VALNEVA

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

ANNUAL MANAGEMENT REPORT
TO THE ORDINARY ANNUAL GENERAL MEETING OF JUNE 30, 2016
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

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 "Valneva SE" (hereafter "**the Company**") and its subsidiaries (hereafter referred to jointly as the "**Group**", "**Valneva Group**", or "**Valneva**") for the year ended December 31, 2015, the results of its operations and outlook, and submit for your approval the statutory and consolidated annual financial statements for said period.

The statutory and consolidated annual statements for 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 in accordance with the required deadlines.

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

For our part, we remain at your disposal to provide you with any further details and additional information you may need.

Below is successively provided the different information required under French regulation.

THE MANAGEMENT BOARD

Thomas Lingelbach
Chairman of the Management Board

Franck Grimaud
Deputy CEO

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1. SITUATION OF THE COMPANY AND THE GROUP AND ACTIVITIES IN THE YEAR UNDER REVIEW

1.1 Presentation of Valneva Group

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

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

Valneva's portfolio includes two commercial vaccines for travelers: one for the prevention of Japanese encephalitis (IXIARO®) and the second (DUKORAL®) indicated for the prevention of cholera and, in some countries, for the prevention of diarrhea caused by "**ETEC**" (*Enterotoxigenic Escherichia coli*).

The Group has proprietary vaccines in development, including candidates against *Pseudomonas aeruginosa*, *Clostridium difficile* and Lyme borreliosis.

A variety of partnerships with leading pharmaceutical companies complement the Group's value proposition and include vaccines being developed using Valneva's innovative and validated technology platforms (EB66® vaccine production cell line, IC31® adjuvant).

The Group has operations in France, Austria, United-Kingdom, Sweden and Canada, with more than 400 employees on this day.

Valneva SE is incorporated in Lyon (France), and is listed on Euronext-Paris and on the Vienna stock exchange.

1.2 Activities of the Group: 2015 Annual Operating Highlights

Operating highlights for the Group for 2015 were as follows:

- Acquisition of Crucell Sweden AB and all assets, licenses and privileges related to DUKORAL®, as well as a Nordics vaccine distribution business of the seller and its affiliates;
- Confirmation of BliNK Biomedical's launch in financing;
- Grant of exclusive worldwide license to Immune Targeting Systems for the development of hepatitis B vaccines in combination with the IC31® adjuvant;
- Signature of an exclusive license agreement on EB66® cell line for human and veterinary vaccines in People's Republic of China;
- Approval of an EB66®-based prototype influenza vaccine in Japan;
- Direct control taken by Valneva over marketing and distribution of IXIARO®;
- Renewal of the term of office of the Management Board members of Valneva SE;
- Signature of marketing and distribution agreements with PaxVax;
- Signature of U.S. marketing and distribution services agreements with VaxServe for Japanese encephalitis vaccine IXIARO®;
- Positive Phase II Results for the *Clostridium difficile* vaccine candidate of Valneva;
- Update on DUKORAL® vaccine in Canada.

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

Signature of the Sale and Purchase Agreement

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

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

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

Financing of the Acquisition

In order to finance the Acquisition and progress the development of its clinical stage vaccine pipeline products, Valneva announced, on January 12, 2015, its intention to launch a capital increase with preferential subscription rights, for a gross amount of approximately €45 million (the "**Rights Issue**"), of which, €30 million will be used to finance the Acquisition. The remaining amount will allow Valneva to efficiently integrate the acquired assets and pursue the on-going development of its pre-commercial products portfolio.

In this context, the Company had already received the support of two of its principal shareholders, Groupe Grimaud La Corbière and Bpifrance Participations, as well as from certain funds affiliated with two international life sciences investors, Athyrium Capital Management LLC and Capital Ventures International, for approximately €20 million, *i.e.* approximately 44% of the contemplated Right Issue.

<u>Main terms and conditions of the Rights Issue:</u>

- The share capital increase carried out with preferential subscription rights of holders of ordinary shares by the issuance of 18,231,466 new ordinary shares at a price of €2.47 per share (comprised of the €0.15 nominal value and issue premium of €2.32 per share), representing a total gross amount of €45,031,721.02;
- The subscription period for the new shares ran from January 15, 2015 to the close of trading on January 28, 2015;
- Each holder of Valneva's ordinary shares received one preferential subscription right for each ordinary share registered for accounting purposes in their securities accounts as of the close of trading on January 14, 2015. 34 preferential subscription rights entitled the holder to subscribe on the basis of exact rights ("*à titre irréductible*") to 11 new ordinary shares. Subscriptions for excess shares subject to reduction ("*à titre réductible*") were accepted;
- The offer was opened to the public in France only.

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Additionally, in order to finance the balance of the price of the Acquisition, the Swedish subsidiary of Valneva SE has entered into a €15 million term loan facility from funds managed by Athyrium Capital Management LLC. The loan, which is guaranteed by Valneva SE and by securities on the acquired assets, extends over a 5-year period and carries a fixed yearly interest rate of 11%, payable in cash on a quarterly basis.

Successful completion of the €45 million capital increase

On February 4, 2015, Valneva announced the successful completion of its Rights Issue. The final gross proceeds of the Rights Issue amount to €45,031,721.02, corresponding to the issuance of 18,231,466 new ordinary shares, at a subscription price of €2.47 per new ordinary share. Total subscription orders for the Rights Issue amounted to approximately €81.1 million, *i.e.* a subscription rate of approximately 180%.

- 17,272,706 new ordinary shares were subscribed on the basis of exact rights by irrevocable entitlement ("*à titre irréductible*"), representing approximately 94.7% of the new ordinary shares to be issued.
- Subscription orders for excess shares on a reducible basis ("*à titre réductible*") amounted to 15,551,112 new ordinary shares and were, as a result, satisfied only in part, *i.e.* for 958,760 new ordinary shares.
- Final subscription ratio of the 18.2 million offered new shares: 180%.
- Final gross proceeds: €45,031,721.02
- Estimated net proceeds: €42 million.
- Preferential subscription rights not exercised at the end of the subscription period, *i.e.* at the close of trading on January 28, 2015, automatically became null and void.

Upon completion of the Rights Issue and fulfillment of their subscription commitments, Groupe Grimaud la Corbière, Bpifrance Participations, Capital Ventures International and Athyrium held respectively 16.2%, 10%, 3% and 2.1% of the Company's share capital[1].

The settlement-delivery and the listing of the new ordinary shares took effect on February 6, 2015.

Closing of the Crucell Sweden AB acquisition

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

1.2.2 Confirmation of BliNK Biomedical's launch in financing

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

The creation of BliNK Biomedical SAS is aiming at giving Valneva's antibody business the necessary structure and prospects to expand into novel antibody discovery fields outside of infectious diseases, while offering a new investment opportunity for future additional shareholders. BliNK Biomedical SAS' powerful B cell technology has the objective of enabling the isolation of antibody-producing cells for

[1] Rates calculated in reference to a share capital totaling 74,583,299 Valneva's ordinary shares with a nominal value of €0.15 each.

difficult targets, for which other platforms have failed to deliver. This cutting-edge technology is based on the combination of two validated platforms, BliNK Therapeutics' IVV and Valneva's VIVA│Screen®, which have already both succeeded in delivering high quality human antibodies. With the combined highly efficient process, BliNK Biomedical SAS intends to obtain an unprecedented capability to screen and identify extremely rare antibody-secreting cells.

The closing of the transaction for the creation of BliNK Biomedical SAS was completed in January 2015, with a retroactive effect on January 1, 2015. Today, BliNK Biomedical SAS is held by Valneva SE (for approximately 48.2%), and by the historic investors of BliNK Therapeutics Ltd. (Kurma Biofund I and different funds managed by its partner, Idinvest), Cancer Research Technology and the funders of BliNK Therapeutics Ltd. (together, for approximately 51.8%).

1.2.3 Grant of exclusive worldwide license to Immune Targeting Systems for the development of hepatitis B vaccines in combination with the IC31® adjuvant

On January 29, 2015, Valneva and the British company Immune Targeting Systems (a company supported by Novartis Venture Fund, HealthCap, Truffle Capital, Esperante Ventures and London SME, and focused on the development of T-cell vaccines to highly mutated viruses and to cancers utilizing its proprietary long-peptide based Depovaccine® platform) announced that they have signed an exclusive worldwide agreement.

The agreement grants Immune Targeting Systems the rights to research, develop and commercialize Hepatitis B vaccine candidates in combination with Valneva's IC31® adjuvant.

Hepatitis B is a serious infection of the liver caused by the hepatitis B virus. According to the "Hepatitis B" foundation, an estimated 1 million people worldwide die each year from hepatitis B and its complications. In the US alone, over 12 million people have already been infected (1 out of 20 people). Although there are several approved drugs to treat Chronic Hepatitis B ("CHB"), they only slow down the virus and rarely get rid of it completely. Identifying a functional or complete cure for hepatitis B infection remains a significant area of unmet medical need.

Financial terms of the agreement were not disclosed but include an upfront payment. If successful, product candidates from these agreements may lead to additional cash payments for achieved milestones along with future royalties on net sales.

1.2.4 Signature of an exclusive license agreement on EB66® cell line for human and veterinary vaccines in People's Republic of China

On March 17, 2015, Valneva announced the signature of an exclusive license agreement with the Chinese company Jianshun Biosciences Ltd., to commercialize Valneva's EB66® cell line for the manufacturing of human and veterinary vaccines in People's Republic of China.

The Partner, Jianshun Biosciences Ltd., headquartered in Lanzhou (People's Republic of China), provides bio process and technology services for Chinese biopharmaceutical companies. Dr. Luo Shun, founder and President of the company, is one of the "1,000 people plan" experts[2] who have been nominated by the Central Government to work in China and promote innovation and technological development primarily in the high-tech and financial industries. Dr. Luo Shun worked in the USA for Amgen and for Genentech.

[2] See more at: http://www.china-briefing.com/news/2012/11/22/chinas-long-term-plan-to-import-thousands-of-highly-qualified-foreigners.html.

1.2.5 Approval of an EB66®-based prototype influenza vaccine in Japan

In March 2014, The Chemo-Sero-Therapeutic Research Institute (« **Kaketsuken** ») received a marketing authorization in Japan for a pandemic influenza vaccine H5N1, the first human vaccine ever produced in the EB66® cell line. In September 2014, the Japanese laboratory submitted, for manufacturing and marketing approval, a prototype vaccine, *i.e.* a model vaccine developed and manufactured using a model virus for pandemic vaccine production, with immunogenicity and safety confirmed in humans.

Then, on March 26, 2015, Valneva announced the receipt, by Kaketsuken, of the manufacturing and marketing approval for its cell culture pandemic influenza vaccine (prototype) (General name: Emulsion Cell Culture Influenza HA Vaccine (Prototype)). This is a result of a co-development between Kaketsuken and GlaxoSmithKline ("**GSK**")[3].

Receiving approval for the prototype vaccine means that if a pandemic occurs in Japan, then any type of pandemic Influenza vaccine - once the actual virus strain responsible is identified - can be manufactured and supplied to the Ministry of Health in a short period of time. As a matter of fact, Kaketsuken has recently completed the construction of a state-of-the-art manufacturing facility in Kumamoto enabling the company to produce pandemic vaccine for more than 40 million people within six months after the virus strain for vaccine production is decided. This represents a production capacity of more than 80 million doses.

1.2.6 Direct control taken by Valneva over marketing and distribution of IXIARO®

On June 22, 2015, Valneva announced that it has decided to take direct control over the marketing and distribution of IXIARO®, its travel vaccine against Japanese encephalitis, by terminating the marketing and distribution agreement with GSK related to IXIARO®, signed in 2006 with Novartis Vaccines.

This important step, which has been possible because of specific contract provisions following the completion of the asset swap between Novartis and GSK, supports the Group's strategy to build a leading, independent and fully integrated vaccines biotech company, and unlock synergies with DUKORAL®, Valneva's recently acquired second travel vaccine.

Valneva expects to significantly improve sales margins and profitability from IXIARO®, its largest revenue contributor, as of 2016 and beyond. Prior to termination of its marketing and distribution agreement, Valneva recognized only 50% of in-market net sales revenues of IXIARO® to private travelers and two thirds of US military sales. Going forward, Valneva will recognize 100% of sales from markets where it distributes the product directly, and an improved margin in other markets under country-specific marketing and distribution arrangements. In addition, the Company believes that the Group will be able to continue to grow the sales of the product by entering in markets in which IXIARO® is approved but not being marketed currently.

Following a transition period, which has now ended in the USA, the Nordic countries, Canada and Poland, and is anticipated to end in the coming weeks regarding the other major territories, Valneva will market and distribute its Japanese encephalitis vaccine through a combination of its own sales and marketing teams and country-specific marketing and distribution arrangements with established local partners. In particular, Valneva will be able to fully leverage its sales and marketing teams in the Nordic countries (Sweden, Norway, Denmark and Finland), which were inherited through the acquisition of Crucell Sweden AB in early 2015 (see Section 1.2.1 above), as well as its newly

[3] The EB66® cells used to develop the vaccine were established using Valneva's technology, exclusively licensed to GSK for influenza vaccine development and sub-licensed to Kaketsuken.

established teams in France, UK and Canada. Now, Valneva also distributes IXIARO® directly to its most important customer, the US military, as the Group had done from 2009 through 2013.

1.2.7 Renewal of the term of office of the Management Board members of Valneva SE

On June 26, 2015, Valneva announced that the term of office of its Management Board members - Thomas Lingelbach, President and CEO, Franck Grimaud, Deputy CEO and Reinhard Kandera, CFO – which were due to expire in June 2016, has been renewed by the Company's Supervisory Board for a period of 3 years, *i.e.* until June 2019.

1.2.8 Signature of marketing and distribution agreements with PaxVax

On July 23, 2015, Valneva and the company PaxVax Inc. ("**PaxVax**"), a fully integrated specialty vaccine company, announced the signature of marketing and distribution agreements for their respective travel vaccines, DUKORAL® and VIVOTIF®.

Under the terms of these agreements, Valneva distributes and promotes PaxVax's typhoid vaccine VIVOTIF® in Canada and the Nordic countries (Sweden, Norway, Denmark and Finland), while PaxVax distributes and promotes Valneva's cholera vaccine DUKORAL® in Italy, Spain and Portugal.

Valneva and PaxVax have established sales and marketing teams with broad experience in the travel vaccine industry. The Company took over the very renowned distribution activities "SBL Vaccin Distribution" in Sweden through the acquisition of DUKORAL® in February 2015, while PaxVax has established legal commercial infrastructure in Italy and Spain since its acquisition of VIVOTIF® in July 2014. Valneva also opened a fully-owned commercial infrastructure in Canada where the DUKORAL® vaccine is already widely distributed.

1.2.9 Signature of U.S. marketing and distribution services agreements with VaxServe for Japanese encephalitis vaccine IXIARO®

On November 9, 2015, Valneva announced the signature of marketing and distribution services agreements between its US subsidiary Intercell USA Inc. and VaxServe Inc. ("**VaxServe**"), for the marketing and distribution of Valneva's Japanese encephalitis vaccine IXIARO® in the United States, for private sector customers.

VaxServe is a national healthcare supplier serving primary care physician offices, community immunization providers, immunizing pharmacies, travel clinics and corporations in the U.S. VaxServe is a subsidiary of Sanofi Pasteur, which is the vaccine division of Sanofi, a world leader in the vaccine industry. This collaboration between Intercell USA and VaxServe is part of Valneva's strategy to commercialize IXIARO® through a combination of its own sales and marketing infrastructures and distribution agreements signed with established local partners, at favorable terms.

Under the terms of the agreements, VaxServe performs marketing and promotional services and distribute Valneva's Japanese encephalitis vaccine exclusively in the U.S. private market, beginning December 18, 2015. Through the agreements, Valneva and VaxServe are working together to increase the private market for IXIARO® vaccine in the U.S private market. The agreements do not include the distribution of the vaccine by VaxServe to the public market, including the U.S. military and other federal governmental agencies, which Valneva handles directly.

1.2.10 Positive Phase II Results for the *Clostridium difficile* vaccine candidate of Valneva

On November 30, 2015, Valneva announced positive Phase II results for its prophylactic vaccine candidate against *Clostridium difficile* ("***C. difficile***").

The key objectives of this Phase II trial have been met. The vaccine candidate generated strong immune responses against *C. difficile* toxins A and B, and the safety and tolerability profile was good.

Valneva´s vaccine candidate is targeting the prevention of primary symptomatic *C.difficile* infection ("**CDI**"). The vaccine is designed to produce an immune response to neutralize the effects of *C. difficile* toxins A and B, considered to be largely responsible for CDI, which is emerging as a leading cause of life-threatening, healthcare-associated infections worldwide.

Valneva's *C. difficile* Phase II trial was a randomized, placebo-controlled, observer-blind multi-center trial designed to further study and confirm the candidate vaccine's safety, immunogenicity and proposed doses of immunizations in two different age groups (50 to 64 years of age and 65 years of age and older).

The study design was agreed with regulators in Europe and the U.S. with the aim of potentially supporting a subsequent progression into Phase III.

The trial was conducted in Germany and the United States under an Investigational New Drug application ("**IND**") and included 500 volunteers who were randomized in several study groups: low-dose vaccine without adjuvant, high-dose vaccine with or without adjuvant (Aluminiumhydroxid), or placebo.

Valneva´s vaccine candidate was immunogenic at all doses and formulations tested, in that IgG and functional (neutralizing) antibody responses were seen.

The study met its primary endpoint in terms of identifying the dose/formulation with the highest seroconversion rate[4] against both toxins A and B on Day 56. The high-dose without adjuvant vaccine formulation generated a superior immune response.

The observed seroconversion rate, in this difficult to vaccinate older adults population, was considered at an appropriate response level and broadly in-line with published data from comparable prophylactic *C. difficile* vaccine trials.

The vaccine was generally safe and well tolerated in all treatment groups, and there were no severe local reactions noted in any group. The adverse events (AE profile) of all tested doses / formulations appear in a range comparable to other well tolerated vaccines.

Immune response and safety parameters will now be monitored until Day 210 and final study close-out is expected in the second quarter of 2016.

Valneva's *C. difficile* vaccine program is part of the Strategic Alliance Agreement which was signed between Valneva Austria GmbH (Intercell AG, at that time) and Novartis in 2007, and was transferred to GSK at the beginning of 2015.

1.2.11 Update on DUKORAL® vaccine in Canada

On December 23, 2015, Valneva provided an update on its acquired DUKORAL® vaccine.

The transition of the business from Crucell Holland B.V., the seller, including both the gradual takeover of transitional services and the full transfer and installation of all acquired assets, has been largely completed. Regulatory licenses together with other processes and systems are being transferred and integrated into Valneva and its newly created affiliates, including Valneva Canada, Inc. Synergies with the rest of the Valneva Group are being implemented and are expected to have a positive financial impact in 2016.

In December 2015, Valneva announced that *Health Canada* had requested changes to the DUKORAL® product monograph. The updated product monograph and subsequent labeling refer to the "Prevention of diarrhea caused by cholera and/or LT-ETEC". LT-ETEC is the heat-labile toxin producing *Enterotoxigenic Escherichia coli*. *Enterotoxigenic Escherichia coli* is a type of Escherichia

[4] Four-fold increase of IgG from baseline.

coli and the leading bacterial cause of diarrhea in the developing world, as well as the most common cause of travelers' diarrhea.

Valneva expects that this change in product indications and changes to promotional campaigns may negatively impact DUKORAL® sales in Canada going forward. Although Valneva will continue to invest in growing the product by way of promotional efforts and geographical expansion outside of Canada, Valneva expects that the potential for the product will be more limited than initially expected. Valneva anticipates however that the product will generate positive cash-flows in 2016 and beyond.

In order to reflect the business changes resulting from the adjustments to the DUKORAL® label in Canada, the seller, Crucell Holland BV, and Valneva, agreed on certain amendments to the purchase agreement including an adjustment to the purchase price. Crucell Holland BV waived a €10 million milestone payment that Valneva would otherwise have been obligated to pay and repaid €15 million from the acquisition price. Together, the €10 million milestone waiver and the €15 million cash repayment resulted in a €25 million reduction of the purchase consideration, bringing it from originally €45 million down to €20 million. Valneva used the €15 million repayment amount to fully repay a loan which had been granted by Athyrium Capital Management LLC for purposes of this acquisition. Crucell Holland BV also paid for prepayment fees owed to Athyrium (€3 million).

1.3 Subsidiaries and shareholdings

The subsidiaries and shareholdings of the Company only concern companies that are member of the consolidation scope of the Group. Financial impacts are detailed in the appendix to the consolidated financial statements for the fiscal year 2015.

1.3.1 Subsidiaries

- **Valneva Austria GmbH**

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

At December 31, 2015, the team was composed of 146 employees.

The financial highlights of the subsidiary, at December 31, 2015, are:

- Shareholders' equity: €255,872,433.09
- Operating result: minus €6,808,677.90
- Net result: minus €9,497,494.56
- Total balance sheet: € 368,851,126.33

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not available at the date of preparation of this Annual Management Report)

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Valneva Austria GmbH currently owns two fully-owned subsidiaries:

+ **Valneva Scotland Ltd.**: this subsidiary is primarily involved in the production of the IXIARO®/JESPECT® vaccine against Japanese encephalitis.

  At December 31, 2015, the team was composed of 92 employees.

The financial highlights of the subsidiary, at December 31, 2015, are:

- Shareholders' equity: GBP 8,181,244.91
- Operating result: GBP 840,756.01

- Net result: GBP 316,270.56
- Total balance sheet: GBP 14,121,64.54

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not available at the date of preparation of this Annual Report)

+ **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, 2015, the team was composed of 2 employees.

The financial highlights of the subsidiary, at December 31, 2015, are:

- Shareholders' equity: minus US$ 34,031,632.87
- Operating result: US$ 66,596.93
- Net result: minus US$ 393,314.11
- Total balance sheet: US$ 2,571,755.83

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not available at the date of preparation of this Annual Management Report)

It should be noted that Valneva Austria GmbH held an additional subsidiary named Elatos GmbH. Created in January 2013, this company carried out activities related to the proprietary monoclonal antibodies discovery platform eMAB®. Effective November 11, 2015, Elatos GmbH merged into its parent company, Valneva Austria GmbH. The decision for this merger was in line with the Company's general decision to shift the focus of its R&D away from monoclonal antibodies.

➢ **Vaccines Holdings Sweden AB (formerly « Goldcup 10618 AB »)**

Vaccines Holdings Sweden AB is a fully-owned research subsidiary of Valneva SE, created in December 2014 in connection with the Crucell Sweden AB acquisition (see Section 1.2.1 of this Annual Management Report).

The financial highlights of the subsidiary, at December 31, 2015, are:

- Shareholders' equity: SEK 275,008,219.06
- Operating result: SEK 8,411,004.50
- Net result: SEK 115,817,819.06
- Total balance sheet: SEK 516,386,058.07

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not available at the date of preparation of this Annual Management Report)

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Vaccines Holdings Sweden AB owns a fully-owned subsidiary acquired in February 2015 and named "Valneva Sweden AB" (formerly "Crucell Sweden AB"). Valneva Sweden AB is located in Solna (Sweden), manufactures the DUKORAL® vaccine and distributes this vaccine, as well as third-party vaccines, in the Nordic countries. In addition, Valneva Sweden AB provides R&D services to Crucell Holland BV (a Johnson & Johnson company), in relation to a vaccine against poliomyelitis.

At December 31, 2015, the team was composed of 129 employees.

The financial highlights of the subsidiary, at December 31, 2015, are:

- Shareholders' equity: SEK 177,779,554.83
- Operating result: minus SEK 30,725,367.80
- Net result: minus SEK 29,946,468.44

- Total balance sheet: €335,806,673.23

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not available at the date of preparation of this Annual Management Report)

➢ **Valneva Canada, Inc.**

Valneva Canada, Inc. is a fully-owned subsidiary of Valneva SE, created in January 2015 following the acquisition of the DUKORAL® vaccine. Valneva Canada, Inc. is now headquartered in Montreal (Quebec), and performs marketing and sales activities in Canada in relation to the VIVOTIF®, IXIARO® and DUKORAL® vaccines.

At December 31, 2015, the team was composed of 6 employees.

The financial highlights of the subsidiary, at December 31, 2015, are:

- Shareholders' equity: CAD 46,198.27
- Operating result: CAD 74,442.57
- Net result: CAD 45,198.27
- Total balance sheet: CAD 8,666,604.57

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not available at the date of preparation of this Annual Management Report)

➢ **Valneva UK Ltd.**

Valneva UK Ltd. is a fully-owned subsidiary of Valneva SE, created in October 2015 following the company's decision, dated June 2015, to take direct control over the marketing and distribution of the IXIARO® vaccine and to terminate the marketing and distribution agreement with GSK. Valneva UK Ltd. is expected to start selling products (DUKORAL® and IXIARO®) in the UK in the second half of March 2016.

The financial highlights of the subsidiary, at December 31, 2015, are:

- Shareholders' equity: minus GBP 206,456.55
- Operating result: minus GBP 206,456.55
- Net result: minus GBP 206,456.55
- Total balance sheet: GBP 5,729.53

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not available at the date of preparation of this Annual Management Report)

➢ **Valneva Toyama Japan K.K.**

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

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

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

At December 31, 2015, one part-time employee remained with responsibility for business development operations.

The financial highlights of the subsidiary, at December 31, 2015, are:

- Shareholders' equity: JPY 5,107,235
- Operating result: JPY 535,701

- Net result: JPY 580,566
- Total balance sheet: JPY 24,921,601

1.3.2 Shareholdings

Please, refer to Section 1.2.2 of this Annual Management Report.

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

2.1 Valneva Group (IFRS)

Financial Review

Key Financial Information

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

Note: As a result of the acquisition of Crucell Sweden AB and all DUKORAL® related assets[5], Crucell Sweden AB's business has been included in the Group's consolidated financial statements from the merger closing date, i.e. February 9, 2015. Therefore, the 2015 and 2014 IFRS results are not fully comparable as the Crucell Sweden AB operations were only included for the period 2015 starting from February 10, 2015. Pro forma figures including the Crucell Sweden AB business for the 2015 period and excluding one-time effects due to the acquisition were prepared for illustrative purposes only. For detailed explanation of pro-forma assumptions and reconciliation to IFRS results, please refer to the Note 5.33 of the Consolidated Financial Statements 2015 available on the Group's website (www.valneva.com).

Revenues and grants

Valneva's aggregate revenues and grants increased to €83.3 million in the full year 2015, from €42.4 million in the year 2014. This increase was mainly a result of the acquisition of the Crucell Sweden AB's business whose overall revenue contribution amounted to €36.4 million in 2015, of which €31 million were product sales and €5.5 million related to revenues from collaborations and

[5] See Section 1.2.1 of this Annual Management Report.

licensing. IXIARO®/JESPECT® product sales contributed €30.6 million to revenues in 2015, representing an 8.8% increase compared to 2014 product sales of €28.1 million. This increase was recorded despite the transition towards a newly established global marketing and distribution network, following Valneva's termination of the marketing and distribution partnership with GSK in June 2015[6]. DUKORAL® product sales contributed €21 million and third party product distribution contributed €9.9 million to the full year 2015 product sales.

Revenues from collaborations and licensing increased to €16.8 million in 2015, from €8.8 million in 2014. Acquisition effects from the Crucell Sweden AB business amounted to €5.5 million and primarily related to R&D services provided to Crucell Holland BV (a Johnson & Johnson company). Excluding acquisition revenues, revenues from collaborations and licenses grew to €11.3 million in 2015, from €8.8 million in 2014. They mainly benefited from additional licensing agreements, milestone payments received for the EB66® platform, as well as co-development revenues for the *Pseudomonas* project from partner GSK.

Grant income amounted to €5 million in 2015, representing a reduction of €0.5 million compared to 2014.

Operating result and EBITDA

Cost of goods and services sold ("**COGS**") amounted to €47 million in 2015, of which €16.4 million related to IXIARO® sales, yielding a product gross margin of 46.6%. €18.2 million of COGS related to DUKORAL® sales, yielding a gross margin for the acquired DUKORAL® business of 13.3%, which was negatively impacted by idle capacity costs during a manufacturing transition period in 2015 and by acquisition accounting effects (cost of sales of acquired product inventory recorded at fair market value as opposed to the lower historical manufacturing cost). Of the remaining 2015 COGS, €7.3 million related to the third party product distribution business and €5 million related to cost of services. In the comparable period of 2014, COGS were €17.1 million, of which €15.6 million related to IXIARO® and €1.6 million to cost of services.

R&D expenses in 2015 reached €25.4 million, compared to €22.2 million in the previous year. This increase was mainly due to clinical study costs, especially for the Phase II study of Valneva's *Clostridium difficile* vaccine candidate and for the Phase II/III study of Valneva's *Pseudomonas* vaccine candidate. It was only partly offset by a reduction in R&D expenses for the antibody technology VIVA│Screen®, spun off into BliNK Biomedical SAS at the beginning of 2015[7].

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

General and administrative ("**G&A**") expenses in 2015 amounted to €14.4 million, compared to €14.1 million in 2014. This increase was due to €2.9 million additional G&A costs from the newly acquired Crucell Sweden AB business, which were partly offset by lower G&A expenses of the original business.

The line item "Other income/expense" amounted to €0.2 million expenses in 2015 compared to €0.4 million expenses in 2014.

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[6] See Section 1.2.6 of this Annual Management Report.

[7] See Section 1.2.2 of this Annual Management Report.

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

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

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

Segment overview

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

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

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

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

Net result

Valneva's net loss in 2015 was €20.6 million, compared to €26.3 million last year, representing an improvement by €5.7 million, or 21.7%. Net finance expenses were €4.6 million in 2015 and €2.1 million in 2014. The increase in net finance expenses mainly resulted from an increase in interest expenses due to a higher level of debt. The 2015 net result also includes a loss from investments in shareholdings for €9 million, related to Valneva's 48.2% shareholding in BliNK Biomedical SAS. The investment in this spin-off company, which mainly consisted in the contribution of Valneva's antibody technology VIVA│Screen®, was fully impaired at the end of 2015.

The 2015 net result was positively affected by a €13.2 million gain on bargain purchase ("negative goodwill") related to the acquisition of the Crucell Sweden AB business including DUKORAL® and the vaccine distribution business in the Nordics. The gain resulted from an adjustment to the initial purchase accounting in December 2015 after *Health Canada* had requested changes to the DUKORAL® product monograph. In order to reflect the business changes resulting from the DUKORAL® label change in Canada, Valneva and the seller, Crucell Holland BV, agreed on amendments to the purchase agreement which led to a €25 million reduction of the purchase consideration, bringing it from originally €45 million down to €20 million[8]. Following a re-assessment of

[8] See Section 1.2.11 of this Annual Management Report.

the valuation of the acquired assets, their fair value exceeded the total net purchase consideration by the amount of €13.2 million ("negative goodwill") which was retrospectively recognized in the first quarter of 2015 as gain on bargain purchase.

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

Cash flow and liquidity

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

Cash out-flows from investing activities amounted to €26.6 million in 2015 and resulted primarily from the acquisition of Crucell Sweden AB and all assets, licenses and privileges related to DUKORAL® as well as a vaccine distribution business in the Nordics, net of cash, and from investments in associated companies. In 2014, cash out-flows from investing activities amounted to €2 million and mainly related to net proceeds from financial assets (securities and deposits).

Cash in-flows from financing activities in 2015 amounted to €64.2 million and primarily included net proceeds from a capital increase of €42 million (after deduction of transaction costs of €3.3 million) in February 2015[9] and net proceeds of new borrowings amounting to €26.5 million. Cash in-flows from financing activities in 2014 amounted to €5.3 million, resulting primarily from a capital increase through an equity line.

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

[9] See Section 1.2.1 of this Annual Management Report.

2.2 Valneva SE (French GAAP accounts)

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

Operating income

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

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

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

Operating expenses

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

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

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

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

The decrease of expenses across all line items reflects largely the transfer of the antibody activities from Valneva SE to BliNK Biomedical SAS, on January 1, 2015[10].

Operating loss from ordinary activities

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

Net financial expense

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

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

Net exceptional items

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

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

[10] See Section 1.2.2 of this Annual Management Report.

Corporate income tax

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

Net loss

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

Fixed assets

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

This net increase results mainly from the sale for €7.8 million of tangible and intangible assets relating to the VIVA│Screen® technology to the company BliNK Biomedical SAS and from the acquisition for €17 million of the new subsidiaries' shares[11].

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

Current assets

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

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

Shareholders' equity

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

On February 4, 2015, Valneva SE launched a share capital increase with preferential subscription rights. Gross proceeds from this share capital increase amounted to €45 million, entailing the issuance of 18,231,466 new ordinary shares of the Company at a subscription price of €2.47 each[12].

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

Liabilities

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

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

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

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[11] See Section 1.3 of this Annual Management Report.

[12] See Section 1.2.1 of this Annual Management Report.

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

Cash

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

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

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

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

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

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

3. BUSINESS TRENDS AND OUTLOOK OF THE COMPANY AND GROUP

As part of the management of its activities, the Group prepares operational and financial targets for the current and subsequent financial years.

When preparing its targets, the Group's Management Board uses the same accounting rules as for its IFRS-compliant financial statements.

Based on information currently available, the Group has set the following financial targets for 2016:

- Valneva expects 2016 overall IFRS revenues to reach €90 to €100 million with product sales in the expected range of €70 to €80 million, reflecting up to 30% growth compared to 2015 product sales. Valneva expects more than 60% of 2016 planned product sales to be generated by its own commercial teams;
- the Group anticipates a continued growth of IXIARO®/JESPECT® in-market sales to approximately €50 million in 2016 from €30.6 million in 2015;
- benefiting from the setting of its own marketing and distribution network in 2015, Valneva expects a gross margin on product sales of approximately 50% in 2016;
- the Group will continue to strive towards financial self-sustainability and expects to reduce its EBITDA loss to less than €5 million in 2016 while continuing to invest around €25 million in R&D.

Based on information available, Valneva has also defined long term goals for the Group:

- Valneva expects to grow revenues to around €250 million by 2020 coming from existing and future products, while at the same time delivering positive cumulative cash-generation;

- the Group will continue to build on R&D value growth and anticipates investing approximately 20% of its yearly revenues in an innovative R&D pipeline, with at least one clinical candidate at each stage of product development.

To deliver on these goals, Valneva's strategy is to complement its profitable organic growth with opportunistic mergers and acquisitions offering additional revenue streams.

4. MATERIAL EVENTS BETWEEN THE CLOSING DATE AND THE DATE THE REPORT IS PREPARED

4.1 Approval of Valneva Japanese encephalitis vaccine through commercial partner Adimmune in Taiwan

On January 11, 2016, Valneva announced that vaccine manufacturer Adimmune was granted marketing approval for Valneva's Japanese encephalitis ("**JE**") vaccine by the Taiwanese Food & Drug Administration (TFDA). The product is expected to be marketed in Taiwan under the trade name JEVAL®.

This approval follows the agreement signed in 2014 between Valneva and Adimmune granting Adimmune the right to commercialize JEVAL® in Taiwan, including the right to locally fill and pack JEVAL® by using bulk product delivered by Valneva.

JE is recognized as a major public health issue in Asia, and Adimmune has worked with the Taiwanese Center for Disease Control and Prevention for decades to ensure supply of its mouse-brain derived JE vaccine. Public tenders have historically reached a level of 600,000 doses per year. However, the Taiwanese Advisory Committee on Immunization Practices recently recommended the introduction of a cell culture-derived vaccine, and the first tender for supply in 2017 is expected to be issued in the short-term. Valneva and Adimmune will carefully review any publicly issued tender in order to determine their ability to respond based on tender specifications.

In order to supply large quantities of JEVAL® for Taiwan's national immunization program at a competitive cost base, Adimmune intends to establish a local fill-and-finish of the vaccine within the next two years.

4.2 Successful establishment of new global marketing and distribution network of Valneva

On January 26, 2016, Valneva announced the successful establishment of its new global marketing and distribution network. This network provides a strong platform for significant further value growth from the Group's first two commercial vaccines – IXIARO®/JESPECT® and DUKORAL®.

Valneva also reverts to its prior guidance of approximately €30 million for IXIARO® net sales revenues in 2015, owing to a very collaborative and professional transition and substantial in-market sales growth in 2015. Management had anticipated that the transition would impact net sales by €5-10 million, but this reduction has not materialized.

Valneva acquired a sales and marketing team in the Nordic countries in 2015 and recently established two new dedicated sales and marketing organizations with offices in Montreal (Canada) and London (UK), which will focus on developing the sales of the Group's travel vaccines IXIARO® and DUKORAL®, in addition to third party products. In the US, Valneva will now distribute IXIARO® directly to the US Military, the Group's largest customer for this vaccine.

Valneva estimates that more than 60% of its expected 2016 total product sales can be generated by its own commercial teams. These commercial teams have extensive expertise in the sale, marketing and distribution of vaccines, gained through prior experience in sales and business development in large pharmaceutical companies.

Valneva is confident that it can successfully build a commercial presence in its targeted countries and become a trusted and valued partner for healthcare professionals and travelers.

In order to complement its own commercial sales infrastructure, Valneva has entered into a number of country-specific marketing and distribution agreements to ensure broad geographic availability of its products through leading local distribution partners. The commercial terms of these new agreements are improved compared to the global marketing and distribution agreement terminated in June 2015. GlaxoSmithKline, however, will continue to be responsible for the marketing and distribution of IXIARO® and DUKORAL® in Germany.

As previously announced (see Sections 1.2.8 and 1.2.9 of this Annual Management Report), VaxServe, Inc., a Sanofi Pasteur company, will market and distribute IXIARO® exclusively in the U.S. private market while US company PaxVax, who was already commercializing DUKORAL® in Italy, Spain and Portugal, will now market and distribute IXIARO® in these countries. Australian company BioCSL will continue to distribute Valneva's Japanese encephalitis vaccine in Australia and New Zealand while India and Taiwan will be covered by the existing agreements with Biological E and Adimmune.

Valneva has also partnered with a number of local companies in smaller markets, such as IMED for Poland and certain Eastern European markets, Pro Farma in Switzerland, and a number of other partners in the Asia Pacific region including Singapore, Malaysia, Philippines and Thailand.

4.3 Evaluation of the development of a Zika vaccine as the virus is spreading rapidly through the Americas

On February 2, 2016, Valneva announced that it is evaluating the development of a Zika vaccine, as the virus is spreading rapidly through the Americas.

The day before, the World Health Organization ("**WHO**") declared Zika an international health emergency. The WHO estimated that as many as 4 million people could be affected by the virus, as it spreads in Latin America and the Caribbean to North America, in the coming months.

The WHO has stated that the virus was originally seen as a mild risk to humans, but it has since grown rapidly to a public-health threat of "alarming proportions". The most common symptoms of the Zika virus infection are mild fever, skin rash and conjunctivitis (red eye), lasting between two to seven days. Global health officials are alarmed because of its potential link to brain defects in infants, as well as the rare Guillain-Barré syndrome that can lead to paralysis. There is no specific treatment or vaccine currently available against the disease.

The Zika virus is related to the Japanese encephalitis virus, also an arthropod-borne flavivirus transmitted through mosquito bites, against which Valneva has already developed a vaccine (IXIARO®/JESPECT®), which is now commercialized in the US, Europe, Canada, and other territories.

4.4 Signature of a US$ 42 million IXIARO® supply contract with the US government

On March 16, 2016, Valneva announced the signing of a US$ 42 million contract with the US government's Department of Defense, for the supply of its Japanese encephalitis vaccine IXIARO®.

Under the terms of the agreement, the Group will supply IXIARO® doses to the Defense Logistics Agency, Supply Center of the US Department of Defense, for a total value of US$ 42 million, over a two-year period (a base year and an option year). First deliveries are expected to start in the coming weeks.

JE is a very serious and growing public health threat in Asia. The US Department of Defense has been using IXIARO® to protect the near 360,000 U.S. military and civilian personnel, and their families, working and living in endemic countries since 2010.

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

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

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

At the end of 2015, following a regulatory process initiated by *Health Canada*, the **DUKORAL® indications in Canada** were narrowed[13]. Valneva might not be able to limit the adverse impact on sales in 2016. Because Canada is the largest market for the DUKORAL® vaccine, a decline in sales could adversely affect Valneva's revenues, operations and financial condition.

Following the IXIARO® business transition process[14], the Group expects the **IXIARO®/JESPECT® sales** to grow very significantly in 2016, from €30.6 million to approximately €50 million. To achieve the planned level of sales, Valneva's new sales and marketing organization and distributors need to gain further market acceptance for this product and to achieve superior sales and marketing performance in full compliance with applicable laws and regulations. The degree of market acceptance among Valneva's primary customers, the customers of Valneva's distributors and the medical community, will depend upon many factors, including recommendations by global and local health organizations, reimbursements by health authorities and health insurers and payers, legislative efforts to control or reduce health care costs or reform government healthcare programs, and the ability of customers to pay or be reimbursed for treatment costs. Demand for Valneva's Japanese encephalitis vaccine may be adversely affected by international, national or local events or economic conditions that affect consumers' willingness to travel, such as security concerns relating to threatened or actual terrorist attacks, armed conflicts or recent crises in the global economy. If Valneva and its distributors fail to gain further market acceptance or do not perform well, Valneva's revenues, operations and financial condition could be adversely affected.

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

The Group's **manufacturing facilities** in Livingston, Scotland, and Solna (Sweden) are, and will continue to be, significant factors in growing revenues from product sales and maintaining control over production costs. The manufacturing of biological materials is a complex undertaking and technical problems may occur. Valneva may experience delays, be unsuccessful in manufacturing or face difficulties in the ability to manufacture its products according to market demands or regulatory requirements. Biological manufacturing is subject to government regulation and regular inspection. It is not possible to predict the changes that regulatory authorities may require during the life cycle of a novel vaccine. Such changes may be costly and may affect the Group's sales and marketing and

[13] See Section 1.2.11 of this Annual Management Report)

[14] See Sections 1.2.6 and 4.2 of this Annual Management Report)

product revenue expectations. The failure of Valneva's product manufacturing facilities to comply with regulatory requirements, including current Good Manufacturing Practices, could give rise to regulatory actions or suspension or revocations of manufacturing licenses and result in failure to supply. The risk of suspension or revocation of a manufacturer's license also applies to third party manufacturers and contractors with whom the Group contracts for manufacturing and services.

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

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

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

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

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

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

result in limited or prohibited commercialization of its product candidates or licensing of its technologies, subject it to royalties or other fees, or force it to redesign its product candidates.

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

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

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

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

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

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

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

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

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

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

6. FINANCIAL RISKS

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

7. PROPOSED APPROPRIATION OF EARNINGS

After deducting all expenses, taxes, depreciation and amortization expenses, the financial statements presented herein show a loss of €17,619,145.14.

We propose that you appropriate this loss of € 17,619,145.14 to the accumulated deficit that would be thus increased from €58,715,891.93 to €76,335,037.07.

8. RESULTS (AND OTHER KEY AGGREGATES) OF THE COMPANY FOR THE LAST FIVE YEARS

Nature of items	Year ended December 31,				
	2011	**2012**	**2013**	**2014**	**2015**
I- Capital at the end of the year					
Share capital (in euros)	3,167,616.45	3,219,379.35	8,384,717.19	8,631,142.14	11,383,243.14
Number of ordinary shares	21,117,443	21,462,529	54,709,000 (a)	56,351,833 (a)	74,698,099 (a)
Maximum number of shares to be created by conversion of bonds	0	0	0	0	0
II- Operations and income for the year (in euros)					
Revenue excluding tax and financial income	2,334,447	2,764,334	19,714,054	2,375,385	1,512,809.28
Income before tax employee profit-sharing and depreciation allowance and provisions	(7,496,532)	(11,712,495)	(8,836,658)	(8,318,013)	(16,009,711.17)
Tax on profit (income if negative)	(2,042,621)	(2,758,828)	(2,038,859)	(1,965,473)	(1,850,965)
Employee profit-sharing due for the year	0	0	0	0	0
Income after tax employee profit-sharing and depreciation allowance and provisions	(8,387,554)	(11,957,883)	(9,952,449)	(14,883,482.38)	(17,619,145.14)
Distributed income	0	0	0	0	0
III- Earnings per share (in euros)					
Income after tax and employee profit-sharing but before depreciation allowances and provisions	(0.26)	(0.42)	(0.12)	(0.11)	(0.19)
Income after tax employee profit-sharing and depreciation allowance and provisions	(0.40)	(0.56)	(0.18)	(0.26)	(0.24)
Dividend per share (indicate if gross or net)	0	0	0	0	0
IV- Personnel					
Average headcount for the period	105	104	84	59	45
Annual payroll (in euros)	4,633,895	4,686,250	4,267,644	3,261,008	2,660,294.33
Total of amounts paid for social benefits for the year (social security, social welfare programs, etc.) (in euros)	2,151,831	2,090,362	1,933,195	1,427,891	1,283,423.61

(a) This does not include Valneva's preferred shares (i.e., i) 17,836,719 preferred shares, representing around 1,189,115 Valneva's ordinary shares, once the preferred shares are written down to the nominal value of Valneva's ordinary shares; and ii) 1,074 preferred shares convertible into Valneva's ordinary shares, with respect, specifically, to FY 2015[15])

9. STATUTORY DISCLOSURE OF PRIOR DIVIDEND DISTRIBUTIONS

In compliance with article 243 bis of the French General Tax Code, we inform you that the Company has paid no dividends since its creation.

[15] See Section 13.3 of this Annual Management Report.

10. DISALLOWED TAX DEDUCTIONS

In compliance with article 223 quater and 223 quinquies of the French General Tax Code, we inform you that the 2015 financial statements do not include any expenses which are not deductible from taxable income as mentioned in articles 39.4 and 39.5 (subsection 10) of the French General Tax Code, except regarding excess lease payments on passenger vehicle that are not deductible from taxable income, for an amount of € 7,430.

11.SUPPLIERS' TERMS OF PAYMENT

In accordance with paragraph 9 of article L. 441-6, I of the French Commercial code, the time frame agreed upon by the parties for the settlement of any invoice due shall not exceed sixty days from the date of issuance of that invoice. By way of exception, the parties may agree to a payment period of not more than forty-five days from the end of the month in which the invoice is raised, provided that this payment period is expressly set forth in an agreement and is not grossly unfair to the creditor. In case of summary invoice, in the meaning of article 289, I, 3° of the French General Tax Code, the payment period agreed upon by the parties shall not exceed forty-five days from the date of issuance of the invoice.

With respect to invoices issued by Valneva's suppliers unpaid at year-end 2015, the aged trial balance for payables breaks down as follows:

In euros	30 days	60 days	Over 60 days	Total outstanding at December 31, 2015
Amounts due to trade suppliers as at December 31, 2015	587,749.57	24,351	0	612,100.57
Amounts due to equipment suppliers as at December 31, 2015	90,492.19	12,891.18	0	103,383.37
Commercial paper (trade bills) outstanding at December 31, 2015	0	0	0	0
TOTAL	**678,241.76**	**37,242.18**	**0**	**715,483.94**

With respect to invoices issued by Valneva's suppliers unpaid at year-end 2014, the aged trial balance of the payables breaks down as follows:

In euros	30 days	60 days	Over 60 days	Total outstanding at December 31, 2014
Amounts due to trade suppliers as at December 31, 2014	591,998.85	56,545.46	2,916.75	651,461.06
Amounts due to equipment suppliers as at December 31, 2014	1,021,228.62	5,052.00	365,223.87	1,391,504.49
Commercial paper (trade bills) outstanding at December 31, 2014	0	0	0	0
TOTAL	**1,613,227.47**	**61,597.46**	**368,140.62**	**2,042,965.55**

12.SHARE CAPITAL DISTRIBUTION

Please, refer to Section 15.1 of this Annual Management Report.

13.EMPLOYEE STOCK OWNERSHIP

In accordance with the provisions of article L. 225-102 of the French Commercial code, we report to you on employee stock ownership on the last day of the fiscal year ended December 31, 2015 (end of business day).

13.1 Percentage of the Company's capital represented by employee-owned shares

At December 31, 2015 (end of business day), total employee stock ownership (shares in registered form, excluding corporate officers) amounted to 127,007 shares (including 330 preferred shares convertible into Valneva's ordinary shares[16]), or 0.17%[17] of the Company's share capital.

13.2 Options to subscribe for or purchase shares and free shares grants

The majority of the Company's employees benefits from equity compensation instruments in the form of stock option or free shares.

13.2.1 Stock option plans

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

At December 31, 2015 (end of business day), for all Company plans combined, 1,587,700 exercisable stock option were outstanding, permitting the subscription for 1,707,554 new ordinary Valneva shares, representing a potential nominal increase in the share capital of €256,133.10, and a maximum potential dilution of 2.25%[18] of the share capital of the Company.

Company stock option plans highlights are hereinafter presented:

[16] See Section 13.3 of this Annual Management Report.

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

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

Plans 1 to 3 (at December 31, 2015 – end of business day)

	Plan 1	**Plan 2**	**Plan 3**
Grant decision date	**General Meeting:** June 29, 2001	**General Meeting:** May 23, 2002	**General Meeting:** November 29, 2002
	Board of Directors meeting: July 12, 2001	**Board of Directors meeting:** May 23, 2002	**Management Board meeting:** **Tranche 1:** December 20, 2002 **Tranche 2**: September 1, 2003 **Tranche 3**: October 6, 2003 **Tranche 4**: January 5, 2005 **Tranche 5**: February 1, 2005
Number of beneficiaries	9	19	9 breaking down as follows: **Tranche 1**: 1 **Tranche 2**: 1 **Tranche 3**: 4 **Tranche 4**: 2 **Tranche 5**: 1
Duration of plan (as from the date of the decision of the Board of Directors or Management Board)	Until July 12, 2011	Until May 23, 2012	Until: **Tranche 1**: December 20, 2012 **Tranche 2**: September 1, 2013 **Tranche 3**: October 6, 2013 **Tranche 4**: January 5, 2015 **Tranche 5**: February 1, 2015
Maximum amount authorized by the General Meeting	Authorization to grant a number of stock option corresponding to the creation of 2,420 shares with a nominal value of €15 per share	Authorization to grant a number of stock option corresponding to the creation of 1,810 shares with a nominal value of €15 per share	Authorization to grant a maximum number of 3,610 stock option
Subscription price[19]	€0.30	€0.45	€1.80
Option/share conversion ratio[20]	1 : 108	1 : 108	1 : 114
Number of stock option granted to employees and/or corporate officers by the Board of Directors or Management Board	2,420	1,810	3,225 breaking down as follows: **Tranche 1**: 1,535 **Tranche 2**: 700 **Tranche 3**: 570 **Tranche 4**: 120 **Tranche 5**: 300
Starting date for the exercise of options	July 12, 2005	May 23, 2006	**Tranche 1:** according to objectives **Tranche 2:** according to objectives **Tranche 3:** October 6, 2007 **Tranche 4:** January 5, 2009 **Tranche 5:** February 1, 2009
Number of stock option exercised at December 31, 2015	1,320	1,310	2,709

[19] The subscription prices have been revised in accordance with resolution No. 2 of the Extraordinary General Meeting of the Company, held on March 31, 2007.

[20] The conversion ratios have been revised in accordance with resolution No. 2 of the Extraordinary General Meeting of the Company, held on March 31, 2007 and the decisions of the Management Board meetings of August 27, 2010 and July 24, 2013, when applicable.

	Plan 1	Plan 2	Plan 3
Number of shares subscribed for at December 31, 2015 by exercising stock option	132,664	135,000	287,326
Exercisable stock option not yet exercised at December 31, 2015	0	0	0
of which stock option exercisable by corporate officers	0	0	0
Potential number of shares available for subscription at December 31, 2015 from exercisable stock option	0	0	0
Number of stock option having lapsed at December 31, 2015	1,100	500	516
Balance of stock option remaining to be granted at December 31, 2015 under the General Meeting's authorization – authorization status	0 Authorization expired	0 Authorization expired	0 Authorization expired
Theoretical number of shares available for take up at December 31, 2015 if the Board of Directors or Management Board makes use of the remainder amount under the General Meeting's authorization	0	0	0

Plans 4 to 5 (at December 31, 2015 – end of business day)

	Plan 4	**Plan 4 bis**	**Plan 5**
Grant decision date	**General Meeting:** November 3, 2004	**General Meeting:** November 3, 2004	**General Meeting:** September 13, 2005
	Management Board meeting: **Tranche 1**: April 5, 2005 **Tranche 2**: April 5, 2005 **Tranche 3**: April 5, 2005 **Tranche 4**: October 5, 2005	**Management Board meeting**: **Tranche 1**: April 3, 2006 **Tranche 2**: April 3, 2006	**Management Board meeting**: **Tranche 1**: April 3, 2006 **Tranche 2**: April 3, 2006
Number of beneficiaries	4 breaking down as follows: **Tranche 1**: 1 **Tranche 2**: 1 **Tranche 3**: 1 **Tranche 4**: 1	2 breaking down as follows: **Tranche 1**: 1 **Tranche 2**: 1	2 breaking down as follows: **Tranche 1**: 1 **Tranche 2**: 1
Duration of plan (as from the date of the decision of the Board of Directors or Management Board)	Until: **Tranche 1**: April 5, 2015 **Tranche 2**: April 5, 2015 **Tranche 3**: April 5, 2015 **Tranche 4**: October 5, 2015	Until: **Tranche 1**: April 3, 2016 **Tranche 2**: April 3, 2016	Until: **Tranche 1**: April 3, 2016 **Tranche 2**: April 3, 2016
Maximum amount authorized by the General Meeting	Authorization to grant a maximum number of 2,400 stock option	Authorization to grant a maximum number of 1,100 stock option[21]	Authorization to grant a maximum number of 660 stock option
Subscription price[22]	€1.80	€1.80	€1.80
Option/share conversion ratio[23]	1: 114	1: 125 (about)	1: 125 (about)
Number of stock option granted to employees and/or corporate officers by the Board of Directors or Management Board	2,300 breaking down as follows: **Tranche 1**: 800 **Tranche 2**: 900 **Tranche 3**: 300 **Tranche 4**: 300	320 breaking down as follows: **Tranche 1** : 160 **Tranche 2**: 160	530 breaking down as follows: **Tranche 1** : 240 **Tranche 2**: 290
Starting date for the exercise of options	**Tranche 1**: according to objectives **Tranche 2**: according to objectives **Tranche 3**: April 5, 2009 **Tranche 4**: October 5, 2009	**Tranche 1:** according to objectives **Tranche 2:** according to objectives	**Tranche 1:** according to objectives **Tranche 2:** according to objectives
Number of stock option exercised at December 31, 2015	2,060	160	290

[21] It is stipulated that this number was reduced to 440 under the terms of resolution No. 19 of the General Meeting of the Company, held on November 3, 2004, and decisions of the Management Board of August 3, 2005 recording the completion of the capital increases.

[22] The subscription prices have been revised in accordance with resolution No. 2 of the Extraordinary General Meeting of the Company, held on March 31, 2007.

[23] The conversion ratios have been revised in accordance with resolution No. 2 of the Extraordinary General Meeting of the Company, held on March 31, 2007, and the decisions of the Management Board meetings of August 27, 2010, July 24, 2013 and February 25, 2015, when applicable.

	Plan 4	Plan 4 bis	Plan 5
Number of shares subscribed for at December 31, 2015 by exercising stock option	229,446	17,280	31,320
Exercisable stock option not yet exercised at December 31, 2015	0	160	90
of which stock option exercisable by corporate officers	0	160	90
Potential number of shares available for subscription at December 31, 2015 from exercisable stock option	0	20,058	11,283
Number of stock option having lapsed at December 31, 2015	240	0	150
Balance of stock option remaining to be granted at December 31, 2015 under the General Meeting's authorization – authorization status	0 Authorization expired	0 Authorization expired	0 Authorization expired
Theoretical number of shares available for take up at December 31, 2015 if the Board of Directors or Management Board makes use of the remainder amount under the General Meeting's authorization	0	0	0

Plans 6 to 8 (at December 31, 2015 – end of business day)

	Plan 6	**Plan 7**	**Plan 8**
Grant decision date	**General Meeting:** June 9, 2009	**General Meeting:** June 28, 2013	**General Meeting:** June 26, 2014
	Management Board meeting: October 1, 2010	**Management Board meeting**: October 2, 2013	**Management Board meeting**: July 28, 2015
Number of beneficiaries	1	293	259
Duration of plan (as from the date of the decision of the Board of Directors or Management Board)	Until October 1, 2020	Until October 2, 2023	Until July 28, 2025
Maximum amount authorized by the General Meeting	Authorization to grant a maximum number of 290.000 stock option	Authorization to grant an amount of stock option conferring a right to subscribe to a total number of shares representing 4% maximum of the Company's share capital on the date the capital increase is adopted under the terms of the 9th resolution of Valneva's Combined General Meeting of March 7, 2014[24]	Authorization to grant an amount of stock options conferring a right to subscribe to a total number of shares representing 4% maximum of the Company's share capital on the date of the stock option grant
Subscription price	€5.19	€3.21	€3.92
Option/share conversion ratio[25]	1 : 1.09 (about)	1 : 1.09 (about)	1 : 1
Number of stock option granted to employees and/or corporate officers by the Board of Directors or Management Board	14,000	1,052,950	712,000
Starting date for the exercise of options[26]	According to objectives	October 2, 2015 & October 2, 2017	July 28, 2017 & July 28, 2019
Number of stock option exercised at December 31, 2015	0	0	0
Number of shares subscribed for at December 31, 2015 by exercising stock option	0	0	0
Exercisable stock option not yet exercised at December 31, 2015	7,000	882,950	697,500

[24] At the Supervisory Board's meeting of August 29, 2013, the number of stock option was set at 2,231,356.

[25] The conversion ratios regarding plans 6 and 7 have been revised in accordance with resolution No. 2 of the Extraordinary General Meeting of the Company, held on March 31, 2007, and the decision of the Management Board meeting of February 25, 2015.

[26] With respect to plans 7 and 8, 50% of options may be exercised after being held for 2 years, the remaining 50% becoming exercisable after being held for 4 years.

	Plan 6	Plan 7	Plan 8
of which stock option exercisable by corporate officers	0	300,000	100,000
Potential number of shares available for subscription at December 31, 2015 from exercisable stock option	7,698	971,015	697,500
Number of stock option having lapsed at December 31, 2015	7,000	170,000	14,500
Balance of stock option remaining to be granted at December 31, 2015 under the General Meeting's authorization – authorization status	0 Authorization expired	0 Authorization declared null and void by the Combined General Meeting of June 26, 2014	2,323,531[27] Authorization valid
Theoretical number of shares available for take up at December 31, 2015 if the Board of Directors or Management Board makes use of the remainder amount under the General Meeting's authorization	0	0	2,323,531

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

13.2.2 Free share plans

In fiscal year 2015, 35,000 free shares were transferred to the beneficiaries of the free share plans of September 6, 2011 and July 24, 2013, in the form of new Valneva's ordinary shares.

At December 31, 2015 (end of business day), for all Company plans combined, 1,000 free shares were in the process of vesting by their beneficiaries, representing a potential nominal increase in the share capital of €150, and a maximum potential dilution of 0,001%[28] of the share capital of the Company.

Company free share plans highlights are presented below:

Plans 1 to 3 (at December 31, 2015 – end of business day)

	Plan 1	Plan 2	Plan 3
Free shares grant decision date	**General Meeting**: March 31, 2007	**General Meeting:** June 9, 2009	**General Meeting:** **AGM No. 1**: June 10, 2010 **AGM No. 2**: June 7, 2011 **AGM No. 3**: June 4, 2012
	Management Board meeting: ▪ **Tranche 1**: September 04, 2007 ▪ **Tranche 2**: July 25, 2008 ▪ **Tranche 3**: July 23, 2009 ▪ **Tranche 4**: July 23, 2009 ▪ **Tranche 5**: February 22, 2010 ▪ **Tranche 6**: February 22, 2010	**Management Board meeting:** ▪ **Tranche 1**: February 22, 2010 ▪ **Tranche 2**: February 22, 2010 ▪ **Tranche 3**: February 22, 2010 ▪ **Tranche 4**: October 1, 2010 ▪ **Tranche 5**: October 1, 2010 ▪ **Tranche 6**: September 6, 2011 ▪ **Tranche 7**: September 6, 2011	**Management Board meeting:** ▪ **Tranche 1**: July 24, 2013 ▪ **Tranche 2**: July 24, 2013
Maximum amount authorized by the General Meeting	Authorization to grant a maximum number of 436,000 ordinary shares	Authorization to grant a maximum number of 290,000 ordinary shares	**AGM No. 1** : Authorization to grant a maximum number of 7,500 ordinary shares **AGM No. 2** : Authorization to grant a maximum number of 7,500 ordinary shares **AGM No. 3** : Authorization to grant a maximum number of 157,000 ordinary shares
Number of beneficiaries	▪ **Tranche 1**: 23 (employees and officers) ▪ **Tranche 2**: 11 employees ▪ **Tranche 3**: 13 employees ▪ **Tranche 4**: 2 employees ▪ **Tranche 5**: 1 officer ▪ **Tranche 6**: 1 officer	▪ **Tranche 1**: 1 officer ▪ **Tranche 2**: 1 officer ▪ **Tranche 3**: 11 employees ▪ **Tranche 4**: 13 employees ▪ **Tranche 5**: 6 employees ▪ **Tranche 6**: 10 employees ▪ **Tranche 7**: 6 employees	▪ **Tranche 1**: 10 employees ▪ **Tranche 2**: 17 employees

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

	Plan 1	Plan 2	Plan 3
Vesting period	▪ **Tranche 1**: 4 years for "employee" beneficiaries; 2 years for "Management Board members" beneficiaries ▪ **Tranche 2**: 4 years ▪ **Tranche 3**: 4 years ▪ **Tranche 4**: 2 years ▪ **Tranche 5**: 2 years ▪ **Tranche 6**: 2 years as from January 1, 2011	▪ **Tranche 1:** 2 years as from January 1, 2011 ▪ **Tranche 2**: 2 years as from January 1, 2012 ▪ **Tranche 3**: 4 years ▪ **Tranche 4**: 4 years ▪ **Tranche 5**: 2 years ▪ **Tranche 6**: 4 years ▪ **Tranche 7**: vesting period completed on October 9, 2013	▪ **Tranche 1:** 4 years ▪ **Tranche 2**: 2 years
Lock-up period (from the vesting date)[29]	▪ **Tranche 1**: 2 years ▪ **Tranche 2**: 2 years ▪ **Tranche 3**: 2 years ▪ **Tranche 4**: 2 years ▪ **Tranche 5**: 2 years ▪ **Tranche 6**: 2 years	▪ **Tranche 1**: 2 years ▪ **Tranche 2**: 2 years ▪ **Tranche 3**: 2 years ▪ **Tranche 4**: 2 years ▪ **Tranche 5**: 2 years ▪ **Tranche 6**: 2 years ▪ **Tranche 7**: 2 years	▪ **Tranche 1**: 2 years ▪ **Tranche 2**: 2 years
Number of free shares granted to employees and/or company officers	436,000 free shares breaking down as follows: ▪ **Tranche 1**: 296,000 ▪ **Tranche 2**: 60,500 ▪ **Tranche 3**: 18,500 ▪ **Tranche 4**: 10,000 ▪ **Tranche 5**: 33,334 ▪ **Tranche 6**: 17,666	137,500 free shares breaking down as follows: ▪ **Tranche 1**: 15,667 ▪ **Tranche 2**: 33,333 ▪ **Tranche 3**: 6,500 ▪ **Tranche 4**: 9,500 ▪ **Tranche 5**: 38,000 ▪ **Tranche 6**: 6,000 ▪ **Tranche 7**: 28,500	52,000 free shares breaking down as follows: ▪ **Tranche 1**: 7,500 ▪ **Tranche 2**: 44,500
Number of free shares fully vested at December 31, 2015	377,000	106,000	30,500
Number of free shares in process of vesting at December 31, 2015	0	0	1,000
Of which number of free shares in process of vesting by the corporate officers at December 31, 2015	0	0	0
Number of free shares lapsed at December 31, 2015	59,000	31,500	20 500

[29] The Company's Supervisory Board has set out the terms of lock-up for free shares granted to corporate officers.

Under these terms, two options are available:

- the free shares may not be transferred before the termination of their duties;
- corporate officers are required to retain a selected number of free shares resulting from the plan in registered form until the termination of their duties.

The second option is generally the option chosen by the Company (20 to 25% of the free shares having vested must be kept).

	Plan 1	Plan 2	Plan 3
Balance of free shares remaining to be granted at December 31, 2015 under the General Meeting's authorization – authorization status	0 Authorization expired	0 Authorization expired	**AG No. 1** : 0 Authorization expired **AG No. 2** : 0 Authorization expired **AG No. 3** : 0 Authorization expired

13.3 Free convertible preferred share plan 2015-2019

On June 25, 2015, the General Meeting of Valneva SE decided to create convertible preferred shares in accordance with the terms and conditions set out in its resolution No. 17, and to grant to the Management Board of the Company all powers necessary to decide the granting and issuance of free convertible preferred shares ("**FCPS**") for the benefit of the Management Board members, but also for the benefit of key employees, members of the Executive Committee.

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

Personal investment

As a prerequisite to the possibility of participating in the Program, each potential beneficiary was required to make a cash investment in the Company, by subscribing for payable convertible preferred shares ("**SPS**"), at a price of €161 per SPS. Minimum and maximum investment amounts were defined for each participant.

The maximum number of SPS to be granted by the Management Board was set at 2,000 SPS by the General Meeting of the Company held on June 25, 2015 (resolution No. 18)[30].

The Management Board, during its meeting held on July 17, 2015, granted 1,280 SPS, as follows:

Beneficiaries	Position	Number of payable convertible preferred shares granted by the Management Board to the participants	Maximum investment (in euros)
Thomas Lingelbach	Chairman of the Management Board - President & CEO	308	49,588
Franck Grimaud	Member of the Management Board - Deputy CEO	218	35,098
Reinhard Kandera	Member of the Management Board - CFO	218	35,098
Other Executive Committee members (in total)		536	86,296
TOTAL		**1,280**	**206,080**

SPS minimum and maximum subscription

- Management Board members:
  - CEO: the CEO was granted the possibility to subscribe for 154 SPS to 308 SPS;

[30] It being understood that in any case, the total number of issued convertible preferred shares (SPS and FCPS) cannot at any time represent together more than 6% of the share capital of the Company.

- Management Board members other than the CEO were granted the possibility to subscribe for 109 SPS to 218 SPS.

+ Executive Committee members (excluding Management Board members) were granted the possibility to subscribe for 33 SPS to 67 SPS.

On July 28, 2015, the Management Board of the Company recorded the subscription of 1,074 SPS, and waivers for the remainder, i.e. 206 SPS:

Beneficiaries	Position	Number of payable convertible preferred shares granted by the Management Board to the participants, on July 17, 2015	Number of payable convertible preferred shares subscribed for by the beneficiaries	Subscription amount (in euros)
Thomas Lingelbach	Chairman of the Management Board - President & CEO	308	308	49,588
Franck Grimaud	Member of the Management Board - Deputy CEO	218	218	35,098
Reinhard Kandera	Member of the Management Board - CFO	218	218	35,098
Other Executive Committee members (in total)		536	330	53,130
TOTAL		**1,280**	**1,074**	**172,914**

FCPS granting

The maximum number of FCPS that could be allotted by the Management Board was capped, by the General Meeting of the Company held on June 25, 2015 (resolution No. 20), at 5.5% of the share capital of the Company as at the date of the Management Board's allotment decision[31].

Following the subscription of SPS, the Management Board, in its meeting held on July 28, 2015, conditionally granted the Program beneficiaries a number of FCPS corresponding to a ratio of 25 FCPS to 1 SPS, as follows:

Beneficiaries	Position	Number of free convertible preferred shares allotted to the beneficiaries
Thomas Lingelbach	Chairman of the Management Board – President & CEO	7,700
Franck Grimaud	Member of the Management Board - Deputy CEO	5,450
Reinhard Kandera	Member of the Management Board - CFO	5,450
Other Executive Committee members (in total)		8,250
TOTAL		**26,850**

[31] It being reminded that in any case, the total number of issued convertible preferred shares (SPS and FCPS) cannot at any time represent together more than 6% of the share capital of the Company.

The FCPS granted to the beneficiaries will be vested in and delivered to that beneficiary ("*seront définitivement attribuées*") upon expiration of a period of 4 years from July 28, 2015.

Conversion of convertible preferred shares (FCPS and SPS) into ordinary shares of the Company

SPS and FCPS will be convertible into Valneva's ordinary shares 4 years after their issuance (with respect to the SPS) or their initial granting (with respect to the FCPS), if the conversion conditions set out below are met. Subject to such conditions, if the beneficiary does not request conversion of his/her convertible preferred shares within a period of 3 months after expiration of that 4-year period, SPS and FCPS will automatically convert into Valneva's ordinary shares at the end of that 3-month period.

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

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

No conversion will occur if the Final Share Price is lower than €4.05. If the Final Share Price is higher than €10, the conversion ratio will be such that the beneficiaries' gross gain will not exceed the gross gain they would have realized if the Final Share Price was €10.

Where the total number of ordinary shares to be received by a holder of convertible preferred shares by applying the conversion ratio to the number of convertible preferred shares held is not a whole number, that holder will receive the next lower whole number of ordinary shares. The fraction of ordinary shares forming a fractional lot shall be paid in cash.

Conversion Table

Final Share price	Share price increase	Conversion ratio (number of ordinary shares for 1 convertible preferred share)
4.05	1%	**0.83**
4.10	2%	**1.67**
4.25	6%	**4.17**
4.50	13%	**8.33**
4.75	19%	**12.5**
5.00	25%	**16.67**
5.25	31%	**20.83**
5.50	38%	**25**
5.75	44%	**29.17**
6.00	50%	**33.33**
6.25	56%	**37.50**
6.50	63%	**41.67**
6.75	69%	**45.83**
7.00	75%	**50**
7.25	81%	**54.17**
7.50	88%	**58.33**
7.75	94%	**62.5**
8.00	100%	**66.67**
8.25	106%	**70.83**

Final Share price	Share price increase	Conversion ratio (number of ordinary shares for 1 convertible preferred share)
8.50	113%	**75**
8.75	119%	**79.17**
9.00	125%	**83.33**
9.25	131%	**87.50**
9.50	138%	**91.67**
9.75	144%	**95.83**
10.00	150%	**100**
10.25	156%	**97.56**
10.50	163%	**95.24**
10.75	169%	**93.02**
11.00	175%	**90.91**
12.00	200%	**83.33**
12.25	206%	**81.63**
12.50	213%	**80**
12.75	219%	**78.43**
13.00	225%	**76.92**
13.25	231%	**75.47**
13.50	238%	**74.07**
13.75	244%	**72.73**
14.00	250%	**71.43**

Note: if the Final Share Price is between two of the numbers set forth above, the number of ordinary shares to be received for one convertible preferred share will be calculated on a linear basis and rounded down to the nearest number with 2 decimal digits.

In any case, all SPS cannot give rights to more than 200,000 ordinary shares of the Company and all FCPS cannot give rights to more than 4,000,000 ordinary shares of the Company.

If any of the transactions listed in of article 13.3, subparagraph 3, (iii) of the Articles of Association of the Company, including but not limited to any share capital increase by public offering with preferential subscription rights, takes place, the Management Board will adjust the conversion ratio and the conversion table provided above in the manner set forth in the Articles of Association so as to protect the rights of the Program beneficiaries.

14. SIGNIFICANT SHAREHOLDINGS IN COMPANIES HAVING THEIR REGISTERED OFFICE IN FRANCE; CONTROLLING INTERESTS ACQUIRED IN SUCH COMPANIES

During fiscal year 2015, the Company acquired a significant shareholding in the company BliNK Biomedical SAS, without, however, controlling it.

Please, refer to Section 1.2.2 of this Annual Management Report.

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

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

At December 31, 2015, the Company's share capital stood at €11,383,243.14, divided into:

- 74,698,099 ordinary shares with a nominal value of €0.15 each; and

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

The theoretical number of corresponding voting rights (including voting rights having been suspended, such as those associated with treasury shares, as well as double voting rights[32]) amounts to 93,844,740.

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

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

		Shares held	%[33]	Number of theoretical voting rights (including suspended voting rights and double voting rights)	%
Groupe Grimaud La Corbière[34]		**12,104,830**	**15.95**	**23,948,157**	**25.52**
Bpifrance Participations SA		**7,456,785**	**9.83**	**12,956,648**	**13.81**
Management Board members	**Total Management Board members [35]**	**660,048**	**0.87**	**1,018,083**	**1.08**
	Franck Grimaud	478,005	0.63	837,432	0.89
	Thomas Lingelbach	124,751	0.16	124,205	0.13
	Reinhard Kandera	57,292	0.08	56,446	0.06
Non-officer employees[36]		**127,007**	**0.17**	**226,907**	**0.24**
Other private individual shareholders		**1,548,609**	**2.04**	**2,890,684**	**3.08**
Of which private individual shareholders of the Groupe Grimaud Family and Financière Grand Champ SAS [27 & 37]		874,903	1.15	1,655,260	1.76
Of which investors		172,277	0.23	344,528	0.37
Of which independent members of the Supervisory Board [38]	Alain Munoz	41,800	0.06	83,600	0.09
	Michel Greco	618	0.00	686	0.00
	James Sulat	17,867	0.02	31,367	0.03
	Alexander Von Gabain	39,687	0.05	38,218	0.04
Other private individual investors with shares in registered form		401,457	0.53	737,025	0.79
Other preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15		**1,186,748**	**1.56**	**0**	**0.00**

[32] See Section 15.2.1 of this Annual Management Report.

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

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

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

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

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

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

	Shares held	%[33]	Number of theoretical voting rights (including suspended voting rights and double voting rights)	%
Other bearer shares	**52,804,261**	**69.58**	**52,804,261**	**56.27**
TOTAL	**75,888,288**	**100.00**	**93,844,740**	**100.00**

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

15.2.1 Restrictions relating to double voting rights

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

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

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

15.2.2 Restrictions on voting rights exercisable in General Meetings

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

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

Commercial Court within the jurisdiction of which the Company has its registered offices may, at the request of the Company or of a shareholder, pronounce the complete or partial suspension of voting rights, for a total period not exceeding five years, against any shareholder who has not made the declarations cited above or who has not observed the content of the declaration of intent provided in Article L. 233-7, VII of the Commercial Code, within six (6) months of the publication of the said declaration."

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

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

Readers are nevertheless invited to refer to Section 15.6 of this Annual Management Report, with respect to the shareholders agreement executed on July 5, 2013 between Groupe Grimaud La Corbière, France's Strategic Investment Fund (Fonds Stratégique d'Investissement, renamed "Bpifrance Participations"), Messrs. Franck Grimaud, Majid Mehtali, Thomas Lingelbach and Reinhard Kandera.

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

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

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

15.3.1 Declarations of the Groupe Grimaud Family

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

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

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

Mrs. Anne Marie Grimaud, Mr. Bruno Grimaud, associates of the company Financière Grand Champ, deemed to act in concert in accordance with article L. 233-10, II, 4° of the French Commercial code;

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

that on February 6, 2015, it has crossed below the legal threshold of 20% of the share capital and voting rights, as well as the statutory thresholds between 22% and 18%, as a consequence of the share capital increase with preferential subscription rights opened for subscription from January 15 to January 28, 2015, as described in the prospectus duly approved by the French Financial Markets Authority on January 12, 2015, under Visa No. 15-020.

The Groupe Grimaud Family stake was reduced, pursuant to this transaction, to 17.14% of the share capital and 17.42%[39] of the voting rights of the Company:

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

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

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

The company Financière Grand Champ SAS declared, for itself and for the other members of the Groupe Grimaud Family with which it is acting in concert, that on May 28, 2015, it has crossed above the legal thresholds of 20% and 25% of the voting rights of the Company, as well as the statutory[40] thresholds between 18% and 28% of such voting rights, pursuant to the grant of double voting rights in accordance with the provision of article 13.2.3 of the Articles of Association of Valneva SE.

The Groupe Grimaud Family stake has been increased to 28.13%[41] of the voting rights of the Company:

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

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

[41] Rates calculated in reference to a share capital totaling 75,852,214 Valneva shares (divided into 74,663,099 ordinary shares with a nominal value of €0.15 each, and 17,836,719 preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15), representing 86,980,615 voting rights of the Company.

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

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

In addition, in accordance with the provisions of article L. 233-7, VII of the French Commercial code, and after the Groupe Grimaud Family has crossed above, on May 28, 2015, the thresholds of 20% and 25% of the share capital and voting rights of the Company Valneva SE, the Groupe Grimaud Family declared that:

- the thresholds crossings of 20% and 25% of the voting rights results from the grant of 11,475,482 double voting rights, on May 28, 2015, in accordance with the provisions of article 13.2.3 of the Articles of Association of the Company Valneva SE;
- it is acting in concert with the following persons:
    - Groupe Grimaud La Corbière, its subsidiary over which it exercises control and with which it is considered to be acting in concert in accordance with article L. 233-10, II, 2° of the French Commercial code;
    - Mr. Frédéric Grimaud, Chairman of the company Groupe Grimaud La Corbière, deemed to be acting in concert in accordance with article L. 233-10, II, 1° of the French Commercial code;
    - Mr. Joseph Grimaud, Mrs. Marie-Thérèse Grimaud, Mrs. Renée Grimaud, Mr. Thomas Grimaud, Mrs. Odile Grimaud Chateigner, Mrs. Agnès Grimaud, Mrs. Anne Marie Grimaud, Mr. Bruno Grimaud, associates of the company Financière Grand Champ, deemed to be acting in concert in accordance with article L. 233-10, II, 4° of the French Commercial code;
- the company is not considering further purchases, nor acquiring the control of the Company Valneva SE, nor engaging in any particular strategy *vis-à-vis* the issuer;
- none of the transactions provided by article 223-17, I, 6° of the General Regulations of the French Financial Markets Authority is being considered;
- it does not hold any of the instruments or agreements listed in article L. 233-9, I, 4° and 4° bis of the French Commercial code;
- it has not concluded any temporary sale agreement concerning the shares or voting rights of the Company Valneva SE;

- it does not plan to ask for the appointment of Management Board or Supervisory Board members of Valneva SE, knowing that Mr. Frédéric Grimaud, Chairman of the company Groupe Grimaud La Corbière, is already Chairman of the Supervisory Board of the Company.

15.3.2 Declaration of thresholds crossings of Novartis AG pursuant to the sale of Valneva shares to the company Glaxo Group Limited and to various Company's share capital increases

a) Novartis AG, acting in its name and on its behalf, as well as in the name and on behalf of the companies Novartis Pharma AG ("**Novartis Pharma**") and Novartis Vaccines and Diagnostics Inc. ("**NVD Inc.**" and, together with Novartis AG and Novartis Pharma, the "**Novartis Group**"), declared, for regularization purposes, that it has passively crossed below certain legal and statutory thresholds of the share capital and voting rights of the Company, following various Company's share capital increases. Novartis AG also declared, in its name and on its behalf, as well as in the name and on behalf of the other companies within the Novartis Group, that it has actively crossed below certain legal and statutory thresholds of the share capital and voting rights of the Company, following the Sale (as defined hereinafter):

Date of the threshold(s) crossing(s)	Description of the trigger event	% of the share capital of the Company			% of the voting rights of the Company			Description of the crossed threshold(s)
		Novartis Pharma	NVD Inc.	Novartis Group	Novartis Pharma	NVD Inc.	Novartis Group	
March 3, 2015	**Sale**	**0**	**0**	**0**	**0**	**0**	**0**	**Novartis AG has indirectly and actively crossed below:** + **the statutory thresholds of 2% of the share capital** + **the statutory threshold of 2% of the voting rights** **Novartis Pharma has directly and actively crossed below:** + **the statutory thresholds of 2% of the share capital** + **the statutory threshold of 2% of the voting rights**
February 6, 2015	**Company's share capital increase**	**2.66**	**1.10**	**3.76**	**2.54**	**1.04**	**3.58**	**Novartis AG has indirectly and passively crossed below:** + **the statutory thresholds of 4% of the share capital** + **the statutory threshold of 4% of the voting rights**
June 25, 2014	**Company's share capital increase**	**3.51**	**1.45**	**4.96**	**3.39**	**1.38**	**4.78**	**Novartis AG has indirectly and passively crossed below:** + **the legal thresholds of 5% of the share capital**
July 5, 2013	**Company's share capital increase**	**3,62**	**1.49**	**5.11**	**3.47**	**1.43**	**4.90**	**Novartis AG has indirectly and passively crossed below:** + **the legal thresholds of 5% of the voting rights** + **the statutory thresholds of 6% of the share capital** + **the statutory threshold of 6% of the voting rights** **Novartis Pharma has directly and passively crossed below:** + **the statutory thresholds of 4% of the share capital** + **the statutory threshold of 4% of the voting rights** **NVD Inc. has directly and passively**

								crossed below: + **the statutory thresholds of 2% of the share capital**

b) It has been specified, in accordance with article 12 of the Articles of Association of the Company, that:

+ all the shares and voting rights held by the Novartis Group in the capital of the Company have been granted to the Novartis Group in the context of the merger between the companies Intercell AG and Vivalis SA (now Valneva SE) of May 28, 2013; and
+ since May 28, 2013, and until the closing of the Sale (as defined below):
  - o the Novartis Group did not sell or acquire shares or voting rights of the Company, nor subscribe to a share capital increase of the Company; and
  - o the number of ordinary shares and preferred shares held by the Novartis Group remains unchanged, i.e.:

	Share capital		**Voting rights**
	Ordinary shares	**Preferred shares**	
Novartis Pharma	1,894,024 i.e. 3,788,048	1,894,024	1,894,024
NVD Inc.	780,000 i.e. 1,560,000	780,000	780,000
Novartis Group	**2,674,024** **i.e. 5,348,048**	**2,674,024**	**2,674,024**

  - o with the exception of the above-mentioned shares and voting rights, the Novartis Group does not hold, and never held, securities giving access to the share capital and/or voting rights of the Company.

c) In addition, on March 3, 2015, the ownership of all shares and voting rights held in the share capital of the Company by Novartis Pharma and NVD Inc. has been transferred to the benefit of the company Glaxo Group Limited (the "**Sale**"). Consequently, on even date, the Novartis Group did not hold shares or voting rights of Valneva SE anymore.

15.3.3 Declaration of threshold crossing of the group Glaxo SmithKline ("GSK Group") pursuant to the acquisition of Valneva shares held by companies of the Novartis group

On March 2, 2015, the company Glaxo Smith Kline Limited, a subsidiary of the GSK Group, acquired the Valneva shares held by Novartis Pharma and Novartis Vaccines and Diagnostics Inc. (see Section 15.3.2 of this Annual Management Report). In addition, GSK Biologicals SA, a subsidiary of the GSK Group, was holding shares of the Company on even date. This acquisition, added to this pre-existing stake in the Company's share capital, led to the GSK Group's crossing above the threshold of 2% of the share capital and voting rights of Valneva SE.

Consequently, the GSK Group, acting in the name and on behalf of its subsidiaries, GSK Biologicals SA and Glaxo Group Limited, declared that on March 2, 2015, it was holding:

+ 2,966,524 ordinary shares of the Company; and
+ 2,674,024 preferred shares of the Company;

i.e.

+ 4.15% of the share capital of the Company; and

+ 3.97% of the voting rights of the Company[42].

15.3.4 Declarations of the EPIC BPI-Groupe

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

The EPIC BPI-Groupe declared that, on July 25, 2015, it has crossed above, indirectly through Bpifrance Participations SA over which it exercises control with the meaning of article L. 233-3 of the French Commercial code, the following thresholds:

- the legal threshold of 10% of the voting rights of the Company;
- the statutory thresholds of 10%, 12% and 14% of the voting rights of the Company.

These thresholds crossings result from the grant of 5,499,863 double voting rights to Bpifrance Participations, increasing the EPIC BPI-Groupe stake at 7,456,785 ordinary shares and 12,956,648 voting rights of the Company, representing 9.83% of the share capital and 14.01%[43] of the voting rights issued in Valneva SE:

	Shares held	% of the share capital	Voting rights	% of the voting rights
EPIC BPI-Groupe (directly)	0	0	0	0
EPIC BPI-Groupe (indirectly, through Bpifrance Participations)	7,456,785	9.83	12,956,648	14.01
TOTAL EPIC BPI-Groupe	**7,456,785**	**9.83**	**12,956,648**	**14.01**

In addition, in accordance with article L. 233-7, VII of the French Commercial code, the EPIC BPI-Groupe declared that for the six coming months, the intents of Bpifrance Participations, company over which it indirectly exercises control through the company BPI-Groupe SA, are the following:

- Bpifrance Participations crossed above the threshold of 10% of the voting rights of the Company, as a result of the grant, to its benefit, of 5,499,863 double voting rights, and therefore, has not resorted to any form of financing;
- Bpifrance Participations is acting alone;
- Bpifrance Participations does not intend to proceed with purchases on the market;
- Bpifrance Participations does not intend to obtain control over the Company;
- Bpifrance Participations intends to support the development of Valneva SE, but though has no plans to carry out transactions referred to by article 223-17, I, 6° of the General Regulations of the French Financial Markets Authority;
- Bpifrance Participations does not hold any of the instruments or agreements listed in article L. 233-9, I, 4° and 4° bis of the French Commercial code;
- Bpifrance Participations has not concluded any temporary sale agreement concerning the shares or voting rights of the Company Valneva SE.
- Bpifrance Participations does not intend to ask for […] the appointment of board members.

[42] Rates calculated in reference to a share capital totaling 75,852,214 Valneva shares (divided into 74,663,099 ordinary shares with a nominal value of €0.15 each, and 17,836,719 preferred shares with a nominal value of €0.01 each, written down to a nominal value of €0.15), representing 74,663,099 voting rights of the Company.

[43] Rates calculated in reference to a share capital totaling 75,852,214 Valneva shares, representing 92,479,478 voting rights of the Company.

Declaration of threshold crossing pursuant to issuance of new shares and new double voting rights

The EPIC-BPI Groupe declared that on August 4, 2015, it has passively crossed below, through Bpifrance Participations SA, the statutory threshold of 14% of the voting rights of the Company.

This threshold crossing results from the issuance of new Valneva shares and new double voting rights; the EPIC-BPI-Groupe stake, amounting to 7,456,785 ordinary shares and 12,956,648 voting rights of the Company, is now representing 9.82% of the share capital and 13.82% of the voting rights issued in Valneva SE.

15.3.5 Declaration of thresholds crossings of the Caisse des Dépôts et Consignations ("CDC") pursuant to the grant of double voting rights, and declaration of intent

On July 25, 2015, the CDC, through Bpifrance Participations, crossed above the following thresholds:

- The legal threshold of 15% of the voting rights of the Company;
- The statutory thresholds of 12% and 14% of the voting rights of the Company.

These thresholds crossings result from the grant of 5,499,863 double voting rights to Bpifrance Participations.

Consequently, the CDC holds, indirectly through Bpifrance Participations and CDC Entreprises Valeurs Moyennes ("**CDC EVM**"), 8,810,485 ordinary shares and 14,310,348 voting rights of the Company, representing 11.61% of the share capital and 15.47%[44] of the voting rights issued by Valneva SE:

	Shares held	% of the share capital	Voting rights	% of the voting rights
CDC	0	0	0	0
CDC Entreprises Valeurs Moyennes	1,353,700	1.78	1,353,700	1.46
Bpifrance Participations SA	7,456,785	9.83	12,956,648	14.01
TOTAL CDC	**8,810,485**	**11.61**	**14,310,348**	**15.47**

In addition, in accordance with article L. 233-7, VII of the French Commercial code, the Caisse des Dépôts et Consignations declared that, for the coming six months, the intents of CDC EVM and Bpifrance Participations, company over which it indirectly exercises control through the company BPI-Groupe SA, are the following:

- the threshold crossing is passive and linked to the grant of double voting rights. As such, no financing was required;
- CDC EVM and Bpifrance Participations are acting alone;
- Bpifrance Participations does not intend to purchase shares in the coming months;
- CDC EVM intends to purchase non-significant amounts of shares in the coming months;
- neither CDC EVM nor Bpifrance Participations intend to obtain control over the Company;
- CDC EVM and Bpifrance Participations intend to support the development of Valneva SE, but though have no plans to carry the transactions referred to in article 223-17, I, 6° of the General Regulations of the French Financial Markets Authority;

[44] Rates calculated in reference to a share capital totaling 75,852,214 Valneva shares, representing 92,479,478 voting rights of the Company.

- neither CDC EVM, nor Bpifrance Participations, holds any of the instruments or agreements listed in article L. 233-9, I, 4° and 4° bis of the French Commercial code;
- neither CDC EVM, nor Bpifrance Participations, concluded any temporary sale agreement concerning the shares or voting rights of the Company Valneva SE;
- neither CDC EVM, nor Bpifrance Participations, intends to ask for […] the appointment of board members.

15.4 List of all security holders with special control rights; description of said rights

The Company is not aware of the existence of special control rights, other than the double voting rights allocated to all fully paid-up shares which have been registered in the name of the same shareholder for more than two years (see Section 15.2.1 of this Annual Management Report).

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

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

15.6 Shareholders agreements known to the Company and which may result in share transfer and voting rights restrictions

A shareholders agreement was executed on July 5, 2013, between the company Groupe Grimaud La Corbière ("**GGLC**"), France's Strategic Investment Fund (Fonds Stratégique d'Investissement, renamed "Bpifrance Participations"), Messrs. Franck Grimaud, Majid Mehtali, Thomas Lingelbach and Reinhard Kandera.

The shareholders agreement was executed in connection with the capital increase with preferential subscription rights of Valneva SE, amounting approximately to €40 million, for which the prospectus was submitted for clearance with the French Financial Markets Authority (Visa No. 13-0275) and which follows the creation of the Company from the merger of Vivalis SA and Intercell AG.

The shareholders agreement's main provisions are as follows:

Agreement to not act in concert

Bpifrance Participations, GGLC and the Management Board members do not intend to act in concert vis-à-vis Valneva SE. In particular, by entering into this shareholders agreement, Bpifrance Participations wishes to maintain its financial interests in the Company.

Governance

Composition of the Supervisory Board

+ The shareholder agreement notes that Vivalis SA's General Meeting convened on March 7, 2013 to approve the merger and capital increase, appointed the following individuals as initial members of the Supervisory Board for a 3-year term: (i) three candidates put forth by GGLC (Messrs. Frédéric Grimaud, Michel Greco and Alain Munoz), whose terms took effect at the date of the merger between Vivalis SA and Intercell AG, (ii) three candidates put forth by Intercell AG (Messrs. James Sulat, Alexander Von Gabain and Hans Wigzell), whose terms took effect at the date of the merger between Vivalis SA and Intercell AG, and (iii) one candidate put forth by Bpifrance Participations (Mrs. Anne-Marie Graffin), whose term took effect at the date of settlement and delivery of the capital increase;

- The Supervisory Board member appointed by Bpifrance Participations also sits on the Compensation and Appointments Committee;
- Throughout the term of the shareholders agreement, GGLC and Bpifrance Participations will make every effort to abide by these principles for allocating seats in the Supervisory Board;
- Bpifrance Participations will also be appointed as a Non-Voting Observer (*Censeur*) of the Supervisory Board for a term of three years as of the date of settlement and delivery of the capital increase;
- Supervisory Board decisions are taken by simple majority of those members in attendance or represented, with the exception of (i) certain decisions requiring a qualified majority of 4 out of 7 members (budget, business plan, appointment and removal of Management Board members, distribution of dividends, draft resolutions for Extraordinary General Meetings, capital increases, etc.), and (ii) any decision for international relocation of Valneva SE's registered offices or of an R&D center operated by Valneva SE in France, which shall require a unanimous vote. For these two types of decision, the quorum (required only upon the first call) shall be the majority of the members with at least one representative nominated by each of GGLC, Intercell and Bpifrance Participations. Upon the second call, the quorum shall be the majority of Supervisory Board members.

Composition of the Management Board

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

Following the death of Majid Mehtali in August 2013, the Company's Management Board was made up of three members at the date of this Annual Management Report, namely Messrs. Franck Grimaud, Thomas Lingelbach and Reinhard Kandera.

Transfer of shares

Lock-up commitment

Bpifrance Participations shall be subject to a two-year lock-up commitment for its shares. This period shall be four years for GGLC (subject to certain exceptions, such as a relief clause applicable to 50% of its securities as of the third anniversary of the shareholders agreement). Management Board members shall be bound by a 3-year lock-up (subject to certain exceptions, such as selected cases of dismissal as well as a relief clause applicable to 20% of their securities).

Unrestricted transfers

Transfers between affiliates will not be subject to restrictions (subject to the customary conditions: membership, joint liability of the transferor, etc.). Likewise, there is no restriction for contributions of Valneva securities by a party to a public offering.

Right of first refusal

Following the lock-up period, any transfer of securities by GGLC or Bpifrance Participations (without prejudice to the abovementioned free transfers) shall be subject to a right of first refusal granted to Bpifrance Participations or GGLC, according to the circumstances, at the price offered by the transferor. Should this right be waived, the transferor shall be entitled to transfer the securities in question by any means for a period of three months, and at a sale price equal to, or greater than, the price offered to GGLC or Bpifrance Participations.

Anti-dilution

Should Valneva SE wish to carry out a capital increase (in cash) liable to have a dilutive effect on Bpifrance Participations' stake in the Company, GGLC shall, at the request of Bpifrance Participations, make every effort to take measures guaranteeing that Bpifrance Participations' interest in the Company is maintained at its previous level.

Duration of the shareholders agreement

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

15.7 Rules and regulations related to the appointment and replacement of Management Board members, and to the modifications to the Articles of Association of the Company

The rules and regulations applicable in this respect comply with the provisions of the Articles of Association and the law.

15.8 Powers of the Management Board in particular for the issuance and buyback of shares

With regards to the issuance and buyback of shares, the powers of the Management Board are those provided for by statute and regulations applying to European companies (*Societas Europaea*) with a Management Board and a Supervisory Board.

15.8.1 Current delegations in connection with stock option and free shares

Combined General Meeting held on June 26, 2014

Resolution	Nature of the delegation	Duration of the delegation	Authorized amount	Uses during fiscal year 2015
20	**Issuance of stock option – Grant of authority to the Management Board for this purpose**	38 months, i.e. until August 26, 2017	The maximal total number of stock options to be granted under this resolution shall represent a maximum of shares to be subscribed of 4 % of the share capital of the Company at the date of the allocation of options.	Delegation used during the fiscal year ended December 31, 2015, in the context of the new stock option plan of the Company (Plan No. 8 – Tranche 1), set on July 28, 2015, for 712,000 stock option giving right to the grant of 712,000 ordinary shares of the Company (see Section 13.2.1 of this Annual Management Report).
21	**Issuance of free shares, repurchase by the Company of its own shares on the market for this purpose – Corresponding grant of authority to the Management Board**	38 months, i.e. until August 26, 2017	The total number of ordinary shares that may be freely granted under this authorization may not exceed more than 2% of the share capital of the Company on the date of the allocation of the free shares.	Delegation not used during the fiscal year ended December 31, 2015.

15.8.2 Current authorizations related to share buyback programs and cancellation of shares of the Company

Combined General Meeting held on June 25, 2015

Resolution	Nature of the delegation	Duration of the delegation	Authorized amount	Uses during fiscal year 2015
6	**Authorization and powers to be given to the Management Board for purchase by the Company of its own shares**	18 months, i.e. until December 25, 2016	Authorization to proceed with the purchase, sale or transfer, on one or more occasions, at any time, including during a public offering, and by any means, especially by trading in the market or off-market, including block transactions, except involving the use of derivatives. The purchase and sale of shares through block trades may account for the entire authorized share buyback program. The Company may: + purchase its own shares up to a maximum of 5% of the shares comprising its share capital, as adjusted based on corporate actions that might affect the share capital after this resolution, less treasury shares, at a price per share not exceeding €10. However, when shares are purchased to promote liquidity under the conditions defined by the French Financial Market Authority's General Regulations, the number of shares to be taken into account for calculating this 5% limit will equal the number of shares purchased minus shares resold during the authorization period. Furthermore, the number of shares acquired by the Company to be held and subsequently used in payment or exchange in connection with a merger, spin-off or contribution, may not exceed 5% of the share capital, after adjustments for corporate actions occurring after this decision; + sell, assign or transfer by any means all or part of the shares thus acquired; + or cancel said shares by reducing the share capital, within the limit of 5% of the Company's share capital per twenty-four (24) month period. In the event of an increase in the capital by capitalizing reserves and a grant of restricted share units, stock splits or reverse stock splits, the prices indicated above will be adjusted by a multiplier equal to the ratio between the number of shares making up the share capital before and after the transaction. These share purchases may be made for the purposes provided for by law, or subsequently permitted by law, and notably to: + maintain an orderly market in the Company's share through a liquidity guarantee that complies with the AMAFI code of professional conduct dated March 8, 2011 and concluded with an investment services provider acting independently; + hold acquired shares and subsequently remit them as payment or in exchange as part of financial transactions or acquisitions, pursuant to the applicable regulations; + implement and honor obligations, and in particular remit shares pursuant to the exercise of rights attached to securities giving access, by any means, immediately or in the future, to the Company's shares, as well as all hedging transactions resulting from the obligations of the Company relating to these securities, in accordance with the provisions provided for by market authorities and at such times as the Management Board or the person	Delegation used during the fiscal year ended December 31, 2015, in the context of the liquidity agreement executed with the financial institution Natixis (see Section 16.1 of this Annual Management Report).

			acting on the authority of the latter shall determine; + cancel acquired shares; + cover share option plans reserved for employees or other share allocations according to the conditions set out in articles L. 3332-1 *et seq.* and R. 3332-4 of the French Labor code, or the allocation of Company shares to employees and/or corporate officers of the Company, or companies referred to in article L. 225-197-2 of the French Commercial code, or share allocations as part of employee profit sharing. The maximum amount of funds allocated for this program is set at fifteen million euros (€15 000 000).	
7	**Authorization granted to the Management Board for cancellation by the Company of its own shares**	18 months, i.e. until December 25, 2016	Authorization to proceed with the reduction, on one or more occasions, of the share capital of the Company, within the limit of 10% of the Company's capital, adjusted for corporate actions that could affect the share capital after this decision, per twenty-four (24) month period, by canceling the shares that the Company holds or might hold by any means, including by purchasing shares through buyback programs authorized by resolution six submitted to the shareholders' vote during the Combined General Meeting held on June 25, 2015, or buyback programs authorized previously or following the date of said Meeting, or by any other means, by charging the difference between the buyback price of the canceled shares and their nominal value to additional paid-in capital and available reserves.	Delegation not used during the fiscal year ended December 31, 2015.

15.8.3 Other current delegations

Combined General Meeting held on June 25, 2015

Resolution	Nature of the delegation	Duration of the delegation	Authorized amount	Uses during fiscal year 2015
8	**Issuance of equity warrants**	18 months, i.e. until December 25, 2016	Authorization for the issuance of 250,000 equity warrants of the Company "BSA 26", each giving right to the grant of one new ordinary share of the Company.	Delegation not used during the fiscal year ended December 31, 2015.
10	**Grant of authority to the Management Board to increase the share capital by issuing ordinary shares or any securities giving access to the capital while maintaining the preferential subscription right**	26 months, i.e. until August 25, 2017	Nominal amount of the share capital increases: maximum four million five hundred thousand euros (€4,500,000). The issued securities giving access to shares in the Company may consist of debt securities or be linked to the issuing of such securities, or enable the issue thereof as intermediate securities. Maximal nominal amount of the debt securities: maximum one hundred twenty-five million euros (€125,000,000).	Delegation not used during the fiscal year ended December 31, 2015.

11	**Grant of authority to the to the Management Board to increase the capital by issuing ordinary shares or all securities conferring rights to the capital, through a public offering, canceling preferential subscription rights, while including an option for a priority period**	26 months, i.e. until August 25, 2017	Nominal amount of the share capital increases: maximum four million five hundred thousand euros (€4,500,000). The issued securities giving access to shares in the Company may consist of debt securities or be linked to the issuing of such securities, or enable the issue thereof as intermediate securities. Maximal nominal amount of the debt securities: maximum one hundred twenty-five million euros (€125,000,000).	Delegation not used during the fiscal year ended December 31, 2015.
12	**Grant of authority to the Management Board in order to increase the share capital through the capitalization of reserves, earnings or premium**	26 months, i.e. until August 25, 2017	Nominal amount of the share capital increases: maximum four million five hundred thousand euros (€4,500,000).	Delegation used during the fiscal year ended December 31, 2015, in the context of final grant of free shares upon Management Board decisions dated July 24, 2015 and September 7, 2015, for a total amount of €5,250 (see Section 13.2.2 of this Annual Management Report).
13	**Grant of authority to the Management Board to increase the share capital by issuing shares and/or securities giving present and/or future access to the Company's share capital through private placement, with cancellation of preferential subscription rights**	26 months, i.e. until August 25, 2017	Total amount of the share capital increases: maximum 20% of the share capital of the Company per year. The issued securities giving access to shares in the Company may consist of debt securities or be linked to the issuing of such securities, or enable the issue thereof as intermediate securities. Maximal nominal amount of the debt securities: maximum one hundred twenty-five million euros (€125,000,000).	Delegation not used during the fiscal year ended December 31, 2015.
14	**Grant of authority to the Management Board in order to implement the issue of Company ordinary shares and/or securities giving immediate and/or later access to the capital of the Company with cancellation of preferential subscription rights, and to set the issue price in accordance with the rules set by the General Meeting up to a limit of 10% of the share capital per year**	26 months, i.e. until August 25, 2017	Nominal amount of the share capital increases: maximum 10% of the share capital of the Company, (this limit being determined on the date of the Combined General Meeting held on June 25, 2015), within the limit of the maximum increase in capital provided for under resolution eleven, or according to the case, resolution thirteen of the Combined General Meeting held on June 25, 2015, and the maximum capital increase provided for by resolution sixteen from which it is deducted.	Delegation not used during the fiscal year ended December 31, 2015.
15	**Grant of authority to the Management Board to increase the share capital by issuing shares and/or securities giving immediate and/or future access to the capital of the Company, in consideration for contributions in kind for equity securities or other securities giving access to the capital, with cancellation of preferential subscription rights**	26 months, i.e. until August 25, 2017	Share capital increases authorized within the limit of 10% of the share capital of the Company.	Delegation not used during the fiscal year ended December 31, 2015.
16	**Maximum aggregate amount of capital increases**	The maximum aggregate amount of capital increases that may be carried out, with immediate effect or in the future, under resolutions ten to fifteen of the Combined General Meeting held on June 25, 2015, may not exceed four million five hundred thousand euros (€4,500,000), it being specified that to this maximum aggregate amount will be added the supplementary amount of shares or securities to be issued for the purposes of any adjustments to be made in accordance with applicable legal or regulatory provisions and, if applicable, with contractual provisions providing for other forms of adjustment, in order to preserve the rights of the holders of securities or other rights giving immediate and/or future access to the capital of the Company		

17	**Creation of a new class of preferred shares into ordinary shares following a period of 4 years**			
18	**Grant of authority to the Management Board in order to increase the share capital by issuing preferred shares convertible into ordinary shares, and canceling the preferential subscription rights for the benefit of a defined category of persons**	18 months, i.e. until December 25, 2016	The maximum number of convertible preferred shares that may be issued based on this delegation of power is 2,000[45]. The maximum number of ordinary shares that may be created if the convertible preferred shares are converted amounts to 200,000, or a maximum capital increase of €30,000, these limits being set without taking into account the legal, regulatory or contractual adjustments required to preserve the rights of beneficiaries of convertible preferred shares.	Delegation used during the fiscal year ended December 31, 2015 (Management Board held on July 28, 2015) in the context of the subscription, for consideration, of 1,074 convertible preferred shares (i) giving right to the grant of 107,400 ordinary shares of the Company at maximum, and (ii) which gave the right to the grant of free preferred shares convertible into Valneva's ordinary shares (see Section 13.3 of this Annual Management Report).
20	**Authorization for the Management Board to grant free convertible preferred shares of the Company for the benefit of employees and/or corporate officers of the Company and its subsidiaries, entailing waiver by shareholders of their preferential subscription right**	38 months, i.e., until August 25, 2018	The total number of convertible preferred shares that may be freely granted based on this resolution may not represent more than 5.5%[46] of the Company's share capital on the date of the Management Board's grant decision. The maximum number of ordinary shares that may be created if these convertible preferred shares are converted is four million, or a maximum capital increase of €600,000, it being specified that these limits are set without taking into account the legal, regulatory or contractual adjustments required to preserve the rights of beneficiaries of convertible preferred shares.	Delegation used during the fiscal year ended December 31, 2015, in the context of the grant of 26,850 free convertible preferred shares, declared by the Management Board on July 28, 2015, giving right, at maximum, to the grant of 2,685,000 ordinary shares of the Company (see Section 13.3 of this Annual Management Report).

15.9 Agreements executed by the Company that may be modified or terminated in the event of a change in control of the Company

As disclosed in the Note 5.2 to the statutory financial statements for the fiscal year 2015, a loan amounting approximatively to US$ 40 million was granted to Valneva Austria GmbH, an Austrian subsidiary of the Company, by an investment fund managed by *Pharmakon Advisors*.

In the event of a change in control of the Company, this loan shall be subject to prepayment, with certain additional indemnities, from which are deducted interest payments already made.

15.10 Agreements providing for indemnities to Management Board members or employees in the event of resignation, dismissal without just and sufficient cause, or termination of employment resulting from a public offering

There is no agreement providing for the payment of indemnities to employees in the event of resignation, dismissal without just and sufficient cause, or termination of employment resulting from a public offering.

However, with respect to the members of the Company's Management Board, provisions exist for certain indemnities on termination of their offices and/or functions, under the terms of a Management

[45] It being understood that in any case, the total number of issued convertible preferred shares (SPS and FCPS) cannot at any time represent together more than 6% of the share capital of the Company.

[46] Idem.

Agreement executed with the Company or its subsidiary Valneva Austria GmbH, depending on the case. For further details, please refer to Section 20.1.5 of this Annual Management Report.

16.SHARE BUYBACKS

During the fiscal year ended December 31, 2015, the Company only proceeded with share buybacks pursuant to the liquidity agreement executed with the financial institution Natixis.

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

16.1 Share buyback program implemented pursuant to a liquidity agreement

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

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

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

On December 31, 2015, Valneva held, in connection with this liquidity agreement, 20,110 Valneva's ordinary shares (or 0.03%[47] of the share capital at December 31, 2015, compared to 0.05%[48] at December 31, 2014), corresponding to an amount on the closing date of December 31, 2015 of €76,418 (€3,016.50 in nominal value[49]).

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

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

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

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

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

Implementation of the exit right

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

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

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

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

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

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

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

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

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

17. ADJUSTMENTS INVOLVING CAPITAL SECURITIES OR SECURITIES GIVING ACCESS TO THE COMPANY'S SHARE CAPITAL

In connection with the capital increase with preferential subscription rights carried out by the Company on February 6, 2015, for a total amount of €45,031,721.02 (breaking down into a nominal amount of €2,734,719.90 and a share premium of €42,297,001.12), by the issuance of 18,231,466 new shares at

a price of €2.47 per share (including a share premium of €2.32), the rights of holders of capital securities or securities giving access to the Company's share capital was adjusted as follows:

Excerpt of information published in the Bulletin of Obligatory Legal Notices (Bulletin des Annonces Légales Obligatoires or BALO) announcing the adjustments to the rights of the holders of capital securities or securities giving access to the capital, in accordance with article L. 228-99 of the French Commercial code, published on March 9, 2015 (Notice No. 1500467)

Adjustment of the rights of holders of stock option to subscribe for shares

In accordance with articles L.225-181, L.228-99, R.225-137, R.225-140 and R.228-91 of the French Commercial Code, as well as with the provisions of the rules applying to the stock option plans hereinafter mentioned, the rights of beneficiaries of stock option to subscribe for shares of the Company have been adjusted as follows:

PLAN 4 BIS	PLAN 5	PLAN 6	PLAN 7	
114	114	1	1	Number of shares to which each option confers a right
1.8	1.8	5.19	3.21	Initial exercise price of the option
205.2	**205.2**	**5.19**	**3.21**	**Initial investment**
3.71	3.71	3.71	3.71	Share value after separation (ex-date) of the preferential subscription right during the subscription period
0.336	0.336	0.336	0.336	Value of the preferential subscription rights during the subscription period
1.637	1.637	4.720	2.919	New option exercise price
1.099617653	***1.099617653***	***1.099617653***	***1.099617653***	**Coefficient applied to the ratio of shares for which each option confers a right**

A coefficient of 1.099617653 is applied to the ratio of shares for which each option confers a right.

On that basis:

- **for plans 4 and 5 described above, the new number of shares to which each option for subscription confers a right is 125.356412460; and**
- **for plans 6 and 7, the number of shares to which each option for subscription confers a right is 1.099617653.**

Adjustment of the rights of holders of equity warrants

("*Bons de souscription d'actions*" or "BSA")

In accordance with articles L. 228-99 and R. 228-91 of the French Commercial code, as well as with the conditions provided for by the issuance contract related to the BSA 23 warrants granted to the benefit of two members of the Supervisory Board (Management Board meeting of September 6, 2011), the right to shares resulting from the exercise of these BSA 23 warrants has been adjusted as follows:

- Former grant right: 1.05 share per 1 BSA 23 warrant
- New grant right: 1.15 share per 1 BSA 23 warrant

In the case of fractional amounts, the provisions of articles L. 225-149, subsection 1, and R. 228-94 of the French Commercial code, will apply.

Adjustment of the rights of holders of share issue warrants

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

In accordance with articles L. 228-99 and R. 228-91 of the French Commercial code, as well as with the provisions of article 4.4.7.2 of the issuance agreement dated May 12, 2014 related to 5,474,633 share issue warrants, the right to shares resulting from the exercise of these warrants has been adjusted as follows:

- Former grant right: 1 share per 1 BEA warrant
- New grant right: 1 share per 1.09 BEA warrant

In the case of fractional amounts, the provisions of articles L. 225-149, subsection 1, and R. 228-94 of the French Commercial code, will apply.

Adjustment with respect to the preferred shares

In accordance with articles L. 228-99 and R. 228-91 of the French Commercial code, a as well as with the provisions of article 13.3 of the Company's Articles of Association, the conversion ratio for the preferred shares has been adjusted as follows:

- Former conversion ratio: 0.4810 share for 1 preferred share
- Adjusted conversion ratio: 0.5246 share for 1 preferred share

When the number of Ordinary Shares so calculated is not a whole number, the fraction of Ordinary Shares forming a fractional lot shall be paid in cash. In such an event, the holder of the Preferred Shares shall receive an amount equal to the product (i) of the fraction of an Ordinary Share forming a fractional lot, and (ii) an amount equal to the first recorded market price of the Ordinary Share for the stock exchange trading session preceding that of the *ipso jure* conversion of the Preferred Shares into Ordinary Shares, when the *Condition* has been fulfilled (see article 13.3 of the Company's Articles of Association (www.valneva.com – under the heading "About - Governance").

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All adjustments previously made are applicable as from February 25, 2015.

18.AUTHORIZATIONS FOR CAPITAL INCREASES

In accordance with the provisions of article L. 225-100, subsection 7, of the French Commercial code, Section 15.8 of this Annual Management Report provides information on the current authorizations granted to the Management Board by the General Meeting of the Company in order to proceed with capital increases in accordance with articles L. 225-129-1 and L. 225-129-2 of the French Commercial code, and on the uses made of these authorizations during the fiscal year ended December 31, 2015.

19.OFFICES AND POSITIONS HELD DURING THE FISCAL YEAR 2015

19.1 Offices and positions held by the Management Board members

Name	Offices and positions held outside the Company, in 2015
Thomas Lingelbach ***Chairman of the Management Board - President & CEO of Valneva SE*** (Appointed on 10 May 2013, end of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2018) 	+ **Valneva Sweden AB** Chair of the Board (February 2015 to this day) + **Valneva UK Limited** Managing Director (October 2015 to this day) + **Valneva Canada Inc.** Member of the Board of Directors (January 2015 to this day) + **Vaccines Holdings Sweden AB** (formerly « Goldcup 10618 AB ») Chair of the Board (December 2014 to this day) + **Elatos GmbH** *Geschäftsführer* (Managing Director) (December 2013 to October 2015) + **Valneva Austria GmbH** *Geschäftsführer* (Managing Director) (August 2013 to this day) + **Intercell USA Inc.** President & Chief Executive Officer (November 2012 to this day) Director (August 2008 to this day) + **Valneva Scotland Ltd.** Director (December 2006 to this day)

Name	Offices and positions held outside the Company, in 2015
Franck Grimaud ***Management Board member – Deputy CEO of Valneva SE*** (Appointed on 10 May 2013, end of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2018) 	+ **Intercell USA Inc.** Director (December 2015 to this day) Deputy CEO (December 2015 to this day) + **Valneva UK Limited** Director (October 2015 to this day) + **Valneva Sweden AB** Board member (February 2015 to this day) + **Valneva Canada Inc.** Member of the Board of Directors (January 2015 to this day) President (January 2015 to this day) + **Blink Biomedical SAS** Member of the Supervisory Board (January 2015 to this day) + **Atlanpole Biothérapies** Board member (January 2015 to this day) Treasurer (January 2015 to this day) + **Vaccines Holdings Sweden AB** (formerly « Goldcup 10618 AB ») Board Member (December 2014 to this day) Managing Director (December 2014 to this day) + **Valneva Austria GmbH** *Geschäftsführer* (Managing Director) (August 2013 to this day) + **Valneva Toyama Japan K.K.** Representative Director & President (April 2011 to this day) + **Grimaud Deyang Animal Co Ltd.** Board member (September 2000 to this day) + **Chengdu Grimaud Breeding Co Ltd.** Board member (January 2000 to this day)

Name	Offices and positions held outside the Company, in 2015
Reinhard Kandera ***Management Board member & CFO of Valneva SE*** (Appointed on 10 May 2013, end of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2018) 	+ **Valneva UK Limited** Director (October 2015 to this day) + **Valneva Sweden AB** Board member (February 2015 to this day) + **Valneva Canada Inc.** Member of the Board of Directors (January 2015 to this day) Secretary (January 2015 to this day) + **Vaccines Holdings Sweden AB** (formerly « Goldcup 10618 AB ») Board Member (December 2014 to this day) + **Elatos GmbH** *Geschäftsführer* (Managing Director) (December 2013 to October 2015) + **Valneva Austria GmbH** *Geschäftsführer* (Managing Director) (August 2013 to this day) + **Intercell USA Inc.** Director (April 2012 to this day) Secretary (February 2012 to this day) + **Valneva Scotland Ltd**. Director (February 2004 to this day)

19.2 Offices and positions held by the Supervisory Board members

Name	Offices and positions held outside the Company, in 2015
Frédéric Grimaud ***Chairman of the Supervisory Board of Valneva SE*** (Appointed by the Extraordinary General Meeting of December 12, 2012, end of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2015) 	+ **Ovogenetics Holding BV** Director (December 2014 to this day) + **Choice Genetics SAS** Nomination and Compensation Committee member (November 2014 to this day) Chair of the Board (From October 2014 to December 2015) President (From January 2008 to December 2015) + **Blue Genetics Vietnam** Chairman of the Council (July 2014 to this day) + **Galor SAS** President (From November 2013 to December 2015) + **Blue Genetics Mexico** Chair of the Board (July 2013 to this day) + **Blue Genetics Holding SAS** President (From May 2013 to December 2015) + **Choice Genetics Vietnam** Chairman of the Council (January 2013 to this day) + **Pen Ar Lan SA** Chair of the Board (November 2011 to this day) + **Grimaud Vietnam Company Limited** President (June 2009 to this day) + **Novogen SAS** President (From July 2008 to December 2015) + **Choice Genetics USA LLC** Board member (May 2008 to this day) + **Hubbard Polska Sp Zoo** Supervisory Board member (2006 to this day) + **La Couvée SAS** Member of the Steering and Management Committe (June 2005 to this day) + **Hubbard Holding SAS** President (From April 2005 to December 2015) + **Hubbard LLC** (USA) Chairman of the Board (March 2005 to this day) + **Groupe Grimaud La Corbière SA** Chairman of the Management Board (June 2004 to this day) + **Grimaud Frères Sélection SAS** President (From November 2002 to December 2015)

Name	Offices and positions held outside the Company, in 2015
Frédéric Grimaud ***Chairman of the Supervisory Board of Valneva SE*** (Appointed by the Extraordinary General Meeting of December 12, 2012, end of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2015)	+ **Hypharm SAS** President (From November 2002 to December 2015) + **Filavie SAS** President (From November 2002 to December 2015) + **Grimaud (Putian) Breeding Farm Co Ltd.** Chair of the Board (December 2000 to this day) + **Grimaud (Deyang) Animal Health Co Ltd.** Chair of the Board (November 2000 to this day) + **Grimaud Italia SRL** Board member (2000 to this day) + **Chengdu Grimaud Breeding Farm Ltd.** Chair of the Board (October 1996 to this day) + Permanent Representative of the company Groupe Grimaud La Corbière in its capacity as President of the company Grimaud Frères Holding SAS (December 2014 to this day) + Permanent Representative of the company Hubbard Holding SAS in its capacity as President of the company Hubbard SAS (February 2013 to this day) + Permanent Representative of the company Grimaud Frères Holding SAS in its capacity as President of the company Grimaud Frères Sélection SAS (December 2015 to this day) + Permanent Representative of the company Groupe Grimaud La Corbière SA in its capacity as President of the company Hubbard Holding SAS (December 2015 to this day) + Permanent Representative of the company Groupe Grimaud La Corbière SA in its capacity as President of the company Hypharm SAS (December 2015 to this day) + Permanent Representative of the company Groupe Grimaud La Corbière SA in its capacity as President of the company Filavie SAS (December 2015 to this day) + Permanent Representative of the company Groupe Grimaud La Corbière SA in its capacity as President of the company Choice Genetics SAS (December 2015 to this day) + Permanent Representative of the company Groupe Grimaud La Corbière SA in its capacity as Chair of the Board of the company Choice Genetics SAS (December 2015 to this day) + Permanent Representative of the company Groupe Grimaud La Corbière SA in its capacity as President of the company Novogen SAS (December 2015 to this day)

Name	Offices and positions held outside the Company, in 2015
Frédéric Grimaud ***Chairman of the Supervisory Board of Valneva SE*** (Appointed by the Extraordinary General Meeting of December 12, 2012, end of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2015)	+ Permanent Representative of the company Groupe Grimaud La Corbière SA in its capacity as President of the company Galor SAS (December 2015 to this day) + Permanent Representative of the company Groupe Grimaud La Corbière SA in its capacity as President of the company Blue Genetics Holding SAS (December 2015 to this day) + Permanent Representative of the company Grimaud Frères Holding SAS in its capacity as President of the company Les élevages de la Fronière SAS (July 2015 to this day)

Name	Offices and positions held outside the Company, in 2015
Alain Munoz ***Supervisory Board member of Valneva SE*** (Appointed by the Extraordinary General Meeting of December 12, 2012, end of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2015) *Independent member*	+ **Hybrigenics SA** Chairman of the Board (June 2015 to this day) + **Oxthera AB** Supervisory Board member (February 2015 to this day) + **Genticel SA** Supervisory Board member (March 2010 to December 2015) + **Auris Medical AG** Supervisory Board member (December 2007 to April 2015) + **Zealand pharma A/S** Supervisory Board member (November 2007 to this day) + **SARL Science and Business** Manager (2000 to this day)

Name	Offices and positions held outside the Company, in 2015
Michel Greco ***Supervisory Board member of Valneva SE*** (Appointed by the Extraordinary General Meeting of December 12, 2012, end of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2015) *Independent member*	+ **Synthelis SAS** Board member (January 2014 to this day) + **Texcell SA** Board member (October 2010 to this day) + **Hôpital de Fourvière (Lyon)** Board member (2007 to this day) + **Noraker SAS** President (2007 to March 2015) + **Centre hospitalier St Joseph – St Luc (Lyon)** President (2004 to this day) + **Institut de Pharmacie Industrielle (Lyon)** Deputy manager and Board member (2003 to March 2015)

Name	Offices and positions held outside the Company, in 2015
James Sulat ***Vice-Chairman of the Supervisory Board of Valneva SE*** (Appointed by the Extraordinary General Meeting of March 7, 2013, end of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2015) *Independent member* 	+ **Arch Therapeutics, Inc.** Member of the Board of Directors (August 2015 to this day) + **Tolero Pharmaceuticals, Inc.** Member of the Board of Directors (May 2015 to this day) + **Diadexus, Inc.** Member of the Board of Directors (January 2015 to this day) Chairman of the Audit Committee (January 2015 to this day) + **AMAG Pharmaceuticals, Inc.** Member of the Board of Directors (April 2014 to this day) Audit Committee member (April 2014 to this day) Transactions Committee member (April 2014 to this day) + **Momenta Pharmaceuticals Inc.** Chairman of the Board of Directors (December 2008 to this day) Audit Committee member (June 2008 to this day) Nominations and Corporate Governance Committee member (June 2008 to this day)

Name	Offices and positions held outside the Company, in 2015
Hans Wigzell ***Supervisory Board member of Valneva SE*** (Appointed by the Extraordinary General Meeting of March 7, 2013, end of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2015) *Independent member*	+ **Karolinska Development AB** Member of the Board of Directors (Ongoing) + **Raysearch AB** Member of the Board of Directors (Ongoing) + **SOBI AB** Member of the Board of Directors (Ongoing) + **Sarepta Therapeutics Inc.** Member of the Board of Directors (Ongoing) + **Stockholm School of Entrepreneurship** Chairman (Ongoing)

Name	Offices and positions held outside the Company, in 2015
Alexander Von Gabain ***Supervisory Board member of Valneva SE*** (Appointed by the Extraordinary General Meeting of March 7, 2013, end of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2015) *Independent member*	+ **Karolinska Institutet Holding AB** Chairman of the Supervisory Board (January 2015 to this day) + **Karolinska Institute, Stockholm** Deputy Vice-Chancellor (August 2014 to this day) + **Business incubator of the Viennese Universities, Inits** Chairman of the Supervisory Board (April 2007 to this day) + **Max Perutz Laboratories, Vienna University** Professor of Microbiology (January 1993 to this day)

Name	Offices and positions held outside the Company, in 2015
Anne-Marie Graffin ***Supervisory Board member of Valneva SE*** (Appointed by the Extraordinary General Meeting of March 7, 2013, end of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2015)	+ **Themis Bioscience GmbH** Board member (July 2012 to January 2015) + **Nanobiotix SA** Supervisory Board member (January 2014 to this day) + **Sartorius Stedim Biotech SA** Board Member (April 2015 to this day) + **SARL SMAG Consulting** Manager (September 2011 to this day)

20. REMUNERATION PAID TO THE MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

The information presented in this Annual Management Report applies to compensation allocated to members of the Management and Supervisory Boards by:

- the Company;
- the companies controlled, pursuant to article L.233-16 of the French Commercial code, by the Company in which the office is exercised ;
- the companies controlled, pursuant to article L.233-16 of the French Commercial Code, by the Company(ies) controlling the Company in which the office is exercised ;
- the company(ies) controlling pursuant to the same article the Company in which the office is exercised,

in consideration for services they provide to companies of the Group.

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

20.1 Management Board members remuneration

20.1.1 Presentation of individual remuneration

Thomas Lingelbach - ***Chairman of the Management Board, President & CEO of Valneva SE***

	2015[50]		2014[51]	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	€324,800 payable in 14 equal installments	€324,800	€320,000 payable in 14 equal installments	€320,000
Annual variable remuneration[52]	Maximum 60% of gross annual salary i.e. €194,880	€166,080 (Amount paid with respect to 2014 objectives)	Maximum 60% of gross annual salary i.e. €192,000	€158,784 (Amount paid with respect to 2013 objectives)
Multi-year variable remuneration	0	0	0	0
Exceptional remuneration	0	€50,000[53]	0	0
Attendance fees	0	0	0	0
Fringe benefits:				
+ **Car rental**	Lease fee: maximum €1,100 per month, or €13,200 for the year 2015 Insurance: €2,832.48 for a complete year of insurance Other car related expenses: €1,570.86	€15,011.64 i.e.: €10,608.30 for the car leasing €2,832.48 for the car insurance €1,570.86 for other car related expenses (except fuel)	Lease fee: maximum €1,100 per month, or €13,200 for the year 2014 Insurance: €2,755.36 for a complete year of insurance	€13,526.19 i.e.: €10,770.83 for the car leasing €2,755.36 for the car insurance
+ **Death and endowment insurance policy**	Maximum €1,000 per month, or €12,000 for the year 2015	€11,833.45	Maximum €1,000 per month, or €12,000 for the year 2014	€12,000
+ **Reimbursement of home-workplace journeys made by flights and of associated costs**[54]	€4,604.04	€4,604.04	€9,212	€9,212
TOTAL	**€553,887.38**	**€572,329.13**	**€549,167.36**	**€513,522.19**

[50] Amounts set and paid in accordance with the provisions of the Management Agreement executed between Mr. Thomas Lingelbach and the subsidiary Valneva Austria GmbH, entered into force on June 25, 2015 (see Section 22 of this Annual Management Report).

[51] Amounts set and paid in accordance with the provisions of the Employment and Management Agreement executed between Mr. Thomas Lingelbach and the subsidiary Valneva Austria GmbH, in its version dated December 16, 2012 (now terminated - see Section 22 of this Annual Management Report).

[52] 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 are set according to the recommendation of the Nomination and Compensation Committee. A preliminary performance review is undertaken midyear by the Nomination and Compensation Committee. Achievement of objectives is then validated by the Supervisory Board on the recommendation of the Nomination and Compensation Committee. The amounts set out in the "Amounts due" column represent the maximum amounts that may be granted if all the objectives are met.

[53] Exceptional remuneration linked to the Management Board's performance, in particular with respect to the completion of the acquisition of the company Crucell Sweden AB and all assets, licenses and privileges related to DUKORAL®, as well as a Nordics vaccine distribution business of the seller and its affiliates (see Section 1.2.1 of this Annual Management Report).

[54] The current Management Agreement executed between Mr. Thomas Lingelbach and the subsidiary Valneva Austria GmbH provides that Mr. Lingelbach be reimbursed for the costs of weekend flights between hometowns in Germany and Austria and sites of Valneva, these costs including the transfers from and to the airport.

Franck Grimaud - ***Management Board member, Deputy CEO of Valneva SE***[55]

	2015		2014	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	From €153,000 to €240,000 (straight-line increase in remuneration over the next 3 years following completion of the merger with Intercell AG) Payable in 12 installments	€219,241.95	From €153,000 to €240,000 (straight-line increase in remuneration over the next 3 years following completion of the merger with Intercell AG) Payable in 12 installments	€194,932.68
Annual variable remuneration[56]	Maximum 60% of gross annual salary i.e. €91,800 to €144,000	€101,170.06 (Amount paid with respect to 2014 objectives)	Maximum 60% of gross annual salary i.e. €91,800 to €144,000	€92,803.24 (Amount paid with respect to 2013 objectives)
Multi-year variable remuneration	0	0	0	0
Exceptional remuneration	0	€37,500[57]	0	0
Attendance fees	0	0	0	0
Fringe benefits:				
+ **GSC**[58]	€7,401	€7,401	€6,446	€6,446
+ **Car rental**	Lease fee: maximum €1,100 per month, or €13,200 for the year 2015 Insurance: €1,457.32 for a complete year of insurance, from September 22, 2015 to September 22, 2016 Tax on company cars: ("**TVTS**") €1,843	€14,062.04 i.e.: €10,761.72 for the car leasing €1,457.32 for the car insurance TVTS: €1,843	Lease fee: maximum €1,100 per month, or €13,200 for the year 2014 Insurance: €1,314.30 for a complete year of insurance, from September 22, 2014 to September 22, 2015 TVTS: €3,645	€6,919.90 i.e.: €3,045.10 for the car leasing €221.80 for the car insurance TVTS : €3,645
TOTAL	**From €268,701.32 to €407,901.32**	**€379,375.05**	**From €269,405.30 to €408,605.30**	**€294,655.82**

[55] Amounts set and paid in accordance with the provisions of the Management Agreement executed between Mr. Franck Grimaud and Valneva SE, in its version dated December 16, 2012.

[56] 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 are set according to the recommendation of the Nomination and Compensation Committee. A preliminary performance review is undertaken midyear by the Nomination and Compensation Committee. Achievement of objectives is then validated by the Supervisory Board on the recommendation of the Nomination and Compensation Committee. The amounts set out in the "Amounts due" column represent the maximum amounts that may be granted if all the objectives are met.

[57] Exceptional remuneration linked to the Management Board's performance, in particular with respect to the completion of the acquisition of the company Crucell Sweden AB and all assets, licenses and privileges related to DUKORAL®, as well as a Nordics vaccine distribution business of the seller and its affiliates (see Section 1.2.1 of this Annual Management Report).

[58] A Social Insurance Contract for Company Directors and Managers (*Convention Garantie Sociale des Chefs et Dirigeants d'Entreprise* or "**GSC**") has been granted to Mr. Franck Grimaud. The purpose of this contract is to guarantee the payment of compensation in case of unemployment (up to 70% of the last professional net income filed with the tax authorities). This GSC was set up pursuant to an authorization of the Board of Directors of October 26, 2000. The expense incurred by the Company for 2015 for the GSC was €7,401, compared to €6,446 for 2014.

Reinhard Kandera - ***Management Board member, CFO of Valneva SE***

	2015[59]		2014[60]	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	€243,600 payable in 14 equal installments	€243,600	€240,000 payable in 14 equal installments	€240,000
Annual variable remuneration[61]	Maximum 60% of gross annual salary i.e. €146,160	€124,560 (Amount paid with respect to 2014 objectives)	Maximum 60% of gross annual salary i.e. €144,000	€119.088 (Amount paid with respect to 2013 objectives)
Multi-year variable remuneration	0	0	0	0
Exceptional remuneration	0	€37,500[62]	0	0
Attendance fees	0	0	0	0
Fringe benefits:				
+ **Car rental**	Lease fee: maximum €1,100 per month, or €13,200 for the year 2015 Insurance: €2,535.48 for a complete year of insurance Other car related expenses: €2,731.12	€14,690.40 i.e.: €9,423.80 for the car leasing €2,535.48 for the car insurance €2,731.12 for other car related expenses (except fuel)	Lease fee: maximum €1,100 per month, or €13,200 for the year 2014 Insurance: €2,706.04 for a complete year of insurance	€13,085.94 i.e.: €10,379.90 for the car leasing €2,706.04 for the car insurance
+ **Death and endowment insurance policy**	Maximum €1,000 per month, or €12,000 for the year 2015	€12,000	Maximum €1,000 per month, or €12,000 for the year 2014	€12,000
TOTAL	**€420,226.60**	**€432,350.40**	**€411,906.04**	**€384,173.94**

[59] Amounts set and paid in accordance with the provisions of the Management Agreement executed between Mr. Reinhard Kandera and the subsidiary Valneva Austria GmbH, entered into force on June 25, 2015 (see Section 22 of this Annual Management Report).

[60] Amounts set and paid in accordance with the provisions of the Employment and Management Agreement executed between Mr. Reinhard Kandera and the subsidiary Valneva Austria GmbH, in its version dated December 16, 2012 (now terminated - see Section 22 of this Annual Management Report).

[61] 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 are set according to the recommendation of the Nomination and Compensation Committee. A preliminary performance review is undertaken midyear by the Nomination and Compensation Committee. Achievement of objectives is then validated by the Supervisory Board on the recommendation of the Nomination and Compensation Committee. The amounts set out in the "Amounts due" column represent the maximum amounts that may be granted if all the objectives are met.

[62] Exceptional remuneration linked to the Management Board's performance, in particular with respect to the completion of the acquisition of the company Crucell Sweden AB and all assets, licenses and privileges related to DUKORAL®, as well as a Nordics vaccine distribution business of the seller and its affiliates (see Section 1.2.1 of this Annual Management Report).

20.1.2 Options to subscribe for or purchase shares

Options to subscribe for or purchase shares granted in 2015 to each Management Board member by the Company

	Plan reference and date	Nature of options (purchase or subscription)	Measurement of options according to IFRS 2 (in euros)	Number of options granted in the fiscal year	Strike price (in euros)	Duration of the plan
Thomas Lingelbach	Plan No. 8 – Tranche 1 dated July 28, 2015	Options to subscribe for shares	106,361.68	100,000	3.92	Until July 28, 2025 50 % of the options can be exercised from July 28, 2017, and the remaining 50 % from July 28, 2019.
Franck Grimaud	No option to subscribe for or purchase shares was granted to Mr. Grimaud in 2015.					
Reinhard Kandera	No option to subscribe for or purchase shares was granted to Mr. Kandera in 2015.					

Options to subscribe for or purchase shares exercised in 2015 by each Management Board member

	Plan reference and date	Number of options exercised in the fiscal year	Strike price (in euros)
Thomas Lingelbach	No option to subscribe for or purchase shares was exercised by Mr. Lingelbach in 2015.		
Franck Grimaud	Plan No. 4 – Tranche 1 dated April, 5, 2005	700 stock option to subscribe for shares exercised, giving right to 79,800 Valneva's ordinary shares	1.80
Reinhard Kandera	No option to subscribe for or purchase shares was exercised by Mr. Kandera in 2015.		

20.1.3 Free shares

Free Valneva's ordinary shares

Free Valneva's ordinary shares granted in 2015 to each Management Board member by the Company

	Plan reference and date	Number of shares granted in the fiscal year	Measurement of shares according to IFRS 2 (in euros)	Vesting date	Date of availability	Conditions of performance
Thomas Lingelbach	No Valneva's ordinary share was granted for free to Mr. Lingelbach in 2015.					
Franck Grimaud	No Valneva's ordinary share was granted for free to Mr. Grimaud in 2015.					
Reinhard Kandera	No Valneva's ordinary share was granted for free to Mr. Kandera in 2015.					

Free Valneva's ordinary shares fully vested in and delivered to each Management Board member

	Plan reference and date	Number of fully-vested ordinary shares in the fiscal year	Vesting conditions
Thomas Lingelbach	No Valneva's ordinary share granted for free was fully vested in and delivered to Mr. Lingelbach in 2015.		
Franck Grimaud	No Valneva's ordinary share granted for free was fully vested in and delivered to Mr. Grimaud in 2015.		
Reinhard Kandera	No Valneva's ordinary share granted for free was fully vested in and delivered to Mr. Kandera in 2015.		

Free preferred shares convertible into Valneva's ordinary shares (see Section 13.3 of this Annual Management Report)

FCPS granted in2015 to the Management Board members by the Company

Plan reference and date		Number of FCPS granted in the fiscal year	Measurement of FCPS according to IFRS 2 (in euros)	Vesting date	Date of availability	Conditions of performance
Free convertible preferred share plan 2015-2019, dated July 28, 2015	Thomas Lingelbach	7,700	1,197,350	July 28, 2019	July 28, 2019 (the FCPS will be fully vested on even date; however, such FCPS cannot be sold or transferred, unless they are first converted into Valneva's ordinary shares, such conversion being conditioned on a minimum Valneva stock price)	Conversion of FCPS into Valneva ordinary shares will be contingent upon the price of Valneva ordinary shares over the 6 months preceding conversion
	Franck Grimaud	5,450	847,475			
	Reinhard Kandera	5,450	847,475			

FCPS fully vested in and delivered to the Management Board members

	Plan reference and date	Number of fully-vested FCPS in the fiscal year	Vesting conditions
Thomas Lingelbach	No FCPS was fully vested in and delivered to Mr. Lingelbach in 2015.		
Franck Grimaud	No FCPS was fully vested in and delivered to Mr. Grimaud in 2015.		
Reinhard Kandera	No FCPS was fully vested in and delivered to Mr. Kandera in 2015.		

20.1.4 Summary of the Management Board members remuneration

In euros	Thomas Lingelbach		Franck Grimaud		Reinhard Kandera	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Remuneration payable for the period	553,887.38	549,167.36	From 268,701.32 to 407,901.32	From 269,405.30 to 408,605.30	420,226.60	411,906.04
Measurement of multi-year variable remuneration granted in the period	0	0	0	0	0	0
Measurement of options granted in the period	106,361.68	0	0	0	0	0
Measurement of free Valneva's ordinary shares granted in the period	0	0	0	0	0	0
Measurement of FCPS granted in the period	1,197,350	0	847,475	0	847,475	0
TOTAL	**1,857,599.06**	**549,167.36**	**From 1,116,176.32 to 1,255,376.32**	**From 269,405.30 to 408,605.30**	**1,267,701.60**	**411,906.04**

20.1.5 Indemnities or benefits granted to the corporate officers in case of appointment, termination or change of duties

Indemnities or benefits payable by the subsidiary Valneva Austria GmbH to Messrs. Thomas Lingelbach and Reinhard Kandera pursuant to their Management Agreements entered into force on June 25, 2015[63]

Description of the event	Indemnities or benefits
(1) Inability to work due to illness / accident	+ Salary defined by Section 6.1 of the Management Agreement (annual gross salary of €327,723.30 for Mr. Thomas Lingelbach, and €245,792.40 for Mr. Reinhard Kandera, as from January 1, 2016) payable by Valneva Austria GmbH in full for 3 months maximum and in the amount of 49% for another 3 months at most. + Overall cap within 2 years of services: full payment of the salary for not more than 6 months and payment of 49% of the remuneration for not more than another 6 months. + In any case: payment hereunder ends at the termination of the Management Agreement.
(2) Declaration by Valneva Austria GmbH of execution of non-compete provisions (Section 10.2 of the Management Agreement) upon ordinary notice of termination by Valneva Austria GmbH	Payment by Valneva Austria GmbH of the entire remuneration for the duration of the non-compete period, i.e. 1 year following termination of the Management Agreement.
(3) Termination of the Management Agreement by Valneva Austria GmbH on cause pursuant to Section 27 of the Austrian White Collar Workers Act, with immediate effect	No further claims for the remuneration, once Valneva Austria GmbH will have ensured that the corporate officer is revoked as Managing Director of Valneva Austria GmbH and Management Board member of Valneva SE.
(4) Termination of the Management Agreement by the corporate officer on cause pursuant to Section 26 of the Austrian White Collar Workers Act	Subject to the corporate officer resigning as Managing Director of Valneva Austria GmbH and Management Board member of Valneva SE without undue delay: + payment of the salary defined by Section 6.1 of the Management Agreement; and + payment of the bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis (it being understood that the maximum bonus shall not exceed 60% of the annual gross remuneration as defined by Section 6.1 of the Management Agreement for M. Thomas Lingelbach, and with respect to Mr. Reinhard Kandera, it shall not exceed 50% as from January 1, 2016). In all cases, such payments are to be made: ▪ until the end of the "**Term**" of the Management Agreement (i.e. the earlier of (i) the date of the General Meeting of Valneva SE which will consider Valneva SE's annual financial statements for fiscal year 2018, intended to take place in June 2019, or (ii) June 30, 2019); and ▪ after deducting what the corporate officer saved due to not rendering the work or what he earned by other work or intentionally failed to earn (Section 29 of the Austrian White Collar Workers Act).
(5) Removal by Valneva Austria GmbH of the corporate officer as Managing Director of Valneva Austria GmbH and termination of the Management Agreement, upon notice period in accordance with Section 20 of the Austrian White Collar Workers Act, ending on the last day of each calendar month	+ Payment of the salary defined by Section 6.1 of the Management Agreement until the end of the Term of the Management Agreement; and + Until expiry of the notice period: ▪ payment of the bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis; and ▪ payment of insurance premiums as defined by Section 6.5 of the Management Agreement; and ▪ reimbursement of expenses as defined by Section 7 of the Management Agreement; and ▪ provision of the benefits in kind as defined by Section 8 of the Management Agreement.
(6) Termination by the corporate officer of its Management Agreement subject to a notice period corresponding to the notice period Valneva Austria GmbH would have to adhere in accordance with Section 20 of the Austrian White Collar Workers Act, ending on the last day of each calendar month	+ Payment of the salary defined by Section 6.1 of the Management Agreement; and + Payment of the bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis. In all cases, such payments are to be made for the duration of the competition prohibition pursuant to Section 10.2 of the Management Agreement, i.e. 1 year following termination of the Management Agreement. + The foregoing shall not apply if Valneva Austria GmbH notifies waiver of the non-compete provisions within the notice period. In such case, the corporate officer shall not be entitled to any further remuneration after expiry of the notice period.

[63] See Section 22 of this Annual Management Report.

Description of the event	Indemnities or benefits
(7) The corporate officer's appointment to his "Valneva SE Management Position" (i.e. President and CEO of Valneva SE with respect to Mr. Thomas Lingelbach, and member of the Management Board and CFO with respect to Mr. Reinhard Kandera) terminates by resignation by such corporate officer or by termination by the relevant company of the Group prior the end of the Term of the Management Agreement, due to circumstances involving a legal, functional or actual diminution of the corporate officer's responsibilities in this Valneva SE Management Position	Possibility for the corporate officer to resign as Managing Director of Valneva Austria GmbH and: + payment of the salary defined by Section 6.1 of the Management Agreement; and + payment of the bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis. In all cases, such payments are to be made until the end of the Term of the Management Agreement.

+ **Indemnities set for events (3) to (7) shall be exclusive of any other indemnity, compensation or benefit, to the fullest extended permitted by law.**
+ **Any severance payments made to the corporate officer by the fund upon termination as well as prospective entitlements to the corporate officer to severance pay (in case that the fund does not yet have to pay upon termination) shall be deducted from the indemnities set for events (3) to (7), to the fullest extended permitted by law.**

+ **The contractual relationship between Valneva Austria GmbH and Messrs. Thomas Lingelbach and Reinhard Kandera is regulated by the provisions of their Management Agreement, the Austrian Act on Limited Liability Companies *(GmbH-Gesetz)*, the Austrian White Collar Workers Act *(Angestelltengesetz)*, the Articles of Associations of Valneva Austria GmbH and the binding resolutions of the General Assembly of Valneva Austria.**

Estimate gross amounts to be paid by Valneva Austria GmbH, including charges, in case of event occurring at December 31, 2016

Description of the event	Amounts
(1) Inability to work due to illness / accident	Inability to work during a period of 3 months + 3 months without any previous absence period for illness/accident
	Thomas Lingelbach **Maximum amount of indemnities to be paid by the subsidiary**: €122,076.89 **Costs**: €17,998.86 **Total**: €140,075.75
	Reinhard Kandera **Maximum amount of indemnities to be paid by the subsidiary**: €91,557.67 **Costs**: €16,988.67 **Total**: €108,546.34
(2) Declaration by Valneva Austria GmbH of execution of non-compete provisions (Section 10.2 of the Management Agreement) upon ordinary notice of termination by Valneva Austria GmbH	Basis of calculation: gross annual salary, to which a bonus of 60% and 50% of such salary is respectively added for Mr. Thomas Lingelbach and Reinhard Kandera (see event (4) for the applicable cap regarding the bonus), for all cases over a period of 12 months from the termination of the Management Agreement.
	Thomas Lingelbach **Maximum amount of indemnities to be paid by the subsidiary**: €524,357.12 **Costs**: €56,094.52 **Total**: €580,451.64
	Reinhard Kandera **Maximum amount of indemnities to be paid by the subsidiary**: €368,688.60 **Costs**: €49,437.65 **Total**: €418,126.25
(4) Termination of the Management Agreement by the corporate officer on cause pursuant to Section 26 of the Austrian White Collar Workers Act	Basis of calculation: gross annual salary, to which a bonus of 60% and 50% of such salary is respectively added for Mr. Thomas Lingelbach and Reinhard Kandera, for both cases until June 30, 2019
	Thomas Lingelbach **Maximum amount of indemnities to be paid by the subsidiary**: €1,310,892.80 **Costs**: €140,236.31 **Total**: €1,451,129.11
	Reinhard Kandera **Maximum amount of indemnities to be paid by the subsidiary**: €921,721.50 **Charges**: €123,594.12 **Total**: € 1,045,315.62
(5) Removal by Valneva Austria GmbH of the corporate officer as Managing Director of Valneva Austria GmbH and termination of the Management Agreement, upon notice period in accordance with Section 20 of the Austrian White Collar Workers Act, ending on the last day of each calendar month	Basis of calculation: gross annual salary until June 30, 2019, to which a bonus of 60% and 50% of such salary is respectively added for Mr. Thomas Lingelbach and Reinhard Kandera, as well as fringe benefits related to the company car leasing and to the death and endowment insurance policy (for such bonus and benefits, until termination of the notice period)
	Thomas Lingelbach **Maximum amount of indemnities to be paid by the subsidiary**: €874,346.48 **Costs** : €106,768.98 **Total** : €981,115.46

	Amounts
	Reinhard Kandera **Maximum amount of indemnities to be paid by the subsidiary**: €663,286.40 **Costs** : €100,243.52 **Total** : €763,529.92
(6) Termination by the corporate officer of its Management Agreement subject to a notice period corresponding to the notice period Valneva Austria GmbH would have to adhere in accordance with Section 20 of the Austrian White Collar Workers Act, ending on the last day of each calendar month	Basis of calculation: gross annual salary, to which a bonus of 60% and 50% of such salary is respectively added for Mr. Thomas Lingelbach and Reinhard Kandera, for all cases over a period of 12 months from the termination of the Management Agreement.
	Thomas Lingelbach **Maximum amount of indemnities to be paid by the subsidiary**: €524,357.12 **Costs**: €56,094.52 **Total**: €580,451.64
	Reinhard Kandera **Maximum amount of indemnities to be paid by the subsidiary**: €368,688.60 **Costs**: €49,437.65 **Total**: €418,126.25
(7) The corporate officer's appointment to his "Valneva SE Management Position" (i.e. President and CEO of Valneva SE with respect to Mr. Thomas Lingelbach, and member of the Management Board and CFO with respect to Mr. Reinhard Kandera) terminates by resignation by such corporate officer or by termination by the relevant company of the Group prior the end of the Term of the Management Agreement, due to circumstances involving a legal, functional or actual diminution of the corporate officer's responsibilities in this Valneva SE Management Position	Basis of calculation: gross annual salary, to which a bonus of 60% and 50% of such salary is respectively added for Mr. Thomas Lingelbach and Reinhard Kandera, for both cases until June 30, 2019
	Thomas Lingelbach **Maximum amount of indemnities to be paid by the subsidiary**: €1,310,892.80 **Costs**: €140,236.31 **Total**: €1,451,129.11
	Reinhard Kandera **Maximum amount of indemnities to be paid by the subsidiary**: €921,721.50 **Charges**: €123,594.12 **Total**: € 1,045,315.62

Indemnities or benefits payable by the Company to Mr. Franck Grimaud (Management Board member and Deputy CEO)

Indemnities or benefits provided by the Management Agreement in its version dated December 16, 2012, currently into force

Description of the event	Indemnities or benefits
(1) Inability to work due to illness / accident	+ Valneva SE shall pay a remuneration so that, added to the national health insurance allowance, the corporate officer shall be maintained an aggregate compensation equal to the remuneration (Section 6.1 of the Management Agreement) in full for a maximum of 3 months and in the amount of 49% for another 3 months at most. + Overall cap within 2 years of services: full payment of the remuneration for not more than 6 months and payment of 49% of the remuneration for not more than another 6 months. + In any case: payment hereunder ends at the termination of the Management Agreement.
(2) - Termination of the Management Agreement other than by (i) revocation of the corporate officer on good cause (*juste motif*) by Valneva SE, or (ii) termination by the corporate officer (to the extent such termination is not due to circumstances involving a legal, functional or actual diminution of the corporate officer's responsibilities in any of its position within the Group, such diminution not being itself due to circumstances likely to justify a revocation of a position for good cause (*juste motif*) or any applicable similar ground of removal), and - Application of the non-compete provisions (Section 10.1 of the Management Agreement)	Payment by Valneva SE of the entire remuneration for the duration of the non-compete period (i.e.12 months following termination of the Management Agreement).
(3) Removal of the corporate officer from the Management Board of Valneva SE for good cause (*juste motif*) pursuant to article L. 225-61 of the French Commercial code	+ No further claims for remuneration possible.
(4) Removal of the corporate officer from the Management Board by Valneva SE and termination of the Management Agreement with a notice period of 4 weeks, ending on the last day of each calendar month	+ Payment of the remuneration pursuant to Section 6.1 of the Management Agreement until the end of the "**Initial Term**" (i.e.3 years from the date of the merger with Intercell AG), subject to the corporate officer having achieved, if applicable, the performance criteria set out by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code; and + For the period until expiry of the notice period: (i) payment of a bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis, and (ii) payment of insurance premiums as defined by Sections 6.4 and 6.5 of the Management Agreement, and (iii) reimbursement of expenses in accordance with Section 7 of the Management Agreement, and (iv) benefits in kind in accordance with Section 8 of the Management Agreement.
(5) Resignation and termination of the Management Agreement by the corporate officer, with a notice period of 4 weeks, ending on the last day of each calendar month	If Valneva SE does not waive its rights related to the non-compete provisions of Section 10.1 of the Management Agreement: + payment of the remuneration pursuant to Section 6.1 of the Management Agreement; + payment of a bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis. In all cases payments are to be made for the duration of the competition prohibition pursuant to Section 10.1 of the Management Agreement, subject to the corporate officer having achieved, if applicable, the performance criteria set out by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code. If Valneva SE waives its rights related to the non-compete provisions of Section 10.1 of the Management Agreement: the corporate officer shall not be entitled to any further remuneration after expiry of the notice period.

Description of the event	Indemnities or benefits
(6) Termination of the Management Board of Valneva SE membership of the corporate officer and of the Management Agreement by mutual consent of Valneva SE and the corporate officer (even if the proposal for termination is made by the corporate officer)	Subject to the corporate officer having achieved, if applicable, the performance criteria set out by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code: payment of the remuneration pursuant to Section 6.1 of the Management Agreement and of a bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis In any case, these payments are to be made until the end of the Initial Term of the Management Agreement. From the amount of remuneration to be paid in accordance with the foregoing, shall be deducted the amount of the allowance actually received by the corporate officer under the GSC policy during the period when such remuneration is paid.
(7) Termination by the corporate officer of by the relevant company of any corporate officer's position within the Group ("Group Management Position"), prior to the end of the Initial Term ("Early Termination"), due to circumstances involving a legal, functional or actual diminution of the corporate officer's responsibilities in any such position within the Group	Subject to case No. 3 above, possibility for the corporate officer to resign from the Management Board of Valneva SE and: + payment of the remuneration pursuant to Section 6.1 of the Management Agreement; and + payment of a bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis. In all cases such payment are to be made until the end of the Initial Term, subject to the corporate officer having achieved, if applicable, the performance criteria set out by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code.
(8) Early Termination for circumstances other than those set forth in case No. (7) above	Subject to case No. 3 above, possibility for the corporate officer to resign from the Management Board of Valneva SE and: + payment of the remuneration pursuant to Section 6.1 of the Management Agreement; and + payment of a bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis. In all cases such payment are to be made until the earlier of : (i) the date the corporate officer begins alternative full-time employment with an equivalent or similar level or remuneration, and (ii) the end of the Initial Term of the Management Agreement, subject to the corporate officer having achieved, if applicable, the performance criteria set out by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code.

Indemnities or benefits provided by the Management Agreement to be executed as from the General Meeting of Valneva SE which will consider Valneva SE's annual financial statements for fiscal year 2015, intended to take place in June 2016

Description of the event	Indemnities or benefits	Estimate gross amounts to be paid by the Company, including charges, in case of event occurring at December 31, 2016
(1) Inability to work due to illness / accident	+ Valneva SE shall pay a remuneration so that, added to the national health insurance allowance, the corporate officer shall be maintained an aggregate compensation equal to the remuneration (Section 6.1 of the Management Agreement - annual gross remuneration set at €245,792.40 as from January 1, 2016) in full for a maximum of 3 months and in the amount of 49% for another 3 months at most. + Overall cap within 2 years of services: full payment of the remuneration for not more than 6 months and payment of 49% of the remuneration for not more than another 6 months. + In any case: payment hereunder ends at the termination of the Management Agreement.	Inability to work during a period of 3 months + 3 months without any previous absence period for illness/accident: **Maximum amount of indemnities to be paid by the Company**: €91,557.67 **Costs**: €30,573.37 **Total**: €122,131.04
(2) - Termination of the Management Agreement other than by (i) revocation of the corporate officer on good cause (*juste motif*) by Valneva SE, or (ii) termination by the corporate officer (to the extent such termination is not due to circumstances involving a legal, functional or actual diminution of the corporate officer's responsibilities in any of its position within the Group, such diminution not being itself due to circumstances likely to justify a revocation of a position for good cause (*juste motif*) or any applicable similar ground of removal), and - Application of the non-compete provisions (Section 10.1 of the Management Agreement)	Payment by Valneva SE of the entire remuneration for the duration of the non-compete period, i.e. 1 year following termination of the Management Agreement.	Basis of calculation: gross annual salary, to which a bonus of 50% of such salary is added (see event (4) for the applicable cap regarding the bonus), in both cases over a period of 12 months from the termination of the Management Agreement. **Maximum amount of indemnities to be paid by the Company**: €365,762.67 **Costs**: €99,104.12 **Total**: €464,866.79
(3) Termination of the Management Agreement by Valneva SE due to the revocation of the corporate officer from the Management Board of Valneva SE for a good cause (*juste motif*) pursuant to article L. 225-61 of the French Commercial code	No further claims for the remuneration, subject to other provisions governing specifically the termination of office and its consequences.	n.a.
(4) Removal of the corporate officer from the Management Board by Valneva SE and termination of the Management Agreement with a notice period of 2 months, ending on the last day of each calendar month	+ Payment of the remuneration pursuant to Section 6.1 of the Management Agreement until the end of the "**Term**" of the Management Agreement (i.e. the earlier of (i) the date of the General Meeting of Valneva SE which will consider Valneva SE's annual financial statements for fiscal year 2018, intended to take place in June 2019, or (ii) June 30, 2019), subject to the corporate officer having achieved, if applicable, the performance criteria set out by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code; and + For the period until expiry of the notice period, payment of a bonus as defined by Section 6.3 of the Management Agreement (it being understood that the maximum bonus shall not exceed 50% of the annual gross remuneration set in Section 6.1 of the Management Agreement), on a pro rata basis, and (ii) payment of insurance premiums as defined by Section 6.5 of the Management Agreement, and (iii) reimbursement of expenses in accordance with Section 7 of the Management Agreement, and (iv) benefits in kind in accordance with Section 8 of the Management Agreement.	Basis of calculation: gross annual salary until June 30, 2019, to which a bonus of 50% of such salary, the fees for the GSC and expenses related to the leased company car are added, over the 2 month notice period. **Maximum amount of indemnities to be paid by the Company**: €637,847.09 **Costs**: €169,352.69 **Total**: €807,199.78

Description of the event	Indemnities or benefits	Estimate gross amounts to be paid by the Company, including charges, in case of event occurring at December 31, 2016
(5) Resignation and termination of the Management Agreement by the corporate officer, with a notice period of 2 months, ending on the last day of each calendar month	If Valneva SE does not waive its rights related to the non-compete provisions of Section 10.1 of the Management Agreement: + payment of the remuneration pursuant to Section 6.1 of the Management Agreement; + payment of a bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis, In all cases, such payment are to be made for the duration of the competition prohibition pursuant to Section 10.1 of the Management Agreement, subject to the corporate officer having achieved, if applicable, the performance criteria set out by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code. If Valneva SE waives its rights related to the non-compete provisions of Section 10.1 of the Management Agreement or does not declare to continue payment for the entire remuneration for the duration of the non-compete period: the corporate officer shall not be entitled to any further remuneration after expiry of the notice period.	Basis of calculation: gross annual salary, to which a bonus of 50% of such salary is added, in both cases over a period of 12 months from the termination of the Management Agreement. **Maximum amount of indemnities to be paid by the Company**: €365,762.67 **Costs**: €99,104.12 **Total**: €464,866.79
(6) The corporate officer's appointment to his "Valneva SE Management Position" (i.e. Managing Director / Deputy CEO) terminates by resignation by such corporate officer or by termination by the relevant company of the Group prior the end of the Term of the Management Agreement, due to circumstances involving a legal, functional or actual diminution of the corporate officer's responsibilities in this Valneva SE Management position	Subject to case No. 3 above, possibility for the corporate officer to resign from the Management Board of Valneva SE and: + payment of the remuneration pursuant to Section 6.1 of the Management Agreement; and + payment of a bonus as defined by Section 6.3 of the Management Agreement, on a pro rata basis. In all cases such payment are to be made until the end of the Term of the Management Agreement, subject to the corporate officer having achieved, if applicable, the performance criteria set out by the Supervisory Board in accordance with article L. 225-90-1 of the French Commercial code. From the amount of remuneration to be paid in accordance with the foregoing, shall be deducted the amount of the allowance actually received by the corporate officer under the GSC policy during the period when such remuneration is paid.	Basis of calculation: gross annual salary, to which a bonus of 50% of such salary is added, in both cases until June 30, 2019. **Maximum amount of indemnities to be paid by the Company**: €921,721.53 **Costs**: €243,597.80 **Total**: €1,165,319.33

+ **Indemnities set forth pursuant to events (3) to (6) are exclusive of any other indemnity, compensation or benefit, to the fullest extent permitted by law.**

+ **The relationship between Valneva SE and M. Franck Grimaud in his capacity as member of the Management Board of the Company and Managing Director is regulated by the French law and regulations, the Articles of Association of the Company, the provisions of his Management Agreement and the resolutions of the Supervisory Board of Valneva SE.**

Death and endowment insurance policy subscribed to the benefit of Messrs. Thomas Lingelbach and Reinhard Kandera

Two Management Board members, namely Mr. Thomas Lingelbach and Mr. Reinhard Kandera, in their capacity as Managing Directors of Valneva Austria GmbH, benefit from a life and endowment insurance policy paid for by Valneva Austria GmbH.

The premium currently paid by Valneva Austria GmbH amounts to €1,000 per month for each of them[64].

Valneva Austria GmbH will stop paying this insurance premium upon termination or expiration of the Management Agreements between these corporate officers and Valneva Austria GmbH. Mr. Lingelbach and Mr. Kandera may then, in their sole discretion, (a) leave the accrued savings within the insurance policy until the retirement age (such savings would then approximately amount to €313,000[65]), (b) terminate the insurance policy and get the accrued savings as a cash settlement, or (c) convert the accrued savings into a life annuity paid by the insurance company.

Upon expiration of the Management Agreements at the end of June 2019, Mr. Lingelbach could get approximately €136,229 as a cash settlement, or €5,896 per year as a life annuity, and Mr. Kandera could receive approximately €109,000 as a cash settlement, or €2,772 per year as a life annuity[66].

[64] See Section 20.1.1 of this Annual Management Report.

[65] These numbers are approximate only because they depend on the actual financial performance of the insurance policy.

[66] Idem.

20.2 Supervisory Board members remuneration

Attendance fees and other remuneration received by non-executive officers

	Amounts paid in 2015	Amounts paid in 2014
Frédéric Grimaud, Chairman of the Supervisory Board		
Attendance fees	€50,000	€50,000
Other remuneration	€0	€0
Alain Munoz, Supervisory Board member		
Attendance fees	€35,000	€32,500
Other remuneration	€0	€0
Michel Greco, Supervisory Board member		
Attendance fees	€30,000	€30,000
Other remuneration	€0	€0
Anne-Marie Graffin, Supervisory Board member		
Attendance fees	€30,000	€30,000
Other remuneration	€0	€0
James Sulat, Vice-Chairman of the Supervisory Board		
Attendance fees	€45,000	€42,500
Other remuneration	€0	€0
Hans Wigzell, Supervisory Board member		
Attendance fees	€30,000	€30,000
Other remuneration	€0	€0
Alexander Von Gabain, Supervisory Board member		
Attendance fees	€30,000	€30,000
Other remuneration	€0	€0
TOTAL	**€250,000**	**€245,000**

21.CORPORATE OFFICERS' DEALINGS ON THE COMPANY'S SECURITIES

In accordance with article L. 621-18-2 of the French Monetary and financial code, the following table presents all transactions made by Valneva SE's corporate officers on Company's securities during the fiscal year 2015. These transactions were carried out on Euronext Paris of NYSE Euronext, on the Vienna Stock Exchange or over-the-counter, as the case may be.

Date	Name	Position	Price per unit (in euros)	Number of securities
Sale of preferential subscription rights in the context of a share capital increase (subscription window for new shares : from January 15, 2015 until January 28, 2015 - market closing)[67]				
January 16, 2015	Franck Grimaud	Management Board member Deputy CEO	0.2669	52,000 preferential subscription rights
January 16, 2015	Franck Grimaud	Management Board member Deputy CEO	0.2669	225,000 preferential subscription rights
January 21, 2015	Groupe Grimaud La Corbière Frédéric Grimaud	Chairman of the Supervisory Board	0.2315	4,851,494 preferential subscription rights
January 22, 2015	Frédéric Grimaud	Chairman of the Supervisory Board	0.3580	161,389 preferential subscription rights
January 23, 2015	Thomas Lingelbach	Chairman of the Management Board	0.3893	20,011 preferential subscription rights
January 23, 2015	Thomas Lingelbach	Chairman of the Management Board	0.3040	19 preferential subscription rights
January 23, 2015	Franck Grimaud	Management Board member Deputy CEO	0.3705	27,500 preferential subscription rights
January 23, 2015	Reinhard Kandera	Chairman of the Management Board	0.3520	30,000 preferential subscription rights
January 26, 2015	Groupe Grimaud La Corbière Frédéric Grimaud	Chairman of the Supervisory Board	0	6,256,884 preferential subscription rights
January 27, 2015	Reinhard Kandera	Management Board member	0.3470	76 preferential subscription rights
January 27, 2015	Michel Greco	Supervisory Board member	0.3590	486 preferential subscription rights
Purchase of preferential subscription rights in the context of a share capital increase (subscription window for new shares : from January 15, 2015 until January 28, 2015 - market closing)[68]				
January 28, 2015	Alexander Von Gabain	Supervisory Board member	0.3700	27,932 preferential subscription rights

[67] See the prospectus duly approved by the French Financial Markets Authority on January 12, 2015, under Visa No. 15-020, and Section 1.2.1 of this Annual Management Report.

[68] See the prospectus duly approved by the French Financial Markets Authority on January 12, 2015, under Visa No. 15-020, and Section 1.2.1 of this Annual Management Report.

Date	Name	Position	Price per unit (in euros)	Number of securities
		Exercise of stock option		
	Franck Grimaud	Management Board member Deputy CEO	1.80	79,800 Valneva's ordinary shares
		Subscription of Valneva's ordinary shares in the context of a share capital increase[69]		
February 3, 2015	Alexander Von Gabain	Supervisory Board member	2.47	16,170 ordinary shares
February 4, 2015	Thomas Lingelbach	Chairman of the Management Board	2.47	99 ordinary shares
February 4, 2015	Thomas Lingelbach	Chairman of the Management Board	2.47	25,366 ordinary shares
February 4, 2015	James Sulat	Vice-Chairman of the Supervisory Board	2.47	4,367 ordinary shares
February 4, 2015	Reinhard Kandera	Chairman of the Management Board	2.47	6,446 ordinary shares
February 6, 2015	Franck Grimaud	Management Board member - Deputy CEO	2.47	5,995 ordinary shares
February 6, 2015	Franck Grimaud	Management Board member - Deputy CEO	2.47	16,852 ordinary shares
February 6, 2015	Frédéric GRIMAUD	Président du conseil de surveillance	2.47	22,869 ordinary shares
February 6, 2015	Groupe Grimaud La Corbière Frédéric GRIMAUD	Président du conseil de surveillance	2.47	261,503 ordinary shares
		Subscription of payable preferred shares convertible into Valneva SE's ordinary shares – Securities subscribed for personal cash investment in connection with a free convertible preferred share plan[70]		
July 22, 2015	Thomas Lingelbach	Chairman of the Management Board	161	308 convertible preferred shares
July 22, 2015	Reinhard Kandera	Chairman of the Management Board	161	218 convertible preferred shares
July 22, 2015	Franck Grimaud	Management Board member Deputy CEO	161	218 convertible preferred shares
		Subscription of free equity warrants (BSA)		
July 29, 2015	James Sulat	Vice-Chairman of the Supervisory Board	0	19,500 BSA
July 29, 2015	Hans Wigzell	Supervisory Board member	0	19,500 BSA
July 31, 2015	Michel Greco	Supervisory Board member	0	19,500 BSA
August 24, 2015	Frédéric Grimaud	Chairman of the Supervisory Board	0	36,000 BSA
September 15, 2015	Anne-Marie Graffin	Supervisory Board member	0	19,500 BSA
September 16, 2015	Alain Munoz	Supervisory Board member	0	19,500 BSA
October 15, 2015	Alexander Von Gabain	Supervisory Board member	0	19,500 BSA

[69] See the prospectus duly approved by the French Financial Markets Authority on January 12, 2015, under Visa No. 15-020, and Section 1.2.1 of this Annual Management Report.

[70] See Section 13.3 of this Registration Document.

22. AGREEMENTS ENTERED INTO BETWEEN A CORPORATE OFFICER OR A SHAREHOLDER HOLDING MORE THAN 10% OF THE VOTING RIGHTS, AND A SUBSIDIARY OF THE COMPANY (EXCLUDING ORDINARY AGREEMENTS)

Co-contracting party	Agreement	Purpose of the agreement
Thomas Lingelbach	**Employment and Management Agreement** entered into with Valneva Austria GmbH on December 16, 2012	This agreement provides for the payment of remuneration and benefits to Mr. Thomas Lingelbach in his capacity as Managing Director and employee of Valneva Austria GmbH from the date of Valneva's registration in Lyon (*Registre du Commerce et des Sociétés de Lyon*) in the form of a European company (*Societa Europaea*), i.e. May 28, 2013. Detailed information on some of the terms of this agreement is provided in this Annual Management Report (Sections 15.10 and 20.1).
Reinhard Kandera	**Employment and Management Agreement** entered into with Valneva Austria GmbH on December 16, 2012	This agreement provides the payment of remuneration and benefits to Mr. Reinhard Kandera in his capacity as Managing Director and employee of Valneva Austria GmbH from the date of Valneva's registration in Lyon (*Registre du Commerce et des Sociétés de Lyon*) in the form of a European company (*Societa Europaea*), i.e. May 28, 2013. Detailed information on some of the terms of this agreement is provided in this Annual Management Report (Sections 15.10 and 20.1).
Thomas Lingelbach	**Management Agreement** entered into with Valneva Austria GmbH on June 25, 2015	This agreement provides for the payment of remuneration and benefits to Mr. Thomas Lingelbach in his capacity as Managing Director and employee of Valneva Austria GmbH. This agreement supersedes the Employment and Management Agreement dated December 16, 2012, as from June 25, 2015. Detailed information on some of the terms of this agreement is provided in this Annual Management Report (Sections 15.10 and 20.1).
Reinhard Kandera	**Management Agreement** entered into with Valneva Austria GmbH on June 25, 2015	This agreement provides for the payment of remuneration and benefits to Mr. Reinhard Kandera in his capacity as Managing Director and employee of Valneva Austria GmbH. This agreement supersedes the Employment and Management Agreement dated December 16, 2012, as from June 25, 2015. Detailed information on some of the terms of this agreement is provided in this Annual Management Report (Sections 15.10 and 20.1).

23. INFORMATION RELATED TO THE CORPORATE, SOCIAL AND ENVIRONMENTAL RESPONSIBILITIES OF THE COMPANY

23.1 CSR Report

2015 REPORT

VALNEVA

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INTRODUCTION

Corporate Social Responsibility – CSR

CSR is how companies apply sustainable business principles.

CSR incorporates social and environmental concerns into the company's activities and takes into account relations with its stakeholders (employees, shareholders, customers, suppliers, etc.).

CSR policy is based on the systemic analysis of the company and its interaction with its environment, which improves how it manages risks (human, financial, legal, environmental and reputational, etc.).

CSR applies to organizations of all sizes, from listed multinationals to small businesses.

Created in 2013 from the merger between the French company Vivalis, and the Austrian company Intercell, Valneva today has more than 400 employees in France, Austria, in Scotland, Sweden, Canada and the United States.

With the acquisition in 2015 of Crucell Sweden AB and its distribution business, Valneva confirms its role as a **leading vaccine industry company**. Today Valneva is a fully integrated company with operations spanning R&D, manufacturing, marketing and sales.

In addition to the vaccine against Japanese Encephalitis, the Group is the owner of a vaccine indicated for the prevention of cholera and, in some countries, for the prevention of diarrhea caused by LT-ETEC, while continuing to actively pursue research and innovation.

Valneva's corporate culture is based on values of tolerance, respect and integrity spearheaded by a Group management that considers its employees **to be its most valuable assets**.

The Group pays particular attention to the impact of its products on patient health, ethics and commercial practices and reports each year on progress and achievements in the areas of social responsibility (working standards, environmental standards, combating corruption, supply chain and impacts of products on consumer health and safety) through extra-financial reporting procedures.

On November 17, 2015, Valneva joined the United Nations Global Compact, adopting commitments to meet the ten guiding principles to establish credibility and generating value through its actions and achievements in the areas of social responsibility.

Scope of the CSR reporting

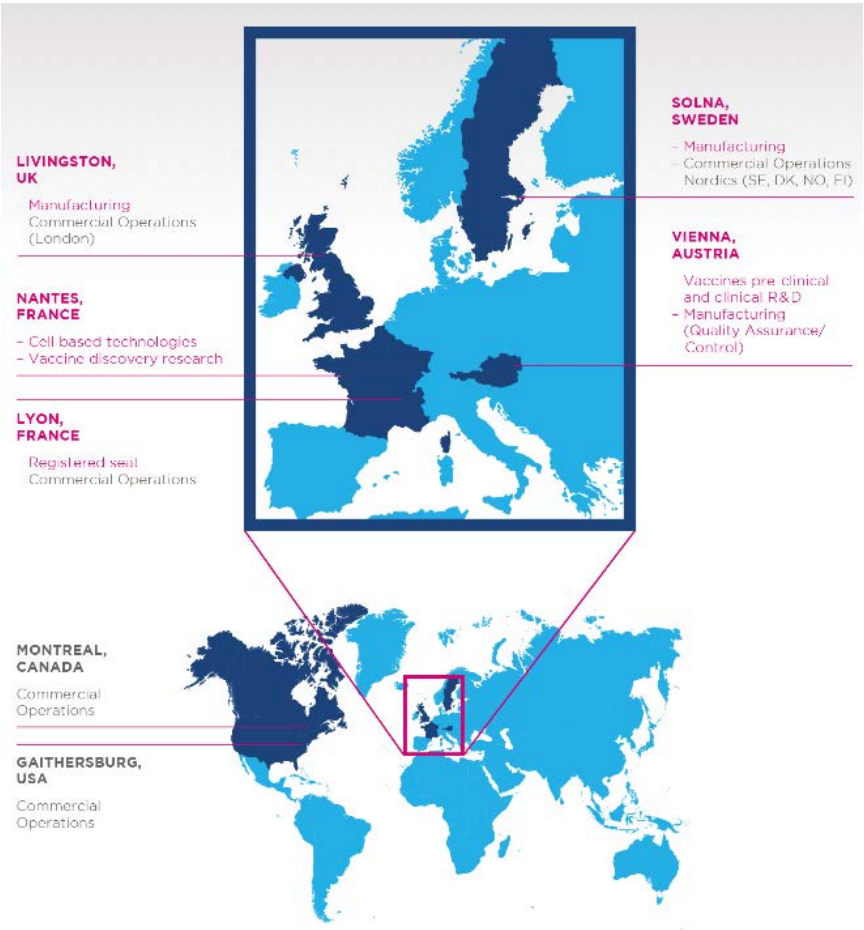
THE NEW SCOPE OF THE CSR REPORTING

The scope of reporting adopted in 2015 covers sites in Livingston (Scotland), Solna (Sweden), Vienna (Austria) and Nantes (Saint-Herblain, France).

The Canadian, US and Japanese subsidiaries were excluded from this scope for the following reasons:

- Business in Japan has been reduced. In 2015, the only remaining activities were development and license and partnership management, with one person active for 20% of standard working hours.
- At the US site, there were only two employees at December 31, 2015.
- In Canada, six people were recruited during the year. With the comparison of data based on homogeneous calendar periods, this site will not be included in the 2015 CSR report.

For France, the data only relates to the Nantes (Saint-Herblain) site, as the Lyon site had no employee in 2015.



The frameworks used to draw up this report

+ **The French New Economic Regulations (*Nouvelles Régulations Economiques* or NRE) Law and its implementing decree**

The article 116 of the NRE Law passed in 2001 requires companies listed on the stock exchange to include in their annual report an extra-financial report containing information on the social and environmental aspects of their activity. Since the adoption of the French Grenelle II Act. This report of the Board of Directors or the Management Board must be reviewed by an independent third party organization.

+ **The French Grenelle II Act (Article 225) and its implementing decree**

Article 225 of the law ENE N°2010-788 of July 12, 2010, or the Grenelle II Act, requires social, environmental and sustainability information to be included in the management report of companies and reviewed by third parties. This act is an extension of the 2001 NRE law and applies the provisions of the Grenelle Environmental legislation and the Grenelle I Act. The conditions for application are laid down in a decree N°2012-557 of April 24, 2012.

The ministerial decree of May 13, 2013 sets the procedures for the performance of appraisal missions by independent third parties.

+ **The Energy Transition for Green Growth Act**

The French Energy Transition for Green Growth Act of August 17, 2015 sets energy transition targets. Greenhouse gas emissions must be reduced by 40% by 2030 and divided by four by 2050. Final energy consumption must be divided by two in 2050 in relation to 2012 and the percentage of renewable energy increased to 32% in 2030. The text also focuses on additional priorities including, among others, developing clean transport, combating waste and promoting the circular economy. This includes a recycling target for nonhazardous waste of 55% in 2020 and 65% in 2025 and reducing amounts of non-recyclable manufactured products put on the market by 50% before 2020 (article 70).

+ **European directives**

Directive 2014/95/EU October 22, 2014 amended Directive 2013/93/EU and introduces changes for disclosures to be included in a CSR report. The transposition of this directive is currently under study and will enter into force no later than December 6, 2016.

This directive requires companies thus concerned to publish a report containing information risk prevention policies in the areas of environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters, and the outcome of these policies, including a description of the "*due diligence processes*" and covering the entire supply chain under this approach.

+ ISO 26000 international standard

ISO 26000 provides guidance so it cannot be certified to unlike some other well-known ISO standards. Instead, it helps clarify what social responsibility is, helps businesses and organizations translate principles into effective actions and shares best practices relating to social responsibility, globally. It is aimed at all types of organizations regardless of their activity, size or location.

The standard was launched in 2010 following five years of negotiations between many different stakeholders across the world. Representatives from government, NGOs, industry, consumer groups and labor organizations around the world were involved in its development, which means it represents an international consensus.

Global Reporting Initiative (GRI)

The Global Reporting Initiative is a non-governmental organization that works as a global network to promote sustainability through environmental, social responsibility and governance reporting. The GRI produces the most widely used sustainability reporting standards to work towards greater transparency. The framework includes the G4 guidelines and sets the reporting principles and indicators that organizations can use to measure and disclose their economic, environmental and social performance.

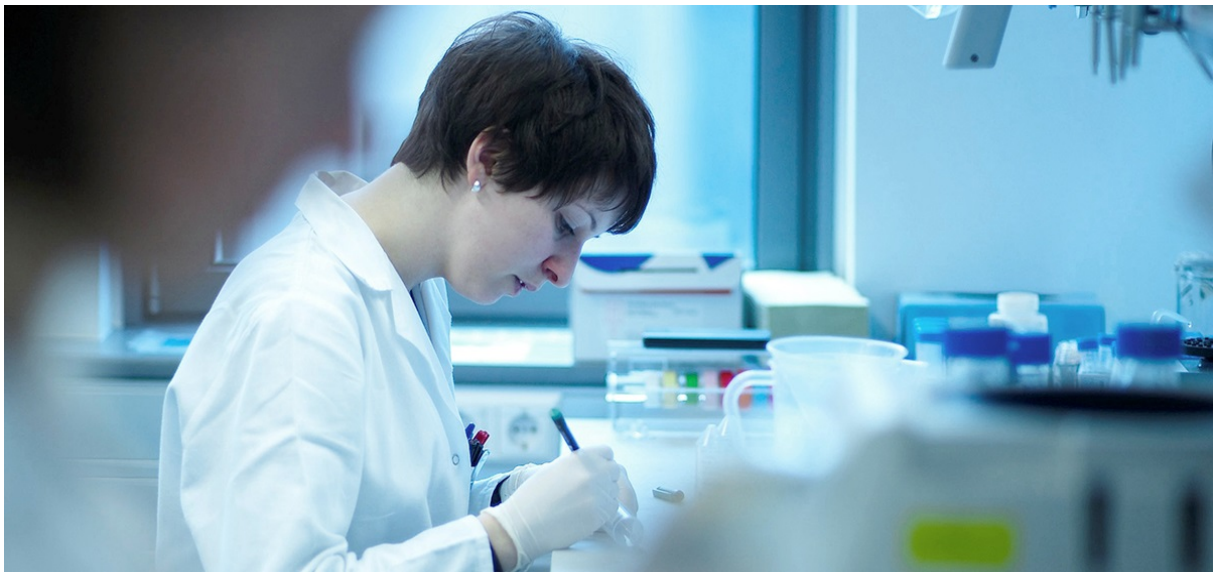
The Global Reporting Initiative was set up in 1997 by the United Nations Environment Programme (UNEP) and Ceres.

+ The UN Global Compact

The UN global compact was officially launched at the UN Headquarters in New York on July 26, 2000. The Global Compact is a voluntary international corporate citizenship network through which companies are invited to support the promotion of ten universally recognized principles organized into four areas: human rights, working standards, the environment and combating corruption.

Companies signing the Global Compact undertake to incorporate the 10 principles into their strategy, to achieve progress every year in applying these principles and to report annually on their best practices by publishing a document at the Global Compact website

SECTION 1 - COMMITMENT TO EMPLOYEES



EMPLOYMENT AND LABOR RELATIONS

OCCUPATIONAL HEALTH AND SAFETY

TRAINING POLICY

EQUALITY AND DIVERSITY

Valneva's success stems from the work and expertise of its 414 employees working across its various subsidiaries. At Valneva, employees are proud of their accomplishments and their challenges, past, present and future. Achievements derive from the Group corporate culture based on respect for others, dedication and motivation.

Valneva is a growing company expanding its global reach around the world. Doing so the Group continues to diversify its culture and enrich its human resources. In 2015, more than 100 new employees joined Valneva, due to the acquisition. Integration is a key element of Valneva Human Resources policy.

Employees are the primary resource for tackling the challenges to come. Their spirit of openness and tolerance and their individual qualities represent significant strengths for Valneva, giving the Group every chance to become a leading pure-play vaccine company.

Valneva's objective is to create a working environment able to attract and retain over the long-term the most talented employees. This setting must also help them boost their personal potential and advance their professional career. To achieve its objectives, it is absolutely essential for the Group to be capable of keeping, attracting and retaining these key employees.

The Group is also in competition with other companies to recruit and retain highly qualified personnel. Furthermore, continuing to recruit new managers and experts and qualified scientific personnel is essential for the development of its business.

Valneva's business includes some risks for employees. The Company closely monitors these risks through its occupational health and safety policy.

Most of the company social data are standardized since 2013.

Valneva uses an internal human resources management tool named HR Cube.

This 2015 CSR report includes data of our acquired business in the Nordics.

Canada and United States will be included in 2016.

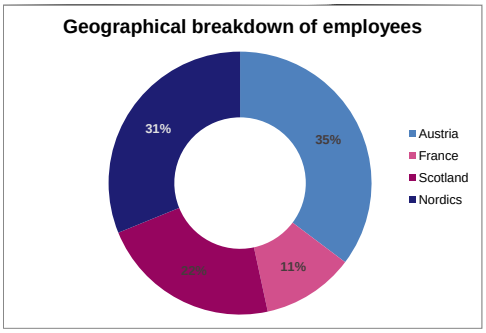
EMPLOYMENT AND LABOR RELATIONS

INFORMATION AND ACHIEVEMENTS

Valneva's objective is to create a working environment able to attract and retain over the long-term the most talented employees at Valneva. Employees are able to enjoy a stimulating work, international experience, a clear ethical commitment and respect for others and integrity.

HEADCOUNT BY GEOGRAPHIC BREAKDOWN

At December 31, 2015, Valneva employed 414 people across its sites in Austria, France, Scotland and Sweden*.

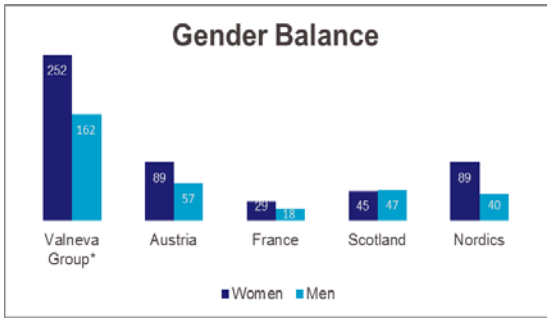


* Excluding the Japan, Canada and US sites.

GENDER BREAKDOWN

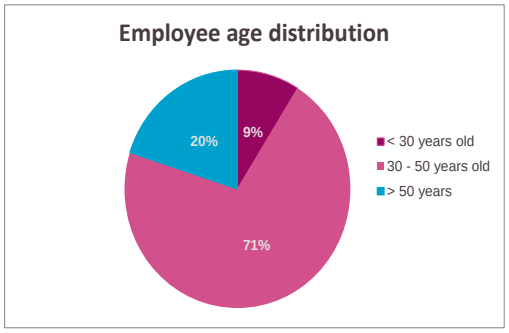
Women are more highly represented than men at Valneva (61%).

This is due to the large number of women working in the biotech sector.



AVERAGE AGE AT VALNEVA

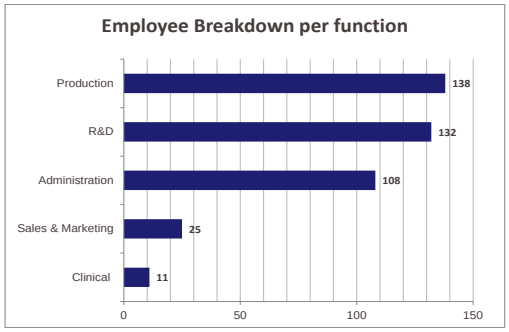
The average age of Valneva employees both overall (41) and in France (37) is relatively young.



EMPLOYEE BREAKDOWN BY FUNCTION

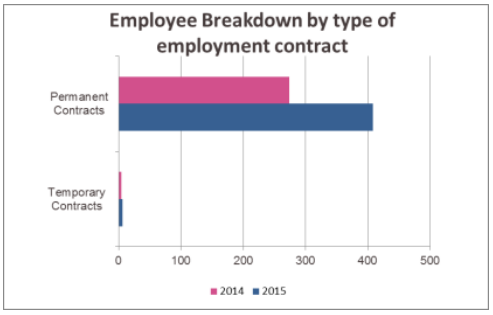
The majority of employees work in Production and in Research & Development. Production is based in Livingston and Solna. Support functions operate at the 4 sites.

In 2015 we created a dedicated Sales & Marketing function to reflect the growth of these activities.



HIGHLIGHTS

Employment contracts



While Valneva already had a high proportion of permanent contracts (95%) in 2013, the proportion of employees on a permanent employment contract rose to 99% in 2014 and 2015.

Compensation policy

Valneva introduced its global Remuneration policy in 2013 based on international benchmarks. The global principles are consistent and aligned across our different countries including Sweden.

Valneva aims to offer competitive compensation on the biotech market.

Valneva does not disclose remuneration component into this report.

Conventions and collective agreements

Subsidiaries in each country apply local regulations and or local agreements on the organization of working hours for both full-time and part-time employment contracts.

Furthermore, all employees are covered by a collective agreement:

- *Convention collective pharmaceutique (France)*
- *Local Works Council Charter (Scotland)*
- *Collective Bargaining Agreement (Austria)*
- *Collective Bargaining Agreement (Sweden)*

International Works Council

An International Works Council was set up on April 12, 2013 to support information, consultation and participation rights in the context of Valneva SE's cross-border operations. This International Works Council has ordinary meetings twice a year, and extraordinary meetings when required.

Performance management policy

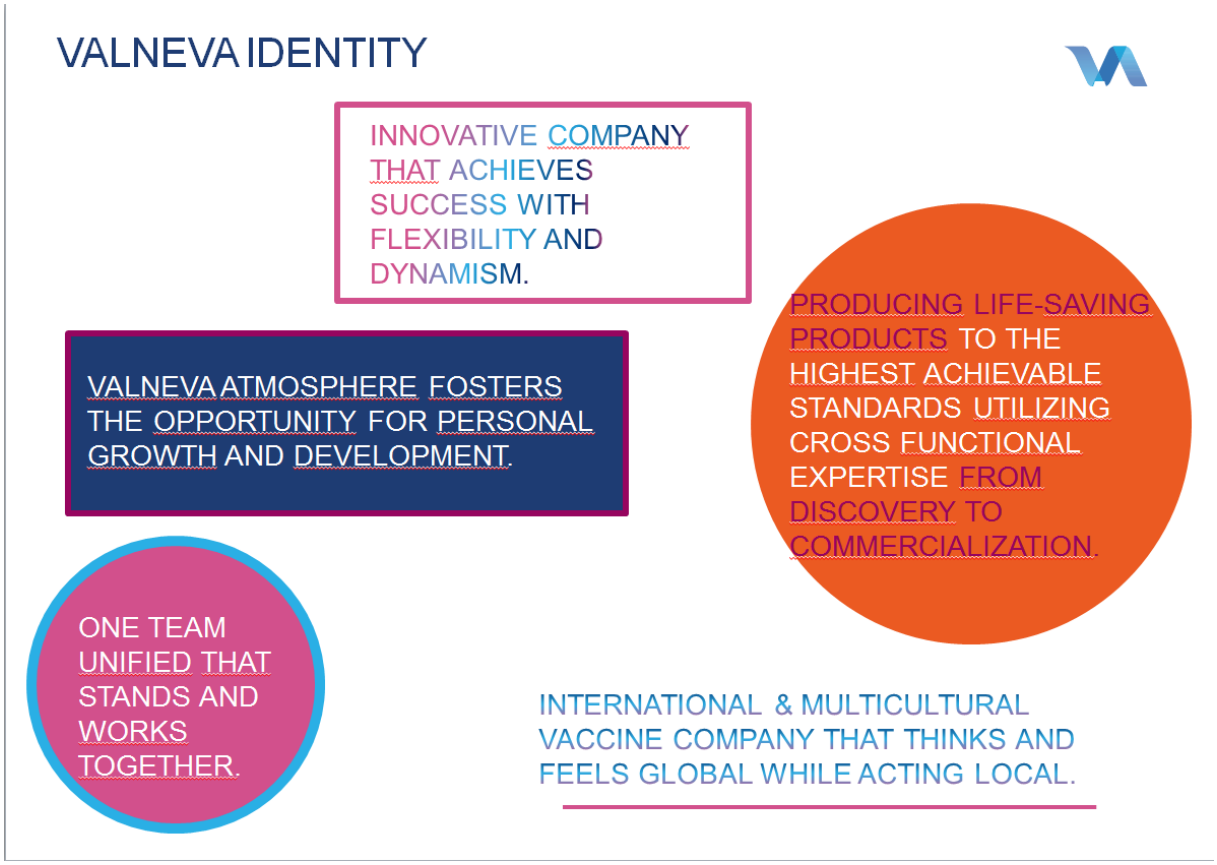
Valneva has implemented in 2015 a corporate Performance Management policy based on key performance indicators and harmonized tools across the Group.

Valneva performance management system creates mutual benefits and mutual accountabilities between the Employee, the Manager and the company.

Valneva's identity

Valneva's HR teams launched a corporate wide initiative to get a better understanding of the employees' needs, to improve and foster communication between the sites and to help build up a shared identity.

The Valneva's identity has been developed by the Insight group composed of 16 employees from different countries who worked together.



OCCUPATIONAL HEALTH AND SAFETY

INFORMATIONS AND ACHIEVEMENTS

Valneva remains committed to continuing efforts focused on eliminating or reducing health and safety risks for its employees. Prevention and protection measures are implemented at each site to ensure the protection of Group employees. Exposure to chemical, biological and physical risks by employees are among the occupational risks inherent to biotechnology industry and the development of vaccines.

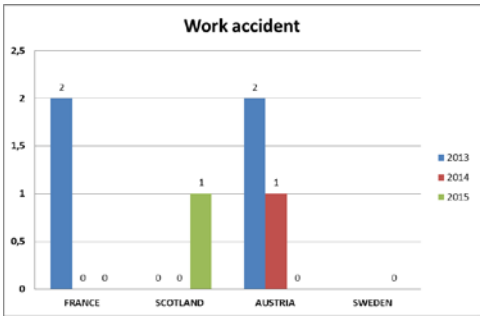
Laboratory procedures and production operations require the use of chemical and biological equipment, products and reagents.

TYPES OF HEALTH AND SAFETY RISKS FACED BY EMPLOYEES

- Chemical
- Biological
- Electrical
- Related to cryogenics
- Related to gas cylinders
- Related to operating autoclaves
- Related to the cold
- Related to handling
- Related to working on screens

OCCUPATIONAL ACCIDENTS

The number of occupational accidents for the entire Valneva Group remained stable in 2015 though with a larger reporting scope after integrating of the Solna production site into Group statistics.



Note: 2013 data has been adapted to comply with the definition of an occupational accident used by the Group and the reports for 2014 and 2015.

EVALUATING WORKSTATION ERGONOMICS IN FRANCE

The Nantes site has worked with an occupational health care department ergonomist from the Nantes region on preventing risks of musculoskeletal disorders (MSDs) for lab workers.

Ssérv
valneva
Centre Novalis-37 Bd Salvador Allende
44 800 ST HERBLAIN
6 rue Alain Bombard
44 800 SAINT HERBLAIN

Analyse ergonomique :
Etape de dosage

S. COSSARD, ergonome
25/09/2015

HEALTH-SAFETY-ENVIRONMENT POLICY

Valneva has a global, Group-wide Health-Safety-Environment (HSE) policy that it undertakes to implement at each site.

Valneva is committed to applying the principles of this HSE policy by adapting them to each site.

The Quality Manual lays down procedures to guarantee the health and safety of employees and visitors and to control the production, storage and use of hazardous substances.

No agreement dedicated to Health and Safety had been signed with unions in 2015.

HIGHLIGHTS

Occupational illnesses

As in 2013 and 2014, no occupational illnesses were reported within the entire Valneva Group in 2015.

Preventing Musculoskeletal Disorders (MSDs) in Nantes

In France, significant efforts were deployed in 2015 on preventing MSDs in laboratories and office work environments. This work, carried out jointly by the HSE Manager and an ergonomist from the Occupational Health Care Department, involved a study on workstations at risk in laboratories and training programs on computer workstation conditions and practices for office workers.

In 2015, a new team was also appointed to the Health, Safety and Working Conditions Committee (CHSCT), a statutory institution representing personnel within the Company.

Finally, the training initiative launched in 2014 continued in 2015 with occupational health and safety programs on autoclave safety practices, chemical risks, etc.

Health and safety policy in Austria

Health and safety procedures are set out in several internal documents, including:

+ the ***VIE-SOP-0054*** procedure which outlines the provisions and objectives to:
    - ensure the health, safety and well-being of employees in the workplace;
    - protect non-employees from health risks;
    - control the production, storage and use of hazardous substances and prevent any accidental or deliberate contact with these products;
    - control the release of toxic substances into the atmosphere.
+ the ***VIE-SOP-0074*** protocol which describes the procedures for handling hazardous waste without risk to employees.

This document lists the personal protective equipment to be worn when handling hazardous, infectious or potentially infectious chemicals.

In Austria, due to Austrian Legal regulations, Valneva works with an external Health Consultant, in order to ensure compliance with all regulations. 2015 was the first year with no work related accident.

Health and Safety in Sweden

In 2015, significant measures were taken to align the HSE system in place in Solna with the Valneva Group management system.

A packaging line originating from Spain was installed at Solna subject to a specific risk analysis in order to guarantee user safety when operating the equipment.

A new EHS-Safety policy was implemented.

The Safety Committee met four times in 2015. This committee includes members from both the management team and unions. More than 20 safety inspections were performed by committee members.

Health and safety in Scotland

All aspects of OHS are governed by a local policy – Health and Safety Policy and Procedures. A review of the OHS policy was carried out in association with OHS consultants Peninsula Business Services and the policy document was reissued on 30th October 2015. The following were completed in 2015:

- An audit of the OHS management system was completed successfully by Livingston OHS consultants on the 28th Oct 2015 with no non-compliance determined.
- Three recommendations for actions to be completed were made and these were all completed by 24th December 2015.
- A fire safety assessment was completed with no non-compliance determined.

SKILLS DEVELOPMENT

INFORMATION AND ACHIEVEMENTS

Developing employee skills plays a key role in Valneva's success. As such, Valneva works to provide an environment of continuous learning for employees to encourage their personal development. Valneva's learning initiatives are mainly driven by the need to increase and develop job related expertise skills but also to develop leadership and communication competences. In exchange, employees must be willing to learn and take on new roles and responsibilities within the Group. The goal is to help employees boost their personal potential and advance their professional career.

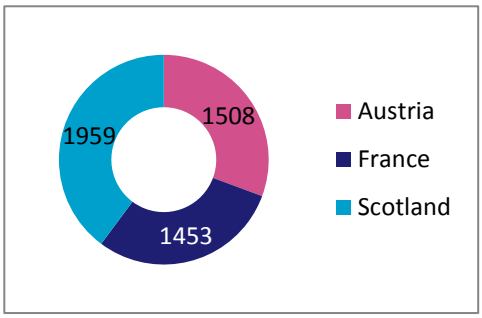
TRAINING POLICY

The overall training policy is focused on Good Manufacturing Practices, Good Laboratory Practice and Good Clinical Practices. Procedures for applying these practices are set forth in the Quality Manual (GQP-0021).

Training plans are based on Valneva's business strategy, the individual performance management process and the employee needs analysis. The training policy includes all permanent and temporary staff.

All employees benefit from equal access to training, without discrimination. Employees who want to develop their career within the Group are encouraged to do so.

EXTERNAL TRAINING HOURS *



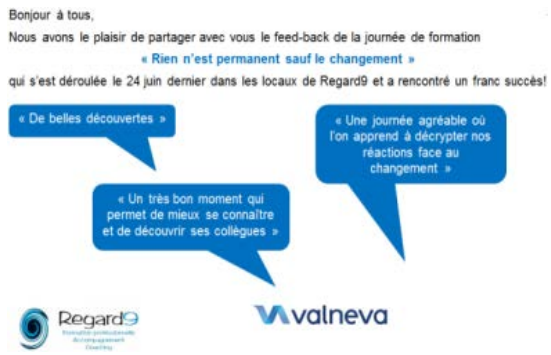
*Excluding Sweden, mid-term harmonization engaged

Valneva works with local external consultant and training firms. The contents of the training are customized to meet Valneva needs and Employees are encouraged to participate.

TRAINING INITIATIVES

Leading the change

Change is permanent in our industry. Valneva France offered a one day training to employees to provide them the appropriate tools to manage changes.


Bonjour à tous,
Nous avons le plaisir de partager avec vous le feed-back de la journée de formation
« Rien n'est permanent sauf le changement »
qui s'est déroulée le 24 juin dernier dans les locaux de Regard9 et a rencontré un franc succès!

« De belles découvertes »

« Un très bon moment qui permet de mieux se connaître et de découvrir ses collègues »

« Une journée agréable où l'on apprend à décrypter nos réactions face au changement »

Regard9

valneva

RPS

A RPS (Psychological Stress Risks) Committee has been created in France to prevent and monitor any RPS.

Composed of 6 trained volunteers, this committee is live since July 2015.

Saint Herblain le 9 juillet 2015

Lancement officiel du comité RPS !

Ce comité respectera les principes et valeurs suivantes :

- la **confidentialité** des informations partagées
- l'**écoute**
- le **respect**
- l'**objectivité** et la **neutralité**

Si vous vivez une situation de RPS, nous vous conseillons de contacter un ou plusieurs membres du comité.

Votre comité RPS

EQUALITY AND DIVERSITY

INFORMATION AND ACHIEVEMENTS

The Group believes that all forms of discrimination are unacceptable in the workplace. Group policy is to promote equal opportunity through employment, compensation, recruitment, training and advancement for all employees. This means that applicants and all employees receive the same treatment regardless of race, nationality, ethnic or national origin, gender, physical or mental disability, age, religion or beliefs, family situation or sexual orientation.

CODE OF CONDUCT

Valneva works to promote equal opportunity and maximize the talent and expertise of all employees. Group policy is to treat all employees with dignity and respect and ensure they do not become victims of intimidation or harassment for any reason.

This policy applies to all employees of the Group and also influences its choice of service providers and recruitment decisions.

ANNUAL COMPLIANCE & ETHICS MONTH

Valneva designates each September as Compliance & Ethics Month to bring greater awareness of compliance and ethics matters to the Group's employees. In 2015, the theme was "Compliance World Cup" which encouraged employees to re-familiarize themselves with the Valneva Code of Conduct through a tournament of compliance risk areas.

DIVERSITY CHARTER

CHARTE DE LA DIVERSITÉ EN ENTREPRISE

CHARTE DE LA DIVERSITÉ
Nous nous engageons !

Favoriser le pluralisme et rechercher la diversité au travers des recrutements et de la gestion des carrières est un facteur de progrès pour l'entreprise. Une telle démarche contribue à son efficacité et à la qualité de ses relations sociales. Elle peut avoir un effet positif sur l'image de l'entreprise vis-à-vis de ses clients, de ses prestataires extérieurs et de ses consommateurs, en France et dans le reste du monde.

La Charte de la diversité adoptée par notre entreprise a pour objet de témoigner de notre engagement, en France, en faveur de la diversité culturelle, ethnique et sociale au sein de notre organisation.

Les 6 engagements de la Charte de la diversité®

- **Sensibiliser et former nos dirigeants et collaborateurs** impliqués dans le recrutement, la formation et la gestion des carrières aux enjeux de la non-discrimination et de la diversité.
- **Respecter et promouvoir l'application du principe de non-discrimination** sous toutes ses formes et dans toutes les étapes de gestion des ressources humaines que sont notamment l'embauche, la formation, l'avancement ou la promotion professionnelle des collaborateurs.
- **Chercher à refléter la diversité de la société française** et notamment sa diversité culturelle et ethnique dans notre effectif, aux différents niveaux de qualification.
- **Communiquer auprès de l'ensemble de nos collaborateurs** notre engagement en faveur de la non-discrimination et de la diversité, et informer sur les résultats pratiques de cet engagement.
- **Faire de l'élaboration et de la mise en oeuvre de la politique de diversité un objet de dialogue avec les représentants des personnels.**
- **Inclure dans le rapport annuel** un chapitre descriptif de notre engagement de non-discrimination et de diversité : actions mises en oeuvre, pratiques et résultats.

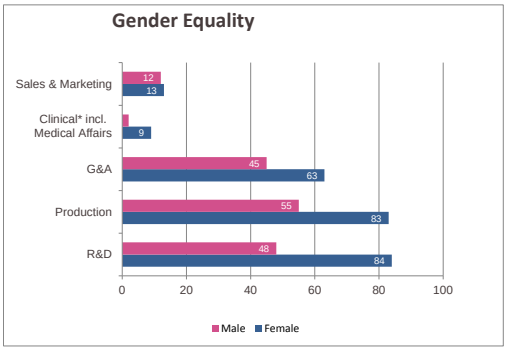
Fait à SAINT-HERBLAIN, le 20 décembre 2005

Pour
VALNEVA SE
Franck GRIMAUD
Deputy CEO - Directeur Général

Secrétariat Général de la Charte de la Diversité
Sylvie SAVIGNAC
Secrétaire générale

GENDER EQUALITY

The Group has a strong balance between men and women. This balance is highly represented in each of the key functions.



SECTION 2 – COMMITMENT TO THE ENVIRONMENT

ENVIRONMENTAL POLICY

POLLUTION PREVENTION AND WASTE MANAGEMENT

ENERGY AND CARBON FOOTPRINT

RESOURCES AND BIODIVERSITY

Valneva aims to use natural resources efficiently and to minimize the environmental impact of its activities and products during their lifecycles.

In connection with its Research & Development programs and its manufacturing activity, Valneva uses hazardous materials and biological materials, solvents and other potentially carcinogenic, mutagenic and/or poisonous for sexual reproduction; Valneva employees handle recombined genetic material, genetically modified organisms and viruses.

The Group, therefore, is required to comply with numerous laws or regulations. Indeed, if it should fail to comply with the applicable law and regulations, obtain required authorizations or have these authorizations withdrawn, the Group might have to pay fines and suspend all or some of its R&D operations and manufacturing activities.

Compliance with environmental, health and safety regulations incurs considerable costs, and Valneva might potentially be required to incur significant expenses to comply with future legislation and regulations.

In France, the energy transition act enacted on August 17, 2015 introduced obligations to promote the circular economy and waste recycling. A policy for waste separation, recycling and monitoring has been adopted at all Valneva sites. In 2016, this policy will be upgraded and the recycling of nonhazardous waste will be optimized for handling through local channels wherever possible.

The Group underlines that its safety procedures comply with applicable regulations, even though the risk of an accident or accidental contamination can never be completely ruled out.

To address these risks, the Group has developed an environmental risk management policy organized around four key areas:

- a formal environmental management system based on strict procedures and compliance with regulations
- pollution prevention and waste management
- improvement of energy consumption management
- information and training programs on environmental protection, health and safety.

YEAR 2014

Environmental Management

Biotechnological risk was identified as a major risk at Valneva. A safety and environment specialist was hired at the Nantes site. At the Vienna and Livingston sites, procedures were updated regularly.

Pollution Prevention and waste management

Each site has developed a pollution prevention program adapted to its context that complies with both the Group's global policy and legislation.

In 2014, most of the waste was recycled, and waste was reduced at all sites.

Employee training on environmental protection, health and safety

EHS training courses were updated at the Nantes site and emergency first-aid at work training courses were set up.

YEAR 2015

Environmental Management

In 2015, the production site of Solna in Sweden was acquired. The management teams of Solna devoted efforts to integrating their management system into that of Valneva.

Pollution Prevention and waste management

Each site has developed a pollution prevention program adapted to its context that complies with both the Group's global policy and legislation.

In 2015, the majority of waste was recycled. These different initiatives by the Group highlight the importance of waste management as a major priority for all sites.

Employee training on environmental protection, health and safety

EHS training represents the cornerstone of good environmental practices and safety in the day-to-day activities of employees working at all Valneva sites.

ENVIRONMENTAL POLICY

INFORMATION AND ACHIEVEMENTS

Valneva, as a biotechnology company specialized in the research and development of vaccines, must comply with strict environmental and safety standards.

The Japanese Encephalitis Vaccine production unit is located in Livingston, Scotland, and the cholera vaccine production site in Solna, Sweden. Research laboratories are set up at the Nantes and Vienna sites. Upstream vaccine testing is performed at the Vienna site.

The Group's manufacturing facilities in Livingston, Scotland, and Solna, Sweden, are important tools for driving Valneva's revenue growth and controlling production costs.

Valneva sites:

Livingston

Solna

Vienna

Nantes

FACILITY COMPLIANCE

For each of its sites, Valneva SE has obtained the required authorizations in line with local legislation.

The Livingston manufacturing facility has a permit granted by the Scottish Environment Protection Agency *(SEPA*) on May 7, 2007. This authorization is reviewed regularly. The results of the audit conducted in July 2015 demonstrated that the site was in compliance with regulations.

The Nantes facility is subject to ICPE regulations for its refrigeration and compression systems. Authorization was granted in March 2009.

Solna manufacturing facility has permit for manufacturing, for BSL-2 and GMM and also have permit for flammable liquids.

STRENGTHENING INSPECTION PROCEDURES

In 2015, the Nantes site permanently ensured a continuous application of the policies for monitoring risk control and management procedures implemented in 2014.

The Livingston and Vienna sites apply identical procedures concerning health and safety, chemical and biological risk management and waste treatment. These procedures – **VIE-SOP-0054[03]** (health and safety), **VIE-SOP-0074 (02)** (waste management), **GQP-0008** (procedures for managing chemical, biological, fire and other risks) – are reviewed regularly and updated with improvements.

The Solna site was integrated in the beginning of 2015 and has an EHS management system providing for as many as 17 EHS procedures and instructions which are assessed and updated on a regular basis**.**

TRAINING ON RISKS

At all of its sites, Valneva employees who handle viruses, class 1 and 2 genetically modified organisms are highly exposed to biotechnological risks. Training programs have been put into place at all sites.

At the Solna site, all new employees in contact with biological and chemical substances are trained both by the Biosafety Officer and their respective managers before the start of their missions.

HSE Policy procedures, which include a training component, were introduced at the Vienna and Livingston sites and are regularly reviewed and updated.

CHAIN OF RESPONSIBILITY

At all sites, the OHS global policy defines the health and safety procedures.

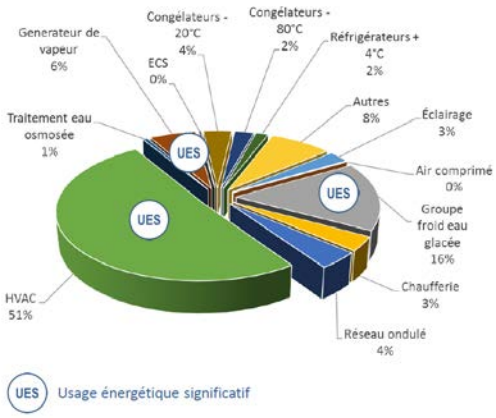
The site manager is responsible for managing environmental risk. At the operational level, this responsibility falls under the team in charge of safety and the OHS manager along with monitoring facilities.

In Solna, a written delegation of authority from the Site Head to all Managers is in place. Every manager so empowered must attend proper EHS training

HIGHLIGHTS

Energy audit at Nantes

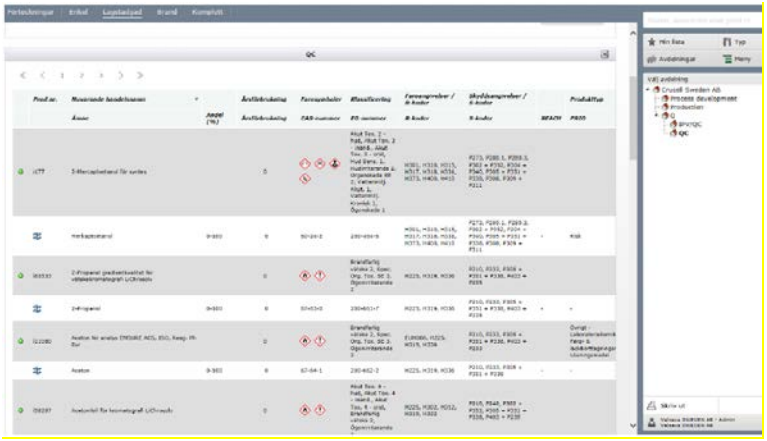
For the purpose of general assessment and identifying areas for improvement, an energy audit was performed at the Nantes site.



This audit performed in November 2015 resulted in a full report on the site's electricity and gas consumption, while identifying a certain number of measures to reduce this consumption. An improvement program must now be implemented in order to achieve economically viable measures for the Nantes site.

Valneva Sweden

In 2015, the Solna site went from a paper-based chemical risk management system to a computer-based system called “iChemistry”. All departments in Solna had one contact person listed in the System-Based Ownership and with this tool the team started Risk Assessment on chemicals.



Working with LOTO (Lock Out Tag Out, an equipment-related safety system for the prevention of accidents linked to non-routine work) and on machine safety has also been on the agenda

Solna performs an Environmental annually report to the authorities. The report includes raw material used at the site, its energy consumption, emissions released into the air and waste disposal to the Swedish Environment.

Valneva Austria maintained its ba rating in 2015

The subsidiary is a member of Vönix, an index made up of companies listed on the Vienna stock exchange that are leaders in social responsibility.

SUSTAINABILITY RATING SUMMARY REPORT 6/2015
VALNEVA SE

In Austria, Valneva fulfills the legal regulations by offering First Aid Courses – every two years in order to provide first aid helpers as requested by law.

Valneva Scotland

All aspects of Environmental pollution are governed by the permit PPC/E/20022 issued by the government authority, Scottish Environment Protection Agency (SEPA).

The following were completed in 2015:

- an inspection completed by SEPA on 15th July 2015 with no breeches of the permit determined;
- emissions testing of the Water Boiler were carried on two occasions in 2015 as required by our SEPA permit and no breeches of action levels for emissions were determined;
- a noise impact survey was completed in July 2015 and no noise mitigation measures were identified.

POLLUTION PREVENTION AND WASTE MANAGEMENT

INFORMATION AND ACHIEVEMENTS

Since 2013, Valneva has made it a priority to reduce and recycle waste at all of its sites.

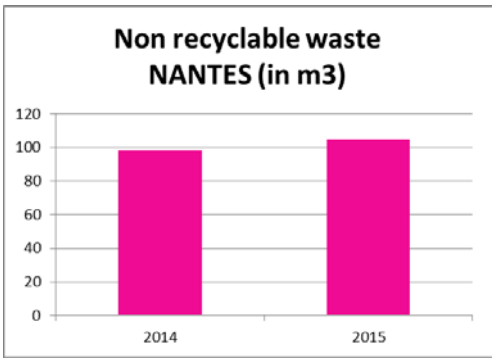
The traceability of hazardous waste has been reinforced.

POLLUTION PREVENTION	WASTE REDUCTION
To prevent pollution risks, the Group maintains and monitors various equipment and maintenance procedures, with tighter inspection of pressure equipment and monitoring of electrical systems. (ventilation system maintenance). Preventive maintenance plans are in place at all Valneva Group sites to ensure the efficiency of these measures and effectively monitor the proper functioning of equipment.	**Valneva Scotland introduced a waste management system which has reduced waste and increased the proportion of waste that can be recycled** (since 2013, following the 2012 audit). The Nantes, Vienna and Solna sites have implemented waste sorting and reduction systems as well. Waste separation procedures for all Group sites cover biowaste, chemical waste, cardboard, paper, pallets and nonhazardous waste.
WASTE RECYCLING	**REINFORCED TRACEABILITY**
Waste separation procedures continued in 2015 with sorting campaigns in the laboratories for expired or unused chemical products. Waste is also recovered as much as possible through channels meeting the circular economy criteria (use of chemicals waste to operate cement kilns, reuse of pallets, etc.). The Solna site also carried out significant work with its waste management provider to improve management and safety conditions in the handling of waste. The same focus is given to waste recycling at the Vienna and Livingston site.	At the Nantes site, compliance with regulatory requirements is now more closely tracked through a monitoring register set up in partnership with its service providers (Veolia and SITA) for the sorting, storage and pick-up of chemical and biological waste (infectious medical waste). At the Vienna and Livingston sites, hazardous waste is rigorously monitored and picked up by accredited companies in line with procedure (VIE-SOP-0054 [03]): “Barcal and Schalkhammer” in Vienna and “Labwaste” and “Healthcare Environmental” in Livingston.

HIGHLIGHTS

Permanent adoption of waste separation procedures at Valneva France

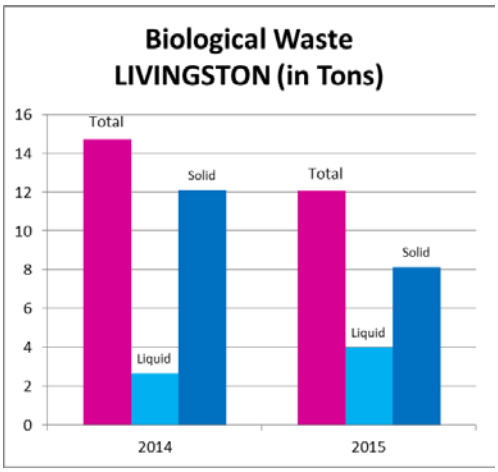
A new electrical and electronic waste sorting drive was led at the Nantes site in December to recycle computer hardware and defective laboratory equipment.



The volume of nonhazardous waste at the site has remained stable between 2014 and 2015 at around 100 m^3. To improve the storage of chemical products and ensure their storage in the labs under optimal conditions for employee safety and the environment, additional chemical storage cabinets were purchased.

Valneva Scotland

All aspects of waste management and pollution prevention are governed by the Livingston facility permit PPC/E/20022 issued by the government authority, Scottish Environment Protection Agency (SEPA).



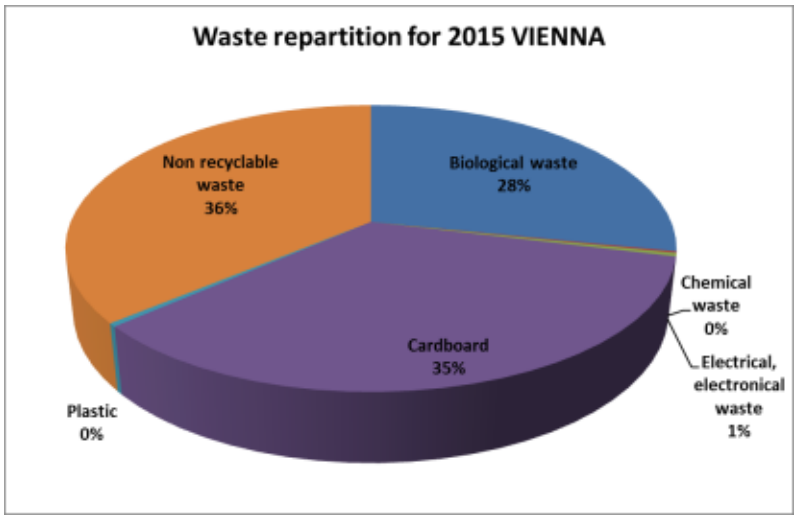
Regular recording of waste quantities was completed on a quarterly basis with no changes in waste generated out with the expected variation linked to changes / increases in the manufacturing schedule.

Waste Handling at Valneva Sweden

During 2015, Valneva Solna worked closed with the QA department on waste handling. The team in Solna has performed an audit at their company waste, the purpose was to ensure that they respect the contract terms and Solna auditors have controlled on rejected vaccines and rejected labels, etc. They also trained employees of their subcontractor in GMP. The Waste Handling instruction was reviewed as well. A work has been done to see if Solna can do more in waste sorting and the work is ongoing.

Waste management at Valneva Austria

The total amount of biological waste increased slightly between 2014 and 2015 due to an empty lab space, which was rented beginning 2015 to an external company (Horizon Genomics). The biological waste is disposed via Valneva Austria waste disposal procedures and therefore part of Vienna statistics.



In Austria, each waste category is defined by a code based on ÖNORM S 2100 standards. The Vienna site uses “Begleitschein für gefährlichen Abfall” certificates delivered by its waste disposal service providers to trace the disposal of its hazardous waste.

ENERGY – CARBON FOOTPRINT

INFORMATION AND ACHIEVEMENTS

Valneva Group applies a policy for monitoring and efficiently managing energy consumption at all its sites. These initiatives contribute to energy savings and lower emissions of CO_2 into the atmosphere.

CONTROL SYSTEMS

All sites have monitoring and control systems and/or new equipment has been installed:

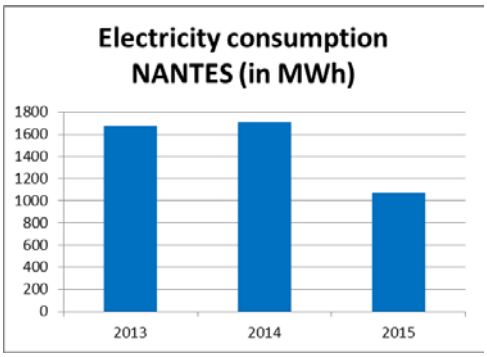
In Austria, a system for detecting over-consumption of energy has been installed.

In Scotland, pursuant to the 2012 audit, energy consumption has been analyzed for the last three years and optimized by the calibration of equipment

At the Nantes site, new energy consumption saving measures were implemented (optimized use of autoclaves, boiler control settings, etc.).

IN FRANCE

In 2015, electricity consumption was marginally reduced by optimizing the management of autoclaves and the mild summer weather conditions limiting the needs for air-conditioning in the laboratories.



THE CARBON FOOTPRINT

CO_2 emissions are monitored for all sites on the basis of energy consumption.

In Livingston, different measures have been adopted to reduce these emissions (equipment calibration, etc.) and ensure the compliance of installations.

In Vienna, a contract was signed with the electricity supplier Kelag in 2015 for the provision of 100% carbon emission-free energy.

In Nantes, travel, the largest source of CO_2 emissions, is subject to specific reduction measures (providing bicycles to employees, giving preference the train over air travel, group orders).

For the entire Valneva Group, travel needs are assessed and approved to limit CO2 emissions from plane travel to a minimum. To reduce the volume of employee travel, all sites have been equipped with video and teleconferencing systems for inter-site meetings.

THE HEATING SYSTEM IN SWEDEN

The Solna site in Sweden is in large part heated by the Stockholm municipality which makes available to both individuals and companies a steam heating network for heating buildings within its conurbation.

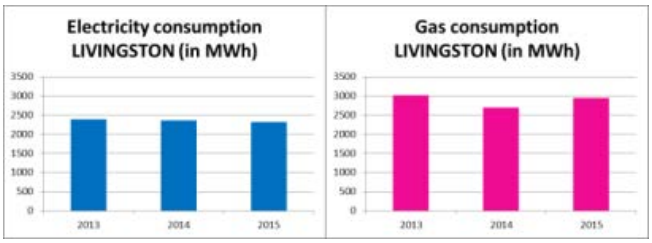
A similar system for air-conditioning is also available during the summer season.

As a result of this system, the Solna site does not itself use gas to heat its buildings.

HIGHLIGHTS

Valneva Scotland

The use of energy through both natural gas and electricity and minimizing any impact from its facility/ equipment and manufacturing process energy use of is controlled and minimized by implementation of a program of planned preventative maintenance (PPM) which is governed by the facility and equipment maintenance and calibration scheduler.



Continued review of the Bill of Materials (BOM) for the manufacturing process and standardization of raw material use is an ongoing process ensuring control and minimizing the extent of Chemical waste and raw material waste generated. Therefore waste generation and raw material use is linked to the manufacturing schedule and impacted by increases in manufacturing output.

Valneva France

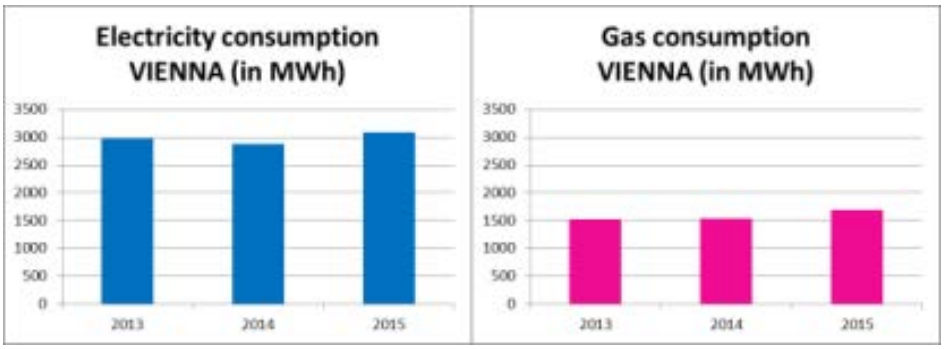
Energy consumption of the Nantes site was significantly reduced in 2015. This reduction was attributable to two factors:

- very mild temperatures in the summer of 2015 resulting in limited additional demand for air conditioning in the laboratories,
- the adoption of a rationalized management for the use of autoclaves that consume a large amount of electricity, awareness-raising measures for users through an internal training program.

To pursue these efforts, an energy audit was performed in November 2015, making it possible to identify other ways to reduce energy consumption and the carbon footprint of the Valneva laboratories in Nantes.

Valneva Austria

Electricity consumption slightly increased in 2015 compared to the prior year due to extremely high temperatures up to 40 degrees during the summer months. Chillers were running on their maximum possible performance over weeks.



Gas consumption increased marginally though remains in absolute value terms very low in comparison with other sites.

This low consumption is the result of the building's connection to the municipal heating network and consumption control procedures.

Although almost all Austrian electricity suppliers have already a high amount of hydro power in their portfolio, in 2015 a new contract with Kelag was signed to get 100% CO_2 free electricity effective as of January 1, 2016.

Travel by plane is systematically subject to a procedure requiring prior authorization even if the carbon emissions count is not calculated.

Valneva Sweden

The heat production system made available by the Stockholm municipality does not cover the needs of all Solna premises. For that reason, an electric steam boiler is used to meet the needs of the production building.

In order to keep down energy consumption and reduce the carbon footprint of this boiler, it is shut off during the summer season. In 2015, this measure resulted in electricity savings of 200 MWh.

RESOURCES AND BIODIVERSITY

FORMATION AND ACHIEVEMENTS

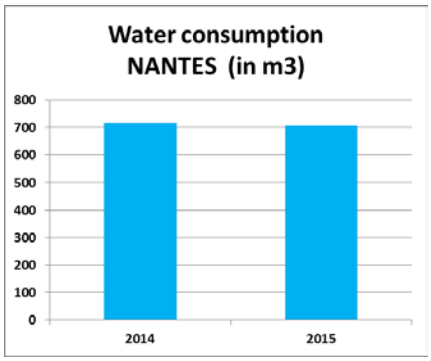
BIODIVERSITY

In 2015, an initiative was organized at the Nantes site enabling employees to exchange fruit and vegetable plants to develop their gardens.

This initiative ("*Silence ça pousse*") named after a French television program on gardening, promotes biodiversity at Valneva through its employees and their gardens.

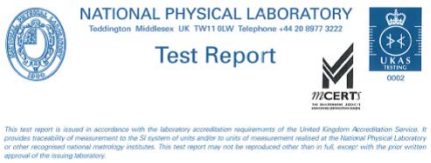
IN FRANCE

Measures to reduce resource consumption (bio-cleaning of laboratories and offices, infrared-controlled water faucets, pushbutton-controlled showers) introduced in prior years have contributed to stabilizing water consumption at 706 m3.



SUSTAINABLE USE OF RESOURCES IN SCOTLAND

Use of mains water is limited to the facility boiler which has a system of reuse of condensate to minimizing water consumption.


NATIONAL PHYSICAL LABORATORY
Teddington Middlesex UK TW11 0LW Telephone +44 20 8977 3222
Test Report
UKAS TESTING 0002
mCERTS

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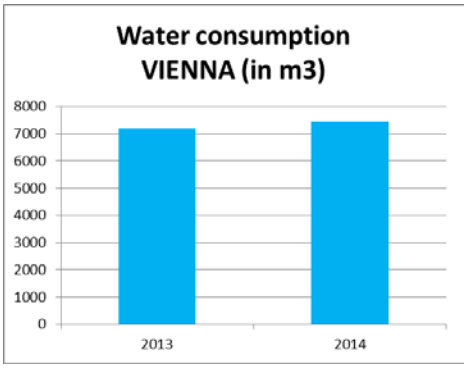
Regular verifications of boiler atmospheric emissions combined with control of waste water and biological waste into the environment (ground water) is controlled by Livingston SEPA permit to ensure no release into ground water which can have an impact on Biodiversity.

IN AUSTRIA

In Vienna water consumption has remained stable between 2014 and 2015 at 7,462 m^3.



SECTION 3 - COMMITMENT TO SOCIETY

ETHICS AND R&D

CORPORATE COMPLIANCE AND SUPPLIER RELATIONS

LOCAL, ECONOMICAL AND SOCIAL PARTNERSHIPS

DONATIONS, VOLUNTEERISM AND SPONSORING

COOPERATIONS WITH SCHOOLS AND UNIVERSITIES

COMMITMENT TO PROTECTING LIVES

Valneva is engaged in the research, development and distribution of vaccines, with the aim of protecting populations from severe infectious diseases and reducing morbidity and mortality. All medicinal products in the EU are subject to a strict testing and assessment of their quality, efficacy and safety before being authorized. Once placed on the market Valneva, continues to monitor our products to assure that any aspect which could impact the safety profile is detected and assessed. Valneva's Medical Affairs team oversees the scientific and medical aspects of clinical development at Valneva and ensures the maintenance of the global safety database. Recently, telephone and email addresses have been established allowing direct access to a Medical Information Professional who can provide physicians as well as consumers with timely and accurate information on Valneva's products.

Good corporate governance is a high priority at Valneva, as the Group wants to honor and maintain the trust it has been given by investors, business partners, employees and the general public. Valneva has recently joined the United Nations' global compact, which is the world's largest corporate sustainability initiative to align strategies and operations with universal principles on human rights, labour, environment and anti-corruption and a strategic sustainability program that defines its commitment to people, the environment and society. In January, 2016, Valneva has launched a new Anti-bribery and Anti-corruption Policy supporting this commitment. This policy provides standards that are applicable worldwide, to ensure Valneva's business activities are conducted ethically and with integrity and do not attempt to improperly influence others by paying, offering or accepting bribes in any form, directly or indirectly.

Valneva is also a member of the Austrian Business council for sustainable development. Several support and volunteer actions took place at a local level at Valneva Austria, France, Sweden and Scotland in 2015.

ETHICS AND R&D

MEDICAL AFFAIRS AND DISTRIBUTION

Valneva's vaccines are produced in Livingston and Solna and distributed all over the world by the company and its local partners. Valneva opened a new office in 2015 in Montreal, Canada and signed several marketing and distribution agreements with leading vaccine distributors. Monitoring and evaluation procedures as well as pharmacovigilance system for tracking and collecting information relating to the reliability and compliance of products have been put into place. The quality approach relating to pharmacovigilance is set forth in the Quality Manual (GQP-0021).

ADVERSE EVENT REPORTING

An adverse event is any untoward medical occurrence in a patient or clinical investigation subject, administered a pharmaceutical product and which does not necessarily have a causal relationship with this treatment.

Valneva is obliged to continuously monitor the risk and benefit profile of its products.

To this end, Valneva collects and evaluates all safety information associated with Valneva's vaccines, Detected adverse events are reported to competent authorities according to applicable regulations.

DISTRIBUTION OF VALNEVA'S PRODUCTS

In 2015, Valneva set several steps to become directly involved in the marketing and distribution of its products. In February, it acquired Crucell Sweden AB, including the DUKORAL® vaccine and a distribution business in the Nordics. Valneva then took back the marketing and distribution rights for its leading commercial product IXIARO® and entered into new agreements with local partners. At the end of 2015, Valneva also set up a local entity to distribute its vaccines in Canada.

Valneva is now a fully integrated vaccine company with its own Research, Development, Manufacturing, Marketing and Sales activities. Quality and, where applicable, pharmacovigilance, is tightly managed across all sites and operations through the appropriate quality management system and the Quality Manual.

AUDITS

Valneva operates according to high quality standards. These standards are regularly challenged by the Group's partners and by regulatory authorities, e.g. the US Food and Drug Administration (FDA), the Swedish Medical Products Agency (MPA), the UK Medicines & Healthcare products Regulatory Agency (MHRA) or the Austrian Agency for Health and Food Safety (AGES), through audits and inspection. In 2015, none of those led to critical findings. Comments from auditors are always welcome to continuously improve Valneva's systems.

VALNEVA MEDICAL AFFAIRS DEPARTMENT

Valneva is responsible for its Medical Information services and Pharmacovigilance and ensures maintenance of the Global Safety Database and reporting of information to Competent Authorities (CAs) according to applicable regulations in territories where Valneva has a marketing authorization for IXIARO and DUKORAL. The service is formed by Medical Information and Pharmacovigilance experts.

In some countries, Valneva's products are distributed by partner companies. In such cases, individually adapted agreements ensure proper processing of all safety related information as well as adequate response to all medical queries.

CORPORATE COMPLIANCE AND SUPPLIER RELATIONS

PROCUREMENT POLICY AND CODE OF CONDUCT

All employees are required to be aware of the purchasing procedures that are defined in the procurement policy, which comprises the integration of harmonized procurement processes across all Valneva sites. The Procurement Policy is supported by other procedures such as the quality system, the code of conduct and contract management with suppliers. As defined in its Code of Conduct, Valneva deals with its suppliers in a fair, ethical, lawful, professional and respectful manner.

The impact of purchasing on the Valneva Group is driven by the nature of the outsourced activity and recorded according to industry standards.

SUBCONTRACTING WASTE MANAGEMENT

Valneva France selects its suppliers based on their environmental commitments (re-use and recycling of packaging, invoices or delivery notes in recycled paper).

Some maintenance services providers operating at Nantes site have to handle waste generated in the context of their services.

+ Cofely Ineo (maintenance for electric equipment):

Recycling of electrical waste

+ Cofely Axima (maintenance for air filtration equipment and cold production) :

Recycling of waste and used filters.

+ Unity LabServices (maintenance for laboratory equipment) : recycling for used parts

Valneva France appeals to the following suppliers employing persons with disabilities:

+ Saprena: for green space maintenance
+ Les Ateliers Agnelis and Algeeis: for provisions (paper, pencils, etc.)

CORPORATE COMPLIANCE

Valneva recognizes that a culture of integrity and ethical behavior is one of the cornerstones of its success and that doing business in accordance with high ethical standards assists in securing and maintaining strong business relationships.

Trainings

Eleven compliance trainings for new employees were held in 2015. It is mandatory that each Valneva employee receives compliance training and refresher compliance training is given to all employees every two years.

Policies

The corporate Compliance Team launched two policies in 2015: the Social Media Policy which governs the publications of and commentary on social media by Valneva's employees and the Global Anti-Bribery and Anti-Corruption Policy to comply with all laws in this regard including the UK Bribery Act, the Foreign Corrupt Practices Act and Canadian Criminal Code and Corruption of Foreign Public Officials Act.

Valneva's corporate compliance team published two issues of its periodic compliance newsletter named "The Booster: A dose of Compliance& Ethics News" in 2015. Valneva designates each September as Compliance & Ethics Month to bring greater awareness of compliance and ethics matters to employees. In 2015, the theme was "Compliance World Cup" which encouraged employees to re-familiarize themselves with the Valneva Code of Conduct through a tournament of compliance risk areas.

LOCAL, ECONOMICAL AND SOCIAL PARTNERSHIPS

Regarding local employment and development, Valneva is member of the Info-Meeting Neu Marx which aims to develop the area for media, research, technology and economy.

In Austria, Valneva is part of the VacTrain consortium, a scientific training network in the field of vaccines in which several European universities, institutes and companies participate.

In France, Valneva is member of Atlanpole Biothérapies, an interregional cluster, including the Pays de la Loire administrative region, which was recognized and certified by the Ministry of Industry (July 2005). Valneva thus participates in supporting local companies in their innovative and collaborative projects.

To date, Valneva has not worked on specific communication with neighboring residents.

DONATIONS, VOLUNTEERING AND SPONSORING

DONATIONS

Valneva Scotland donated notepads, pencils, crayons and many more useful classroom items to children affected by the current refugee crisis in Calais. The charity appeal was an initiative started by the Livingston Social Committee. The site has donated (via the charity organization: Edinburgh Direct Aid) towards displaced children who have had their educations halted due to a lack of resources and supplies within the camps.

VOLUNTEERISM AND SPONSORING

Valneva Scotland's employees managed to raise 700 Euros for the Macmillan Cancer Support foundation with corporate sponsors from the area and employee donations. They raised the same amount during Christmas party raffle which was donated to Radio Forth's Cash for Kids.

Valneva France supported Odyssea, an NPO which organizes several pedestrian races and walks in different French cities to support the fight against breast cancer. Valneva France paid the registration fees of 13 employees and two of their children and collected165 Euros.

SUPPORT FOR NON-PROFIT ORGANIZATIONS

Valneva purchased 400 Christmas Cards from UNICEF and raised 291 Euros during an employee Charity punch event at Valneva Austria. The amount was doubled by Valneva's management afterwards to 582 Euros.

SOCIAL ENGAGEMENT AT THE LOCAL LEVEL

In December 2015, ten employees from Valneva Austria volunteered to cook at Vienna's Adult Day Care Center for approximately 100 homeless people.

The Adult Day Care Center supports people who have lost their homes giving them the opportunity to socialize, take a shower, do laundry, get medical advice or just find some rest and quiet time. Valneva did not only donate working time for the cooking sessions but also provided groceries equivalent to two nutritious winter meals.

COOPERATIONS WITH SCHOOLS AND UNIVERSITIES

JOB PRACTICAL DAYS

Valneva Austria hosted a 14 year old Middle school student for his mandatory job practical days in 2015. He spent four days at different departments: One day working with the Corporate Communications department, another day with Supply Chain and two days with Valneva's IT department.

His visit was planned and organized with Human Resources to meet the student's interests and to give him a first insight into the working world.

EXCURSIONS AND STUDENT GROUPS

Valneva Austria hosted a student group excursion from the Technical University in Munich for one afternoon giving a presentation of the most important clinical projects and a tour through the laboratories.

Valneva Scotland welcomed students from the Stirling University and Fife College for one afternoon to support their university course requirements for an introduction to EOHS Management and Quality as well as Regulatory Management within the biopharmaceutical manufacturing industry. The visit included a general introduction to these topics flowed by a facility tour focusing on manufacturing clean rooms and the QC testing laboratories.

ENTREPRENDRE POUR APPRENDRE

Valneva France sponsored Entreprendre Pour Apprendre, an association which promotes the entrepreneurial spirit of young people and develops their entrepreneurial skills. Throughout France, the network assists students 8-25 years (CM1 to post-Bac) with business professionals and teachers.

Valneva France granted 2408 euros.

INDICATORS TABLES

EMPLOYMENT DATA TABLE

Indicators	Document reference	Nature of information	GRI	Law G.2	ISO 26000	Unit of measure	Valneva Group 2014*	Valneva Group 2015*	Austria 2015	Scotland 2015	France 2015	Sweden 2015
Employment	b1	**Total headcount**	G4-10/LA1	1.a	6.4.4	No.	278	**414**	146	92	47	129
		Breakdown of personnel										
	b1	**By gender**										
		Women	G4-10/LA1	1.a		No.	162	**252**	89	45	29	89
		Men	G4-10/LA1	1.a	6.4.4	No.	116	**162**	57	47	18	40
	b1	**By age**										
		Less than 30		1.a		No.	25	**37**	16	11	6	4
		30 to 50 years	LA1	1.a		No.	220	**294**	119	66	36	73
		More than 50 years		1.a	6.4.4	No.	33	**83**	11	15	5	52
	b1	**Average age**				yr.	39.54	**41,49**	38,69	40,43	37,09	47,02
		Breakdown of personnel										
	b1	**by type of employment contract**										
		Permanent contracts	G4-10/LA1	1.a	6.4.4	No.	274	**408**	146	90	47	125
		Temporary contracts	G4-10/LA1	1.a		No.	4	**6**	0	2	0	4
	b1	**by function**										
		R&D		1.a		No.	124	**132**	80	0	25	27
		Production		1.a	6.4.4	No.	58	**138**	0	69	0	69
		SG&A		1.a		No.	96	**108**	53	22	22	15
		Clinical / Medical affairs		1.a		No.		**11**	11	0		0
		Sales and marketing		1.a		No.		**25**	2	1	1	18
	b1	**Recruitments and dismissals**										
		Number of recruitments	G4-10/LA1	1.a		No.	30	**70**	18	19	7	26
		Number of dismissals	G4-10/LA1	1.a		No.	6	**10**	0	3	2	5
		Number of voluntary leave	G4-10/LA1	1.a	6.4.4	No.		**27**	6	11	3	7
	b3	**Remuneration and changes**		1.a				**Compensation policy**		Compensation policy		
Work organization	b4 to b10	**Organization of working hours**		1.b					Agreements on the organization of working hours	EU Directive	Agreements on the organization of working hours	Agreements on the organization of working hours
	b1	**Absenteeism**										
		Illness: average number of sick days per employee	LA6	1.b	6.4.4	No.	6.14	**7,8**	8,2	6,6	4,2	9,4

Indicators	Document reference	Nature of information	GRI	Law G.2	ISO 26000	Unit of measure	Valneva Group 2014*	Valneva Group 2015*	Austria 2015	Scotland 2015	France 2015	Sweden 2015
Labor relations	b11 to b13	Organization of labor relations		1.c			IWC	**IWC**	WC	WC	WC	Trade union
		Employees covered by a collective bargaining agreement				%	100%	**100%**	100%	100%	100%	100%
	b14 to b16	Report on collective bargaining agreements	GA-11	1.c	6.4.3 and 6.4.5		100%	**100%**	Collective Bargaining Agreement (Austria)	Local Works Council Charter	*Convention collective pharmaceutique* (France)	Collective Bargaining Agreement (Sweden)
	b36	Code of conduct					Code of conduct	**Code of conduct**	Code of conduct			
Health and safety management	b17,b19 to b26 b37 à b67	**Occupational health and safety**		1.d	6.4.6				VIE-SOP-0054 VIE-SOP-0074	EHS OHS policies	Single document Safety booklet for new 100%	EHS OHS policies
		% of total workforce represented in the joint management-worker occupational health and safety committee	LA5						non applicable	non applicable	Health, Safety and Working Conditions Committee (CHSCT) report	non applicable
		Report on occupational health and safety agreements	LA8	1.d					no specific agreement			
		Occupational accidents										
		Occupational accidents with day off work	LA6	1.d		No. occupational accidents	1	**1**	0	1	0	0
		Occupational illnesses	LA6	1.d		No. occupational illnesses	0	**0**	0	0	0	0
Training	b27 to b31	Policies adopted with respect to training	LA10	1.e	6.4.7				None	Global training policy	Priority annual training	Training prodedure
	b1	Total number of training hours	LA9	1.e		No. hours	2670.02	**4919,27**	1507,77	1958,5	1453	N/A
Workplace equality		**Measures adopted in favor of:**										
	b15, b32 to b34	- gender equality		1.f					National law	Equality policy	Charte de la diversité	procedure
	b35	- the employment and integration of disabled persons		1.f	6.3.and 6.3.7	No.		**1**	N/A	N/A	1	N/A
	b36	- Combating discrimination		1.f			Code of conduct		Code of conduct			
Promoting and complying with ILO conventions	b36	Upholding freedom of association and recognition of the right to collective bargaining	HR4 LA4						Legal Compliance			
		Elimination of discrimination in respect of employment and occupation	G4-56		6.3.and 6.3.7		Code of conduct		Code of conduct			
		Elimination of all forms of forced and compulsory labor	HR6				Legal Compliance		Legal Compliance			
		Abolition of child labor	HR5				Legal Compliance		Legal Compliance			

*The Japan, US and Canadian sites are excluded from the Valneva Group reporting boundary.
Numbers of employees at December 31, 2015: 2 employees (FTE) under permanent contract and 1 employee (20%FTE) under permanent contract.

ENVIRONMENTAL DATA TABLE

Indicators	Document reference	Nature of information	GRI	Law G.2	ISO 26000	Unit of measure	Valneva Group 2014*	Valneva Group 2015*	Austria 2015	Scotland 2015	France 2015	Sweden 2015
General environmental policy	a0, a1, a2, a9, a10, a11, a12, a13, a14, a19, a20, a32 to a40, a49, a50, a58 to a60, a64 to a68	**Organization of the company for addressing environmental issues and, as applicable, environmental assessments or certification approaches**	EC2		6.5.1 & 6.5.2		GQP-0008[02] VIE-SOP-0054[03		VIE-SOP-0054 [03-Manual EHS] Index Vonix: VIE-SOP-0074	EHS global policy OHS policy PPC/E/20022	Declaration ICPE- 2009- Safety Action Plan	Sweddish authorities permits
	a0, a15, a19, a51	**Training and employee information actions relating to environmental protection**		2.a					All employees receive training on the VIE-SOP-0054[03] procedure	Controlling document LIV/SOP/0333 Waste Disposal and Spills Procedure	Training programs on chemical risks and OAA - EFAW Information booklet for new employees	Training program for employees of the waste recycling company sub-contractors
	a0, a15, a19, a41, a42, a51, a61, a62, a69 to a74	**Resources devoted to preventing environmental risks and pollution**	EC2	2.a					VIE-SOP-0074 (02) - waste management	Controlling documents PPC/E/20022 LIV/SOP/0333	Declaration ICPE -2009- Waste monitoring record Health, Safety and Working Conditions Committee	Sweddish authorities permits
	a0, a16	**Amount of provisions and guarantees for environmental risks**	EN31	2.a			No provision		No provision	Business RA #39 Contamination	No provision	No provision
		Total non-monetary sanctions for noncompliance with regulations	EN 29	2.a			0		0	0	0	0

Indicators	Document reference	Nature of information	GRI	Law G.2	ISO 26000	Unit of measure	Valneva Group 2014*	Valneva Group 2015*	Austria 2015	Scotland 2015	France 2015	Sweden 2015
Pollution and waste management	a0, a3, a7, a17, a18, a19, a43, a51, a75	**Measures for preventing, reducing and repairing discharges in the air, water and ground causing serious environmental impacts**		2.b	6.5.3				VIE-SOP-0074 (02) monitoring of energy media consumption	PPC/E/2002 Annual report PPC Nov. 2014	DASRI procedure for infectious medical waste management and miscellaneous equipment An energy audit has been realizedx in order to evaluate improvements for reducing energy and water consumptions and minimizing waste.	Annuall testing and change of HVAc filter, water sample program, annual maintenance of wastewater tanks. Action plan for reducing emissions of risk chemicals (based on directive from Käppala)to waste water .
		Total water discharge	EN8	2.b					N/A	N/A	N/A	N/A

Indicators	Document reference	Nature of information	GRI	Law G.2	ISO 26000	Unit of measure	Valneva Group 2014*	Valneva Group 2015*	Austria 2015	Scotland 2015	France 2015	Sweden 2015
		Measures for prevention, recycling and eliminating waste		2.b					VIE-SOP-0074 (02)	Controlling document; LIV/SOP/0333	DASRI and Reach regulations - waste sorting table	SLN-OTI-0020
		Total hazardous waste (chemical or biological)										
Pollution and waste management	a0, a21, a41, a44 to a46, a51, a52, a77, a78	- Recycled	EN23	2.b					Biological waste inactivated then discharged in waste evacuation system	Biological waste inactivated then discharged in waste evacuation system	Biological waste inactivated then discharged in waste evacuation system**	Valneva Sweden doesn't separate liquid from solid waste. All the biological waste are incinerated.
		- Biological (incinerated)	EN23	2.b		quantity	553,870 L	**42,241 T**	13,951 T	8,10 T	6,79 T	13,4 T
		- Chemicals (incinerated)	EN23	2.b		quantity		**1,73 T**	0,1 T	0,93 T	0	0,7 T
		- DEEE	EN23	2.b		quantity			0,2 T	N/A	0,93 T	0,6 T +8 equipments with unknown weights
		Total non-hazardous waste										
		- Recycled plastic	EN23	2.b		quantity		**6,64 T**	0,2 T	6,44 T	0	non applicable
		- Recycled cardboard	EN23	2.b		quantity			18 T	8,82 T	35m3	7,8 T
		- Recycled pallets	EN23	2.b		quantity		**100%**		100% (158 palettes)	(100 palettes)	(50 palettes)
		- Non-recycled nonhazardous industrial waste	EN23	2.b		quantity			19,12 T	8,97 T	105 m3	4,4 T

Indicators	Document reference	Nature of information	GRI	Law G.2	ISO 26000	Unit of measure	Valneva Group 2014*	Valneva Group 2015*	Austria 2015	Scotland 2015	France 2015	Sweden 2015
Pollution and waste management	a0, a6, a43	**Taking into account some pollution and other forms of pollution specific to an activity**		2(b)					Activated carbon coal filter are installed to avoid uplesant smells. These filters are renewed yearly.	Noise survey completed bi-annually to ensure all aspects of SEPA licence are complied with. Program of Planned Preventative maintenance in place for the facility and all equipment.	Not pertinent	non applicable
Sustainable use of resources	a0, a8, a22 to a24, a47, a53	**Consumption and supply of water according to local constraints**	EN8	2.c		M3	9943.32	**12712**	7462	4544	706	Training prodedure
	a0, a8, a22 to a24, a31, a48	**Consumption of raw materials and measures taken to improve efficiency in their use**	EN1	2.c		Tons		**73,885**	Not pertinent (no production sites)	71,855 T	Not pertinent (no production sites)	2,03 T
	a0, a3, a4, a5, a7, a8, a17, a18, a22 to a24, a43, a47, a53 to a57, a75	**Energy consumption, measures taken to improve energy performance and recourse to renewable energy**		2.c	6.5.4				Monthly energy meter reading and documentation to dedect unusal high energy consumptions early. New contract for electricity with no CO2 emmissions signed in 2015 (contract starts with year 2016)	Controlling document LIV-SOP-0008 Planned Preventative Maintenance (monitoring consumption and equipment calibration)	Monitoring consumption and centralized control system (heating, air conditioning, air treatment, lighting) An energy audit has been realizedx in order to evaluate improvements for reducing energy and water consumptions and minimizing waste.	Steamboilers (electricity)closed during summer holiday, always install led lights when changing or new installations and on/off censors for the lighting. Planned Preventative Maintenance (monitoring consumption and equipment calibration)
		Electricity consumption	EN3	2.c		MWh	6950.275		3083	2325	1071,26	5181
		Municipal networks (heat for space heating)							1002.523 MWh	0	0	2610 MWh
		Gas consumption	EN3	2.c		MWh		**4997,25**	1693	2953	351,25	0
	a0, a25 to a30	**Ground use**		2.c					No actions			

Indicators	Document reference	Nature of information	GRI	Law G.2	ISO 26000	Unit of measure	Valneva Group 2014*	Valneva Group 2015*	Austria 2015	Scotland 2015	France 2015	Sweden 2015
	a0, a4, a5, a8, a20, a30, a53 to a57	**Greenhouse gas emissions**		2.d						Controlling document Environmental Monitoring Report of Emissions to Atmosphere.		
		CO_2 emissions from energy consumption (gas, electricity, heating network)	EN15	2.d		Teq Co2		**4131,2**	803	2173	109,2	1046
Climate change					6.5.5							
	a0, a63, a76, a79	**Adapting to the consequences of climate change**		2.d					Selection of electricity suppliers with the lowest CO_2 emissions	Controlling document; Environmental Monitoring Report of Emissions to Atmosphere.	An energy audit has been realizedx in order to evaluate improvements for reducing energy and water consumptions and minimizing waste.	Steamboilers (electricity)closed during summer holiday, always install led lights when changing or new installations and on/off censors for the lighting.
Protection of biodiversity	a0, a63, a76, a79	**Measures taken to preserve and/or develop biodiversity**		2.e	6.5.6				No actions	Controlling document; Environmental Monitoring Report of Emissions to Atmosphere.	HEQ building "Silence ça pousse" operation (seeding exchanges between employees)	,

*The Japan, US and Canadian sites are excluded from the Valneva Group reporting boundary.

CORPORATE CITIZENSHIP DATA TABLE

Indicators	Document reference	Nature of information	GRI	Law G.2	ISO 26000	Unit of measure	Valneva Group 2014*	Valneva Group 2015*	Austria 2015	Scotland 2015	France 2015	Sweden 2015
Regional, economic and social impact of the company's activity	c1 to c3	In terms of employment and regional development	EC8	3.a	6.8. and 6.8.5							
	c4 to c7	On neighboring or local populations	EC8									
Relations with persons or organizations interested by the activity of the company , and in particular non-profit organizations for social and occupational insertion, educational establishments, not-for-profits in the defense of the environment, consumer interests and neighboring populations		Conditions of dialogue with these persons organizations		3.b	5 5.3.3		Communication actions	Communication actions		Communication actions		
	c8 to c15 c35	Partnership or sponsorship initiatives	EC8		6.8.9							
Subcontracting and suppliers	c16	Taking into account social and environmental issues in the purchasing policy	HR7	3.c	6.6.6		Procurement policy	Procurement policy		Procurement policy		
	c34 to c35	Importance of subcontracting and taking into account social and environmental responsibility in relations with suppliers and subcontractors										
Fair practices	c17 to c24	Actions taken to prevent corruption		3.d	6.6 6.6.3 6.7.4		Code of conduct	Code of conduct "Booster" newsletters		Code of conduct		
	c25 to c33	Measures taken in favor of consumer health and safety	PR3-PR5				MSOP-0013 Spontaneous Adverse Event Reporting VIE-SOP-0011 Pharmacovigilance System MFS-0010(04)	MSOP-0013 Spontaneous Adverse Event Reporting MFS-0010(05)	VIE-SOP-0011 Pharmacovigilance System MFS-0010(05)	MSOP-0013 Spontaneous Adverse Event Reporting		
	c1 c35	Actions undertaken under item 3, in favor of Human Rights		3.e	6.3							

*The Japan, US and Canadian sites are excluded from the Valneva Group reporting boundary.

METHODOLOGICAL NOTE

Methodological note on Group CSR data reporting

Following the acquisition of Crucell Sweden AB, the year 2015 was a period of transition for the Valneva Group for the harmonization of their different practices and procedures.

The different entities forming the Group operate according to different models linked to business operations (R&D and production) as well as their respective cultural and legal environments.

The legal and regulatory context does not reflect the same requirements for compliance from one site to another.

The different priorities relating to the environment and also employment are reflected differently according to the sites, even common practices and shared values can be observed.

Procedures are gradually being harmonized at the Group level.

Group structure of consolidated operations

The quantitative data in the employment area was consolidated at the Group level for the collection of information in 2015. This data is derived from the human resource management software, HR Cube.

Quantitative environmental data has been harmonized at the Group level for 2015 inputs. Environmental impact measures energy consumption, GHG emissions and waste for the production and R&D sites (Livingston, Vienne, Solna and Nantes).

Work is currently in progress to harmonize social data in 2016.

Scope of the CSR reporting

The scope of reporting of the CSR Report in 2015 covers the Scottish site based in Livingston, the Austrian site based in Vienna, the Sweden site based in Solna and the French site in Nantes.

The reasons why Japanese, Canadian and US subsidiaries were excluded from this scope of the 2015 CSR report are as follows:

- the only remaining activities in Japan are development and license and partnership management. Only one part-time employee is devoted to these activities (20% FTE) with a permanent contract;
- for the United States, only two people were working at 12/31/2014 on a full-time basis and with permanent contracts;
- for Canada, employees recruited in 2015 will be taken into account in 2016 for the purpose of ensuring comparability of data over identical periods (one year).

Reporting referential

To ensure the homogeneity and reliability of indicators tracked for all subsidiaries, the Group is continuing to adopt common guidelines for employment-related and environmental data. These documents specify the methodologies to be applied for the reporting of indicators for the entire group: definitions, calculation formulas, etc.

Data collection method

Data collection in 2015 has required application of a working method and different steps that are presented below:

1. Maintaining the resource persons identified in 2014 to report quantitative and qualitative employment, social and environmental data for each site in order to optimize the collection process. Resource persons were identified for the Solna site this year.
2. Sending the resource persons a data collection spreadsheet for information to be provided along with guidelines for quantitative employment-related and environmental data.

3. Classifying the source documents received (codification) according to three fields: employment, environment, and social.

a followed by a number: for the Environment**,**

b followed by a number: for Employment,

c followed by a number: for Social.

In the summary tables for employment, environmental and social indicators, a new column was inserted to indicate the source document codes. These documents are then made available to the CSR assurance service firm.

For the construction of this CSR report, data collection is organized through resource persons identified internally:

- Resource persons to coordinate where possible and transmit quantitative and qualitative data for employment-related information requirements;
- Other resource persons to coordinate where possible and transmit quantitative and qualitative data for the environmental information requirements;
- Resource persons for quantitative and qualitative data for the social information requirements;
- One person of Nantes in France to coordinate the data collection at the international level.

4. Implementation of a dedicated CSR reporting platform (currently being installed on the internal server) to improve the data storage and facilitate access for the resource persons.

Comparison of data between the 2014 and 2015 CSR reports

The comparability of data is still partial since all information collected is not based on the same scope of reporting (new production site in Sweden). Certain items are still not yet harmonized at the Group level.

This year, comparison with data of the 2014 CSR report highlighted changes in the environmental and employment-related areas based on the scope of reporting of the 2014 report (excluding Sweden).

Valneva's social responsibility policy

In 2015, Valneva Group concentrated efforts on integrating the Solna production unit and developing the sales entity (Canada) and has not yet had possibility to implement a CSR policy organized around strategic priorities and broken down into a program and action plans. This in turn makes it difficult to get a picture of actions put into place.

This is also the reason why the report is organized along three lines: employment, environmental and social information.

Time required for producing the report

The timeline for collecting and analyzing data and drafting the report is very short. In addition, the establishments are based in different countries, rendering it impossible to conduct detailed interviews with the different parties.

For that reason, the report has been produced from information collected from written documents.

Materiality test

The time requirements for producing these latter documents did not make it possible to produce a relevant materiality matrix capable of presenting the social responsibility stakes for Valneva with regards to its important stakeholders.

Due diligence processes are in place in the Group, in particular in areas relating to product liability (pharmacovigilance). Consultation of the stakeholders is not however carried out in a formalized and exhaustive manner.

Potential improvements

Improvements can be considered for future years:

- priorities specific to Valneva Group and defined at the level of subsidiaries, in order to harmonize procedures and indicators;
- construction of common guidelines specifying the relevant indicators (quantitative and qualitative) and the methodology for social data.
- a materiality test adapted to the Group to identify those issues that are most important in relation to expectations of Valneva's critical and external stakeholders.

DEFINITIONS

EMPLOYMENT INDICATORS

Relevance

Employment indicators provide an understanding, through quantitative and qualitative data, conditions with respect to human rights, employability, working conditions, training policies impacts on employee health and safety, diversity and equal opportunity employment.

Total headcount

Employees included in the headcount are those with an employment contract (permanent or fixed-term) with a Valneva Group company. Workforce is expressed based on headcount, regardless of the amount of working hours or the starting date in the reporting year.

Medium age

The dates of birth are subtracted from December 31, 2015 then divided by 365.25 for each employee with an employment contract (permanent or fixed term) with a company of the Valneva Group, and then divided by the figure for the total headcount.

Recruitments and dismissals

Recruitments and dismissals exclude movements within the Group such as international transfers or transfers between companies and sites.

New recruits

This includes employees recruited in the year under a permanent or fixed-term contract. Switching from a permanent contract to a fixed-term contract during the year is not considered as a new recruitment.

Temporary contracts

This includes executive employees, namely corporate officers ("*mandataires sociaux*") in France and two Board Members in Austria.

Number of dismissals

The number of dismissals corresponds to the number of forced departures and as such excludes resignations and the termination of contracts by mutual consent.

Absenteeism rate

The absenteeism rate is the number of days of absence during the year (from Monday to Friday, or five days per week) for the average number of active employees (based on calculations for monthly periods) and concerns solely sick leave (= the average number of sick days per employee).

Training

Only the number of external training hours is taken into account.

Conventions and collective bargaining agreements

A collective bargaining agreement is concluded between the employer and labor unions for the purpose of setting rules governing working conditions, employment and social guarantees for employees.

Professional disease

An illness arising as a consequence to exposure to occupational risk factors (physical, chemical or biological risks).

Occupational accidents

An accident resulting from or arising in the course of work, regardless of the cause, to any salary employee or a person working on behalf of the Group. An occupational accident can also arise in the course of a business-related trip. This report contains only accident with days lost.

ENVIRONMENTAL INDICATORS

Relevance

Environmental indicators report inputs (energy, water and raw materials) and outputs (emissions, effluents, waste) and the types of impacts of the organization on the environment.

Materials

This item corresponds to materials used in the production cycle.

Energy

Only direct energy consumption (originating from a primary energy source) is taken into account. Energy savings linked to mechanism for monitoring consumption and optimizing equipment are reported in qualitative terms. Consumption expressed in MWh.

Water

Water consumption concerns solely withdrawn water volume. Consumption expressed in m3.

Biodiversity

This refers to a qualitative description of impacts linked to activities, products and services.

Emissions, effluents and waste

Direct emissions of GHG are taken into account. Direct emissions of GHG expressed in tons of CO_2.

Waste is taken into account by category according to a breakdown between hazardous and nonhazardous waste. The production of waste is expressed in tons.

Transport

Transport (employees, suppliers, customers) is not taken into account in this report due to the absence of data.

SOCIAL INDICATORS

Relevance

Social indicators cover impacts of the business on the territory, impacts of products on consumer health and safety, practices with respect to suppliers and subcontractors, the purchasing policy.

All impacts are derived from qualitative data (procedures and the assessments of practices).

23.2 Report of the Independent Auditors

Report by the certified public accountant appointed as independent third party, on the consolidated human resources, environmental and social information included in the management report for the year ended 31/12/2015.

This is a free English translation of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In our capacity as professional certified public accountant appointed as independent third party by VALNEVA and certified by COFRAC under number 3-1055, we hereby report to you on the consolidated human resources, environmental and social information for the year ended 31/12/2015, included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code (*Code de commerce*).

Company's responsibility

The Management Board is responsible for preparing the management report including the CSR Information required by article R.225-105-1 of the French Commercial Code.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of article L.822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Certified public accountant's responsibility

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved 3 persons and was conducted between 29th September and the 17th March 2016 during a 10 day period, with an on-site audit on 27th November 2015 in Livingston and on 15th February in Saint-Herblain.

We performed our work in accordance with the French professional standards and with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement.

1. Attestation regarding the completeness of CSR Information

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code.

Based on the work performed, we attest that the required CSR Information has been disclosed in the management report.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

We focused our studies on:

- social information: total workforce (by age, gender and geographical zone); health and safety conditions; occupational accidents, especially their frequency and severity rate; occupational diseases
- corporate citizenship information: the importance of sub-contracting and the importance in the relationship with suppliers and sub-contractors of their social and environmental responsibility; measures taken in favour of consumers' health & safety
- environmental information: Valneva's organization to take into account the environmental questions, steps taken in terms of environmental certification or evaluation; measures implemented to prevent, reduce and repair air, water and ground emissions with a severe environmental impact; measures implemented for the prevention, recycling and elimination of waste

Regarding the CSR Information that we considered to be the most important:

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of Livingston and St Herblain, selected by us on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents on average 34% of headcount.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Toulouse, 17th March 2016

THE INDEPENDENT THIRD PARTY

SAS CABINET DE SAINT FRONT

Jacques de SAINT FRONT

President

24.APPOINTMENTS 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 fiscal year ending December 31, 2016.

The mandates of the Joint Statutory Auditor, Deloitte et Associés, and of the deputy Joint Auditor, Beas and Associates, currently in office, will end at the end of the Ordinary General Meeting to be held in 2019 to approve the accounts for the fiscal year ending December 31, 2018.

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

Vienna,

March 17, 2016

THE MANAGEMENT BOARD