Member has served the Company and/or Valneva Austria GmbH as Board Member for at least three years on the whole, and provided that the entire remuneration is paid for the 12 months' non-compete period. Furthermore, the Board Member shall not - for a period of 12 months following the termination of his *MA* - induce personnel, free- lancer, consultants or members of the Scientific Board in whichever form to terminate their employment contracts with Valneva SE.	In any case, this non-competition clause shall apply in the case of justified termination of the *EMA*/revocation of the board membership on cause by Valneva Austria GmbH (Sec 27 Austrian White Collar Workers Act [Angestelltengesetz]) or unjustified premature termination on cause by the Board Member (Sec 26 Austrian White Collar Workers Act) . In the case of any other termination mode, this non-competition clause shall only apply, if the Board Member has served the Company and/or Valneva Austria GmbH as Board Member for at least three years on the whole, and provided that the entire remuneration is paid for the 12 months' non-compete period. Furthermore, the Board Member shall not - for a period of 12 months following the termination of his *EMA* - induce personnel, free- lancer, consultants or members of the Scientific Board in whichever form to terminate their employment contracts with Valneva Austria GmbH.

[5] Please, refer to section 15.10 of this Annual Report.

The Supervisory Board

Pre-merger period

Attendance fees and other remuneration received by non-executive officers

	Amounts paid until May 28, 2013	**Amounts paid in 2012**
Frédéric Grimaud, Chairman of the Supervisory Board		
Attendance fees	0	0
Other remuneration	0	0
Joseph Grimaud, Vice-Chairman of the Supervisory Board		
Attendance fees	0	0
Other remuneration	0	0
Grimaud La Corbière Group SA, Supervisory Board member		
Attendance fees	0	0
Other remuneration		
- In connection with the group management agreement	€111,726.36 (VAT included)	€198.000
- In connection with loan guarantees	€36,528.77 (VAT included)	€22,330.44
- In connection with normal operation	€108,347.30 (VAT included)	€242,205.59
Renée Grimaud, permanent representative of Grimaud La Corbière Group SA		
Attendance fees	0	0
Other remuneration	0	0
Thomas Grimaud, Supervisory Board member		
Attendance fees	0	0
Other remuneration	0	0
Alain Munoz, Supervisory Board member		
Attendance fees	€10,000	€20,000
Other remuneration	0	0
Michel Greco, Supervisory Board member		
Attendance fees	€10,000	€20,000
Other remuneration	€0	0
TOTAL	**€276,602.43**	**€502,536.03**

Post-merger period

Attendance fees and other remuneration received by non-executive officers

	Amounts paid from May 28, 2013 until December 31, 2013	Amounts paid in 2012
Frédéric Grimaud, Chairman of the Supervisory Board		
Attendance fees	€25,000	0
Other remuneration	0	
Alain Munoz, Supervisory Board member		
Attendance fees	€18,333	€20,000
Other remuneration	0	0
Michel Greco, Supervisory Board member		
Attendance fees	€18,333	€20,000
Other remuneration - Attendance fees paid with respect to his Supervisory Board member mandate within Intercell AG, for the period between October 1, 2012 and December 16, 2012	€9,206.52	n.a.
Anne-Marie Graffin, Supervisory Board member		
Attendance fees	€15,000	n.a.
Other remuneration	0	n.a.
James Sulat, Supervisory Board member		
Attendance fees	€20,000	n.a.
Other remuneration - Attendance fees paid with respect to his Supervisory Board member mandate within Intercell AG, for the period between October 1, 2012 and May 27, 2013	€28,574.28	n.a.
Hanz Wigzell, Supervisory Board member		
Attendance fees	15,000€	n.a.
Other remuneration - Attendance fees paid with respect to his Supervisory Board member mandate within Intercell AG, for the period between October 1, 2012 and May 27, 2013	€27,500	n.a.
Alexander Von Gabain, Supervisory Board member		
Attendance fees	€15,000	n.a.
Other remuneration - Attendance fees paid with respect to his Supervisory Board member mandate within Intercell AG, for the period between October 1, 2012 and May 27, 2013 - Consulting services between January 2013 to March 2013 – remuneration paid by Intercell Austria GmbH in August 2013	€26,666.67 €28,500	n.a.
TOTAL	**€247,113.47**	**€40,000**

ENVIRONMENTAL, SOCIAL AND SOCIETAL INFORMATION (ARTICLES L225-102-1 AND R225-104 OF THE FRENCH COMMERCIAL CODE)

18 – SOCIAL INFORMATION (Articles L225-102-1 and R225-104 of the French commercial code)

Please, refer to the CRS report attached to this Management Board report.

19 – SOCIETAL INFORMATION (Articles L225-102-1 and R225-104 of the French Commercial Code)

Please, refer to the CRS report attached to this Management Board report.

20 – ENVIRONMENTAL INFORMATION (Articles L225-102-1 and R225-104 of the French commercial code)

Please, refer to the CRS report attached to this Management Board report.

21 – SOCIETAL COMMITMENTS FOR SUSTAINABLE DEVELOPMENT

Please, refer to the CRS report attached to this Management Board report.

22 - RISKS OF RATE AND PRICE FLUCTUATIONS (interest rate risk, exchange rate risk and share price)

Foreign Exchange risk

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

The objective of the Company is to limit the potential negative impact of the foreign ex-change rate changes.

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

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

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

Interest rate risk

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

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

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

Share price risk

The Company is subject to price risk of its own shares within the limits of (i) its treasury shares resulting from the merger and (ii) the contract liquidity that has been signed with Natixis whose conditions of execution on the year are set out in the management report (see section 23 of this Annual Report).

23 – SHARE BUYBACK PROGRAMS

In compliance with the provisions of Article L225-211 subsection 2 of the French commercial code, we hereby report to you on transactions undertaken by virtue of the provisions of Article L225-208 or L225-209 of the French Commercial code.

- Please be mindful that the Shareholders' Meeting of 4 June 2012 (resolution 14) authorised the Management Board to implement a share buyback program for 18 months from the date of the General Meeting.

In addition, the shareholders' meeting of 7 march 2013 (resolution 14) authorised the Management Board to implement a share buyback program, also for 18 months from the date of the General Meeting (resolution 11 – see section 15.8 of this Annual Report).

The Company did not purchase any shares in 2013, in accordance with Article L225-208 of the French commercial code.

- However, the Company concluded a liquidity agreement on 6 July 2007 with Natixis. The purpose of this agreement is to ensure the liquidity and orderly trading of the Company's shares and contain the scope of price fluctuations not justified by market trends.

In accordance with Article L225-209 of the French commercial code and within the framework of the liquidity agreement, the Company acquired 1,056,949 shares and sold 1,065,550 shares in 2013 for an average purchase price of €4.79 (€6.44 in 2012) and an average sale price of €4.81 per share (€6.47 in 2012). Valneva has not paid any execution fees.

At 31 December 2013, Valneva had, within the frame of this liquidity agreement, 41,216 treasury shares with a closing value at year-end of €105,366.49 and a nominal value of €6,182.40 or 0.07%[5] of the share capital at 31 December 2013, compared to 0.23% at the end of 2012.

- At 31 December 2013, the Company also held 124,322 of its own ordinary shares with a nominal value of €0.15, and as many preferred shares with a nominal value of €0.01. The Company holds these shares as a direct result of the share buyback related to the merger with Intercell AG and the “exit” right offered to the latter’s shareholders, combined with the simultaneous implementation of consideration for the merger, as defined in Article 3 of the Merger Agreement in its 16 December 2012 version.

1. Implementation of the exit right

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

[5] This rate is calculated by reference to a total share capital of 55,898,115 Valneva shares, divided into 54,709,000 ordinary shares and 17,836,719 preferred shares written down to a nominal value of €0.15.

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

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

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

At the time of the merger, the Company have had to purchase a total of nearly 382,529 ordinary shares from exiting Intercell shareholders under the share buyback program implemented by Valneva at the Combined General Meeting of 7 March 2013, in accordance with Article L.225-209 of the French Commercial Code.

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

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

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

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

24 – TRANSACTIONS OF COMPANY SECURITIES INVOLVING MANAGEMENT

In accordance with Article L621-18-2 of the French monetary and financial code, the following table presents transactions by management in Company shares in 2013. These transactions were carried out on Euronext Paris of NYSE Euronext.

Date	Nom	Mandat	Nature de l'opération	Prix unitaire	Nombre d'actions
28.05.2013	Thomas Lingelbach	Chairman of the Management Board	Allocation of shares following the merger Vivalis/Intercell	5,70 €	3.575
28.05.2013	Thomas Lingelbach	Chairman of the Management Board	Allocation of shares following the merger Vivalis/Intercell	0,14 €	3.575
28.05.2013	Reinhard Kandera	Management Board member	Allocation of shares following the merger Vivalis/Intercell	5,70 €	9.425
28.05.2013	Reinhard Kandera	Management Board member	Allocation of shares following the merger Vivalis/Intercell	0,14 €	9.425
29.05.2013	Majid Mehtali	Management Board member	Stock-options subscription	1,80 €	90.180
17.06.2013	Franck Grimaud	Management Board member	Sale of preferential subscription rights	0,27 €	359.645
18.06.2013	James Sulat	Vice-Chairman of the Supervisory Board	Subscription of shares	2,65 €	3.750
18.06.2013	Groupe Grimaud La Corbière – Frédéric Grimaud	Chairman of the Supervisory Board	Sale of preferential subscription rights	0,27 €	10.885.267
18.06.2013	Frédéric Grimaud	Chairman of the Supervisory Board	Sale of preferential subscription rights	0,3543 €	100,000
19.06.2013	Frédéric Grimaud	Chairman of the Supervisory Board	Sale of preferential subscription rights	0,2359 €	3,053
20.06.2013	Majid Mehtali	Management Board member	Sale of preferential subscription rights	0,27 €	288,347
20.06.2013	Groupe Grimaud La Corbière – Frédéric Grimaud	Chairman of the Supervisory Board	Purchase of preferential subscription rights	0,1694 €	382,386
20.06.2013	Franck Grimaud	Management Board member	Purchase of preferential subscription rights	0,1695 €	40,300
20.06.2013	Franck Grimaud	Management Board member	Purchase of preferential subscription rights	0,1872 €	12,300
21.06.2013	Frédéric Grimaud	Chairman of the Supervisory Board	Sale of preferential subscription rights	0,1954 €	16,605
21.06.2013	Franck Grimaud	Management Board member	Purchase of preferential subscription rights	0,1617 €	28,000
21.06.2013	Reinhard Kandera	Management Board member	Sale of preferential subscription rights	0,27 €	9,425
21.06.2013	Groupe Grimaud La Corbière – Frédéric Grimaud	Chairman of the Supervisory Board	Purchase of preferential subscription rights	0,1968 €	707,575
21.06.2013	Frédéric Grimaud	Chairman of the Supervisory Board	Subscription of shares	2,65 €	32,075
21.06.2013	Reinhard Kandera	Management Board member	Purchase of preferential subscription rights	0,15 €	9,295

Date	Nom	Mandat	Nature de l'opération	Prix unitaire	Nombre d'actions
24.06.2013	Thomas Lingelbach	Chairman of the Management Board	Sale of preferential subscription rights	0,27 €	3,575
24.06.2013	Groupe Grimaud La Corbière – Frédéric Grimaud	Chairman of the Supervisory Board	Purchase of preferential subscription rights	0,10 €	132,261
24.06.2013	Thomas Lingelbach	Chairman of the Management Board	Purchase of preferential subscription rights	0,27 €	949
25.06.2013	Groupe Grimaud La Corbière – Frédéric Grimaud	Chairman of the Supervisory Board	Purchase of preferential subscription rights	0,10 €	464,038
26.06.2013	Reinhard Kandera	Management Board member	Subscription of shares	2,65 €	3,575
26.06.2013	Thomas Lingelbach	Chairman of the Management Board	Subscription of shares	2,65 €	364
26.06.2013	Groupe Grimaud La Corbière – Frédéric Grimaud	Chairman of the Supervisory Board	Subscription of shares	2,65 €	335,486
26.06.2013	Groupe Grimaud La Corbière – Frédéric Grimaud	Chairman of the Supervisory Board	Purchase of preferential subscription rights	0,0460 €	325,000
26.06.2013	Groupe Grimaud La Corbière – Frédéric Grimaud	Chairman of the Supervisory Board	Subscription of shares	2,65 €	419,230
27.06.2013	Groupe Grimaud La Corbière – Frédéric Grimaud	Chairman of the Supervisory Board	Subscription of shares	2,65 €	354,345
05.07.2013	Franck Grimaud	Management Board member	Subscription of shares	2,65 €	15,495
10.07.2013	Reinhard Kandera	Management Board member	Purchase of shares	3,2385 €	20,000
11.07.2013	Reinhard Kandera	Management Board member	Purchase of shares	3,28 €	7,000
11.07.2013	Reinhard Kandera	Management Board member	Purchase of shares	3,28 €	10,000
15.07.2013	Thomas Lingelbach	Chairman of the Management Board	Purchase of shares	3,3785 €	94,800

25 - ADJUSTMENT ON OPTIONS TO SUBSCRIBE FOR OR PURCHASE SHARES

We remind you that by decision dated July 24, 2013, the Management Board decided, in accordance with the provisions of Article L228-99 of the Commercial Code, to make an adjustment to the number of shares under option following the capital increase of July 5, 2013, so that the subscription price of these options remains constant. Similarly, the Management Board also made an adjustment to the exercise of warrants shares parity.

26 - APPOINTMENT OF AUDITORS AND DEPUTY AUDITORS

The mandates of the Joint Statutory Auditor, PwC, and of the deputy Joint Auditor Anik Chaumartin, currently in office, will end at the end of the Ordinary General Meeting to be held in 2017 to approve the financial statements for the year ended December 31, 2016.

The mandates of the Joint Statutory Auditor, Deloitte et Associés, and of the deputy Joint Auditor CABINET BEAS and Associates, currently in office, will only end at the end of the

Ordinary General Meeting to be held in 2019 to approve the accounts for the year ended December 31, 2018.

27 - FIVE-YEAR FINANCIAL SUMMARY

NATURE OF ITEM	2009 €	2010 €	2011 €	2012 €	2013 €
I- Capital at the end of the year					
Share capital	2,219,869.65	3,149,047.05	3,167,616.45	3,219,379.35	8,384,717.19
Number of ordinary shares	14,799,131	20,993,647	21,117,443	21,462,529	54,709,000[1]
Number of shares with priority dividends	0	0	0	0	0
Maximum number of shares to be created:					
* By conversion of bonds	0	0	0	0	0
* By exercising warrants	1,285,650	1,306,305	1,142,634	801,135	3,882,555
II- Operations and income for the year					
Revenue excluding tax and financial income	1,247,363	1,747,577	2,334,447	2,764,334	19,714,054
Income before tax, employee profit-sharing and depreciation allowances and provisions	-2,724,927	-5,158,706	-7,496,532	-11,712,495	-8,836,658
Tax on profit (income if negative)	-1,137,661	-2,088,820	-2,042,621	-2,758,828	-2,038,859
Employee profit-sharing due for the year	0€	0€	0€	0€	0€
Income after tax employee profit-sharing and depreciation allowance and provisions	-3,273,416	-5,319,293	-8,387,554	-11,957,883	-9,952,449
Distributed income	0€	0€	0€	0€	0€
III- Earnings per share					
Income after tax employee profit-sharing but before depreciation allowance and provisions	-0.11€	-0.15€	-0.26€	-0.42	-0.12
Income after tax employee profit-sharing and depreciation allowance and provisions	-0.22€	-0.25€	-0.40€	-0.56	-0.18
Dividend per share (indicate if gross or net)	0	0	0	0	0
IV- Personnel					
Average headcount over the period	74	87	105	104	84
Annual payroll	3,224,901	3,944,381	4,633,895	4,686,250	4,267,644
Total of amounts paid for social benefits for the year (social security, social welfare programmes, etc.)	1,464,963	1,811,994	2,151,831	2,090,362	1,933,195

[1]*This does not include Valneva's preferred shares (17,836,719 in total, i.e. around 1,189,115 Valneva's ordinary shares, once the preferred shares are written down to a nominal value of €0.15)*

28 - AUTHORISATIONS FOR CAPITAL INCREASES

In compliance with the provisions of Article L.225-100 subsection 7 of the French commercial code, information is provided below on authorisations granted to the Management Board by the General Meeting to proceed with capital increases in accordance with articles L 225-129-1 and L225-129-2 of said code and uses made of these authorisations in the period ended 31 December 2013.

Date	Reference of the decision	Nature of authorisation granted	Maximum amount of the authorisation	Date of use of the authorisation	Amount used	Duration of the authorisation in months	Balance
Extraordinary shareholders' meeting of 10 June 2010	Resolution n°16	Authorisation granted to the Management Board to grant stock options to subscribe for shares to employees and company officers with cancellation of preferential subscription rights	7,500 stock options[1]	July 24, 2013	TOTAL	38 months	0
Extraordinary shareholders' meeting of 10 June 2010	Resolutions n°17 et n°18	Authorisation granted to the Management Board to allot bonus shares to employees and company officers with cancellation of preferential subscription rights	7,500 free shares [1]	July 24, 2013	TOTAL	38 months	0

This document is a free translation. In case of discrepancy between the French and the English version, the French version shall prevail.

Date	Reference of the decision	Nature of authorisation granted	Maximum amount of the authorisation	Date of use of the authorisation	Amount used	Duration of the authorisation in months	Balance
Extraordinary shareholders' meeting of 7 June 2011	Resolution n°15	Authorisation granted to the Management Board to grant stock options to subscribe for shares to employees and company officers with cancellation of preferential subscription rights	7.500 stock options [2]	July 24, 2013	TOTAL	38 months	0
Extraordinary shareholders' meeting of 7 June 2011	Resolutions n°16 et n°17	Authorisation granted to the Management Board to allot bonus shares to employees and company officers with cancellation of preferential subscription rights	7,500 free shares [2]	July 24, 2013	TOTAL	38 months	0
Extraordinary shareholders' meeting of 4 June 2012	Resolution n°16	Authorisation granted to the Management Board to grant stock options to subscribe for shares to employees and company officers with cancellation of preferential subscription rights	157,000 stock options [3]	July 24, 2013	37,000 (once taken into account the free shares allocated in virtue of the resolution 17 of the shareholders' meeting dated June 4, 2012)	38 months	120,000 stock-options

This document is a free translation. In case of discrepancy between the French and the English version, the French version shall prevail.

Date	Reference of the decision	Nature of authorisation granted	Maximum amount of the authorisation	Date of use of the authorisation	Amount used	Duration of the authorisation in months	Balance
Extraordinary shareholders' meeting of 4 June 2012	Resolutions n°17 et n°18	Authorisation granted to the Management Board to allot bonus shares to employees and company officers with cancellation of preferential subscription rights	157,000 free shares [3]	July 24, 2013	37,000	38 months	120.000 free shares
Extraordinary shareholders' meeting of 28 June 2013	Resolution n°24	Authorisation granted to the Management Board to grant stock options to subscribe for shares to employees and company officers with cancellation of preferential subscription rights	2,231,356 stock options [4]	October 2, 2013	1,052,950	38 months	1,178,406 stock-options
Extraordinary shareholders' meeting of 28 June 2013	Resolution n°25	Authorisation granted to the Management Board to allot bonus shares to employees and company officers with cancellation of preferential subscription rights	2,231,356 free shares [4]	October 2, 2013	1,052,950 (once taken into account the stock-options allocated in virtue of the resolution 24 of the shareholders' meeting dated June 28, 2013)	38 months	1,178,406 free shares

[1], [2], [3] and [4] : The amount of these authorisations is deducted from each other.

After reading this report, we will provide you with a detailed presentation of the balance sheet, income statement and notes to the financial statement.

Roissy, 20 March 2014

THE MANAGEMENT BOARD

SUMMARY OF THE 2013 CSR REPORT

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

Valneva SE Profile

- Valneva SE was created from the merger of Vivalis (France) and Intercell (Austria, Scotland) in May 2013
- Activities: R&D, manufacture and marketing of vaccines and antibodies
- Head office in Lyon, France
- 279 employees at 31/12/2013
- Main sites:
  - Vienna, Austria
  - Livingston, Scotland
  - Nantes and Lyon, France
  - Presence in the United States and Japan
- Revenue: €36 million in 2013

CSR Report

As a listed company, SE Valneva must produce a yearly report on **Corporate Social Responsibility (CSR)** in accordance with Decree no. 2012-557 of 24 April 2012.

The scope that was adopted for the 2013 **CSR report** covers all sites except for subsidiaries located in the United States and Japan, due to limited local activities and downsizing.

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

CSR at Valneva

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

✓ Social commitment

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

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

EMPLOYMENT AND SOCIAL RELATIONS

At 31 December 2013, the Group had 279 employees. The overall workforce declined over the year, especially due to the sale of its bio-production activity (CMO) in Nantes and the transfer of 22 employees.

An International Works Council was established when Valneva was created in May 2013. The Council gives employees the chance to be better informed, participate and be consulted with regard to Valneva SE's cross-border operations.

In each country, working time arrangements have been proposed and signed with employees.

OCCUPATIONAL SAFETY, SECURITY AND WELFARE

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

SKILL DEVELOPMENT

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

EQUALITY AND DIVERSITY

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

✓ Environmental commitment

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

OVERALL ENVIRONMENTAL POLICY

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

POLLUTION PREVENTION AND WASTE MANAGEMENT

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

ENERGY AND CARBON FOOTPRINT

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

RESOURCES AND BIODIVERSITY

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

✓ Commitment towards people

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

R&D ETHICS IN BIOTECHNOLOGIES

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

PURCHASING POLICY AND SUPPLIER RELATIONS

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

PARTNERSHIPS AND SPONSORING

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