VALNEVA

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

Annual Financial Statements
at December 31, 2015

Translation disclaimer: This document is a free translation of the French language version of the French GAAP annual financial statements of Valneva SE for the twelve-month period ended December 31, 2015 produced for the convenience of English speaking readers. In the event of any ambiguity or conflict between statements or other items contained herein and the original French version, the relevant statement or item of the French version shall prevail. While all possible care has been taken to ensure that this translation is an accurate representation of the original French document, this English version has not been audited by the company's statutory auditors and in all matters of interpretation of information, views or opinions expressed therein, only the original language version of the document in French is legally binding. As such, this translation may not be relied upon to sustain any legal claim, nor be used as the basis of any legal opinion and Valneva SE expressly disclaims all liability for any inaccuracy herein.

Table of contents

1. BALANCE SHEET 4

1.1 Assets 4

1.2 Liabilities and equity 5

2. INCOME STATEMENT 6

3. CASH FLOW STATEMENT 8

4. NOTES TO THE FINANCIAL STATEMENTS 9

4.1 Key events of the year 9

4.2 Accounting policies and methods 10

4.2.1 General background 10
4.2.2 Use of and changes in estimates 11
4.2.3 Unrealized foreign exchange gains and losses 11
4.2.4 Intangible fixed assets 11
4.2.5 Research & Development expenses 11
4.2.6 Goodwill - concessions, patents and similar rights 12
4.2.7 Property, plant and equipment 12
4.2.8 Impairment of assets 13
4.2.9 Borrowing costs 14
4.2.10 Financial assets 14
4.2.11 Inventories 14
4.2.12 Receivables and related accounts 14
4.2.13 Cash at bank and in hand 14
4.2.14 Employee commitments 15
4.2.15 Grant income 15
4.2.16 Subordinated grants 15
4.2.17 Provisions for contingencies and losses 15
4.2.18 Payables 15
4.2.19 Revenues 15
4.2.20 Operating grants 16
4.2.21 Other income 16
4.2.22 Staff costs 16
4.2.23 Net exceptional items 17
4.2.24 Income tax 17
4.2.25 Earnings per share/diluted earnings per share 17

4.3 Notes to the balance sheet 18

4.3.1 Net intangible fixed assets 18
4.3.2 Net intangible fixed assets 21
4.3.3 Long-term investments 23
4.3.4 Inventories and work-in-progress 25
4.3.5 Trade receivables and related accounts 25

4.3.6 Other receivables ... 26
4.3.7 Net cash flow ... 28
4.3.8 Prepaid expenses ... 28
4.3.9 Accrued income ... 29
4.3.10 Shareholders' equity ... 29
4.3.11 Investment grants ... 31
4.3.12 Subordinated grants ... 33
4.3.13 Provisions for contingencies and losses ... 34
4.3.14 Borrowings ... 35
4.3.15 Trade payables and related accounts ... 36
4.3.16 Tax and employee-related liabilities ... 36
4.3.17 Other financial liabilities ... 37
4.3.18 Deferred income ... 37
4.3.19 Accrued expenses ... 38
4.4 Notes to the income statement ... 38
4.4.1 Revenues ... 38
4.4.2 Own production of goods and services capitalized ... 38
4.4.3 Operating grants ... 39
4.4.4 Other income ... 39
4.4.5 Reversals of depreciation, amortization and provisions and expense reclassifications ... 39
4.4.6 Purchases and external expenses ... 39
4.4.7 Taxes, duties and related amounts ... 40
4.4.8 Personnel ... 40
4.4.9 Depreciation, amortization & impairment of fixed assets ... 43
4.4.10 Net income/(loss) from financial items ... 43
4.4.11 Net exceptional items ... 44
4.4.12 Income tax ... 44
4.4.13 Earnings per share ... 45

5. OTHER INFORMATION ... 46
5.1 Commitments and contingent liabilities ... 46
5.1.1 Debt guarantee by collateral ... 46
5.1.2 Off-balance-sheet commitments ... 46
5.1.3 Contingent liabilities ... 47
5.1.4 Auditors' fees ... 47
5.2 Information concerning related parties ... 48
5.3 Dilutive instruments ... 50
5.4 Subsidiaries and associates ... 51
5.5 Market Risks ... 52
5.5.1 Interest rate risk ... 52
5.5.2 Exchange rate risk ... 52
5.6 Subsequent events ... 52

1. BALANCE SHEET

1.1 Assets

(in € thousand)	Note No.	Gross Value	Depreciation, amortization & provisions	At December 31 2015	At December 31 2014
INTANGIBLE FIXED ASSETS	4.3.1				
Research & Development expenses		8,343	6,558	1,785	3,597
Concessions, patents and similar rights		394	228	165	1,860
Goodwill					4,107
Other intangible assets in process		4		4	105
PROPERTY, PLANT AND EQUIPMENT	4.3.2				
Land		677	150	527	554
Constructions		6,207	2,282	3,925	4,257
Plant, machinery and equipment		3,449	2,481	968	1,469
Other PPE		489	367	122	201
Tangible fixed assets under construction		15		15	
Prepayments					
LONG-TERM INVESTMENTS	4.3.3				
Non-consolidated investments		163,927	8,999	154,929	137,928
Receivables on non-consolidated investments					
Loans		142		142	130
Other financial assets		1,293	471	823	881
TOTAL NON-CURRENT ASSETS		**184,939**	**21,536**	**163,403**	**155,088**
INVENTORIES AND WORK IN PROGRESS	4.3.4				
Raw materials and supplies		210	51	159	685
Work-in-progress					
RECEIVABLES					
Trade receivables and related accounts	4.3.5	163		163	404
Other receivables	4.3.6	45,729	144	45,584	33,352
Called up capital					
OTHER CURRENT ASSETS					
Marketable securities					
Cash at bank and in hand	4.3.7	12,184		12,184	9,314
ACCRUAL ACCOUNTS					
Prepaid expenses	4.3.8	427		427	250
TOTAL CURRENT ASSETS		**58,713**	**196**	**58,517**	**44,005**
Unrealized losses on foreign exchange		**50**		50	4
TOTAL EQUITY AND LIABILITIES		**243,702**	**21,732**	**221,970**	**199,097**

1.2 Liabilities and equity

(in € thousand)	Note No.	December 31, 2015	December 31, 2014
Share capital or individual share		11,383	8,631
Additional paid-in capital		214,300	175,041
Regulated reserves		52,832	52,832
Retained earnings/(accumulated deficit)		(58,716)	(43,832)
NET INCOME (LOSS) FOR THE YEAR		**(17,619)**	**(14,883)**
Investment grants	4.3.11	172	418
Tax-driven provisions		467	659
SHAREHOLDERS' EQUITY	4.3.10	202,820	178,866
Subordinated grants	4.3.12	2,516	3,951
OTHER EQUITY		**2,516**	**3,951**
Provisions for contingencies		62	129
Provisions for losses		189	163
PROVISIONS FOR CONTINGENCIES AND LOSSES	4.3.13	**250**	**292**
BORROWINGS			
Bank borrowings	4.3.14	8,396	9,614
OPERATING PAYABLES			
Trade payables and related accounts	4.3.15	1,073	1,833
Tax and employee-related liabilities	4.3.16	1,022	1,137
OTHER PAYABLES			
Payables on fixed assets and equivalent	4.3.17	115	1,578
Other financial liabilities	4.3.17	5,733	1,822
ACCRUAL ACCOUNTS			
Deferred income	4.3.18	33	
TOTAL LIABILITIES		**16,370**	**15,984**
Unrealized losses on foreign exchange		14	3
TOTAL EQUITY AND LIABILITIES		**221,970**	**199,097**

2. INCOME STATEMENT

Headings (in € thousand)	France	Export	Note No.	At December 31, 2015	2014
Sales of services	549	281		830	1,402
NET SALES	**549**	**281**	4.4.1	**830**	**1,402**
Change in inventory of own production of goods and services					
Own production of goods and services capitalized			4.4.2	107	152
Grants			4.4.3	86	278
Reversals of depreciation, amortization and provisions, expense reclassifications			4.4.5	141	291
Other income			4.4.4	3,200	1,090
OPERATING INCOME				**4,364**	**3,212**
Purchase of trade goods					
Purchases of raw materials and other supplies (including customs duties)				466	1,226
Change in inventory (raw materials and supplies)				17	(377)
Other purchases and external expenses			4.4.6	8,404	8,265
Taxes other than on income and related payments			4.4.7	121	196
Wages and salaries			4.4.8	2,660	3,261
Employee benefit expense			4.4.8	1,283	1,428
ALLOWANCES FOR DEPRECIATION AND AMORTISATION, PROVISIONS					
For fixed assets			4.4.9	1,385	1,971
For current assets			4.4.9	0	52
For contingencies and losses			4.4.9	25	254
Other expenses				318	318
OPERATING EXPENSES				**14,680**	**16,593**
INCOME (LOSS) FROM ORDINARY ACTIVITIES				**(10,317)**	**(13,381)**
JOINT VENTURE OPERATIONS					
FINANCIAL INCOME					
Financial income from non-consolidated investments				545	533
Income from other marketable securities and receivables capitalized					
Other interests and similar income				98	157
Reversals of provisions and expense reclassifications			4.4.9	21	270
Foreign exchange gains				19	14
Net proceeds from the disposal of marketable securities				0	0
FINANCIAL INCOME				**683**	**973**
Amortization and charges to provisions for financial items			4.4.9	9,138	
Interest and similar expenses				556	210
Foreign exchange losses				13	223
Net charges on disposals of marketable securities					
FINANCIAL EXPENSES				**9,708**	**434**
NET FINANCIAL INCOME (EXPENSE)			4.4.10	**(9,025)**	**540**
INCOME (LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX AND EXCEPTIONAL ITEMS				**(19,341)**	**(12,841)**

Headings (in € thousand)	Note No.	At December 31, 2015	2014
Exceptional income from non-capital transactions		268	2,500
Exceptional income from capital transactions		7,582	40
Reversals of provisions and expense reclassifications		6,954	157
EXCEPTIONAL INCOME		**14,803**	**2,697**
Exceptional expenses on non-capital transactions			
Exceptional expenses on capital transactions		14,932	3
Exceptional depreciation, amortization and provisions		0	6,702
EXCEPTIONAL EXPENSES		**14,932**	**6,705**
NET EXCEPTIONAL ITEMS	4.4.11	**(129)**	**(4,008)**
Corporate income tax	4.4.12	(1,851)	(1,965)
TOTAL INCOME		**19,849**	**6,883**
TOTAL EXPENSES		**37,469**	**21,766**
PROFIT OR LOSS		**(17,619)**	**(14,883)**
Basic net earnings per share (in euros)	4.4.13	(0.24)	(0.26)
Diluted net earnings per share (in euros)		(0.24)	(0.26)

3. CASH FLOW STATEMENT

Cash flow statement	Note No.	2015	2014
Cash flow from operating activities:			
Net income /(loss)		(17,619)	(14,883)
Income and expenses with no impact on cash or unrelated to operating activities			
Operating depreciation and amortization expenses		1,411	2,277
Reversals of operating depreciation and amortization expenses		(114)	(21)
Financial depreciation and amortization expenses		9,117	(270)
Exceptional depreciation and amortization		0	6,701
Reversals of exceptional provisions		(6,954)	(157)
Expense reclassifications on capitalized assets		(107)	(152)
Amount of grants recognized under income		(37)	(40)
(Gains)/losses on disposal of assets		7,418	3
Cancellation of operating/exceptional receivables		0	0
Operating cash flows		**(6,885)**	**(6,540)**
Change in other current assets and liabilities:			
Inventories		527	(377)
Trade receivables and related accounts		241	1
Trade payables and related accounts		(760)	254
Other receivables		(13,300)	8,017
Prepayments and accrued income		(222)	162
Tax and employee-related liabilities		(115)	25
Other accruals and deferred income		3,911	1,784
Accruals and deferred income		47	(1,583)
Net cash from (used in) operating activities		**(16,557)**	**1,743**
Cash flow from investing activities			
Purchase of intangible fixed assets:		(146)	(163)
Purchase of property, plant and equipment		(404)	(402)
Purchase of long-term investments		(18,539)	(10,019)
Net capital expenditure		39	0
Change in working capital requirements with regard to assets		(1,463)	(2,927)
Net cash used in investing activities		**(20,514)**	**(13,510)**
Cash flow from financing activities			
Proceeds from borrowings		1,769	1,835
Repayment of borrowings		(2,987)	(3,197)
Subordinated grants received/repaid		(642)	(250)
Investment grants received		(209)	0
Capital increase		45,168	9,137
Transaction costs charged to merger premium		(3,157)	(505)
Net cash from financing activities		**39,942**	**7,019**
Net change in cash and cash equivalents		**2,870**	**(4,748)**
Opening cash, cash equivalents and marketable securities		9,314	14,062
Closing cash, cash equivalents and marketable securities		12,184	9,314
Net change in cash and cash equivalents	4.3.7	**2,870**	**(4,748)**

4. NOTES TO THE FINANCIAL STATEMENTS

4.1 Key events of the year

Annual highlights of the year included:

+ **Acquisition of Crucell Sweden AB and all assets, licenses and privileges related to DUKORAL® as well as the 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 had 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 the Nordics vaccine distribution business of the seller and its affiliates (the "**Acquisition**"). This agreement entails in particular the purchase of the manufacturing site in Solna (Sweden) as well as transfer to the Valneva Group of approximately 115 employees (FTEs).

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.

Closing of the Crucell Sweden AB acquisition

On February 10, 2015, Valneva announced the completion of 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®.

This acquisition is reflected in the accounts of Valneva SE by a 100% equity stake in the new subsidiary Vaccines Holdings Sweden AB in the amount of €17 million.

In order to reflect the commercial changes resulting from the adjustment in the indications of DUKORAL® in Canada, Crucell Holland BV and Valneva agreed to make certain changes to the sale and purchase agreement, and notably a purchase price adjustment. Crucell Holland BV accordingly waived the last installment of €10 million that Valneva was to pay under the terms of the agreement while repaying Valneva €15 million of the purchase price. The waiver of the last payment of €10 million outstanding and the repayment of €15 million represented accordingly a reduction of €25 million from the purchase price, which was accordingly reduced from €45 million to €20 million.

+ **Successful completion of the €45 million capital increase**

On February 4, 2015, Valneva announced the successful completion of its capital increase with shareholders preferential subscription rights. The final gross proceeds of the rights issue amounted to €45,031,721.02, corresponding to the issuance of 18,231,466 new ordinary shares, at a subscription price of €2.47 per share. Total subscription orders for the rights issue amounted to approximately €81.1 million, i.e. a take up rate of approximately 180%.

+ **Confirmation of BliNK Biomedical's launch and financing**

On December 11, 2014, Valneva and the 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, and to be named BliNK Biomedical SAS.

BliNK Biomedical SAS was created to give 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. The purpose of BliNK Biomedical SAS' powerful B cell technology is to enable the isolation of antibody- producing cells for 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 two highly efficient combined processes, an unprecedented capability to screen and identify extremely rare antibody-secreting cells will be achieved by BliNK.

BliNK Biomedical SAS was created in January 2015 with retroactive effect as from January 1, 2015. BliNK Biomedical SAS is today held by Valneva SE (with 48.2%), and by historic investors of Blink Therapeutics (Kurma Biofund I and different funds managed by its partner, Idinvest), Cancer Research Technology and the founders of BliNK Therapeutics Ltd. (with a combined holding of approximately 51.8%).

An impairment test performed at year-end led to the recognition of an impairment charge for the total number of BliNK Biomedical SAS shares. This impairment is the result of this strategic redeployment of the company held.

Impact of the transaction of the accounts (in € thousand):

Financial assets	8,998
Intangible fixed assets	(7,238)
Property, plant and equipment	(620)
Inventories	(528)
Payables	1,000
Cash	(1,998)
Net exceptional items	386

4.2 Accounting policies and methods

4.2.1 General background

The financial statements have been drawn up in accordance with French generally accepted accounting principles in line with the requirements of Regulation 99-03 of the French Accounting Regulation Committee relating to regulation 2014-03 of the French accounting standard setter (*Autorité des Normes Comptables* or ANC), and applied in accordance with the fundamental accounting principles of prudence,

+ going concern,
+ consistency and accruals,
+ the time period concept,

and general financial statements preparation and presentation rules.

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

The financial information is expressed in thousands of euros and was approved by the Management Board on March 17, 2016.

4.2.2 Use of and changes in estimates

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

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

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

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

4.2.3 Unrealized foreign exchange gains and losses

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

4.2.4 Intangible fixed assets

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

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

Intangible assets with indefinite useful lives are not amortized but are subject to systematic annual impairment tests.

4.2.5 Research & Development expenses

Research expenditure is expensed as and when incurred.

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

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

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

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

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

4.2.6 Goodwill - concessions, patents and similar rights

Goodwill corresponding to the difference between the book value of the holding in the receiving company and the transfer value of the net assets received (*mali de confusion*) arising from the simplified merger (TUP) with Humalys in 2010 was transferred in connection with the contribution to BliNK Biomedical SAS.

For the purposes of its business activity, the Company uses patent licenses. These licenses generate "guaranteed payments" for the owners and royalties. According to French tax regulations, the amount capitalized for these licenses includes the "guaranteed payments" and an amount reflecting the estimated future royalties to be paid (the offsetting entry is recognized in "Amounts payable in respect of fixed assets and related accounts"). Each year, these future royalties are re-estimated according to the expected royalties to be paid, and discounted.

The amount of "guaranteed payments" is amortized over the shorter of the license term or the patent protection period (normally 13 and 15 years). Estimated royalties are amortized every year according to the royalties outstanding during the year and actual payments are expensed to "Amounts payable on fixed assets and related accounts."

At December 31, 2015, as the license agreements in question had fallen into the public domain, the corresponding guaranteed payments and future royalties were derecognized.

Computer software is recognized at cost and amortized over two years using the straight-line method. An accelerated tax depreciation was applied to acquisitions prior to December 31, 2013.

4.2.7 Property, plant and equipment

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

The estimated useful lives are as follows:

+ Constructions
  - Buildings

i) Structure	25 years
ii) Roofing	25 years
iii) Weatherboarding	25 years
iv) Exterior woodwork	20 years

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

4.2.8 Impairment of assets

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

External indications:

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

Internal indicators:

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

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

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

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

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

In application of these principles, since the prior year 3D Screen platform development expenditures have been fully written off since 2012.

Furthermore, an asset impairment expense was recorded for the VIVA│Screen® platform on December 31, 2014 to adjust its value to the amount defined in the agreement for its contribution to the new company, BliNK Biomedical SAS.

4.2.9 Borrowing costs

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

4.2.10 Financial assets

Non-consolidated investments consist of the acquisition cost of the Japanese subsidiary, Valneva Toyama Japan K.K., Valneva Austria GmbH securities tendered in connection with the merger of May 28, 2013, securities of new subsidiaries Vaccines Holdings Sweden AB, Valneva Canada Inc. and Valneva UK Ltd., and non-consolidated investments in BliNK Biomedical SAS.

At the end of the reporting period, the Company determines their value in use (defined as the amount that the company would accept to pay for this interest if it had to acquire it).

When the value in use of these financial assets is lower than their carrying amount, an impairment expense is recorded for the difference.

Concerning Valneva Austria GmbH shares, an impairment test was conducted at the end of the reporting period to ensure that there was no loss in value.

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

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

4.2.11 Inventories

Inventories are stated at cost using the weighted average cost price. Provisions are recognized on the basis of the net realizable value.

4.2.12 Receivables and related accounts

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

4.2.13 Cash at bank and in hand

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

4.2.14 Employee commitments

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

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

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

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

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

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

4.2.15 Grant income

Operating grants are recognized upon the signature of the contracts.

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

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

4.2.16 Subordinated grants

Subordinated grants are recognized in liabilities under "Subordinated grants". In the event of a failure to complete work, the debt waiver is recognized in "Other exceptional income". Grants used to finance Research & Development projects that are capitalized are recognized under "Development expenditure", whereas those used for projects not capitalized are recognized under "Operating Grants".

4.2.17 Provisions for contingencies and losses

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

4.2.18 Payables

Payables are stated at nominal amount.

4.2.19 Revenues

Valneva SE's know-how and intellectual property are focused in the following two areas:

+ the manufacture of vaccines. Valneva SE offers research and commercial licenses for its EB66® cell lines to biotechnology companies and the pharmaceutical industry for the production of viral vaccines;
+ the perfection of systems for producing ("expressing") recombinant therapeutic proteins and monoclonal antibodies. Valneva SE works with companies operating in the biotechnology sector.

Sales generated by Valneva SE originate from:

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

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

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

4.2.20 Operating grants

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

4.2.21 Other income

Other income includes mainly:

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

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

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

4.2.22 Staff costs

CICE wage tax credit

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

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

Receivables relating to CICE wage tax receivables for 2013, 2014 and 2015 will be paid back in 2017, 2018 and 2019 and for that reason have not yet been allocated to expenses.

4.2.23 Net exceptional items

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

In 2015, the transfer of assets relating to the VIVA│Screen® to BliNK Biomedical SAS had no impact on results for the period, as the impairment charge for these assets in the amount of €6.7 million was recorded on December 31, 2015.

4.2.24 Income tax

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

(a) Current tax

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

(b) Research tax credit

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

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

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

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

4.2.25 Earnings per share/diluted earnings per share

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

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

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

4.3 Notes to the balance sheet

4.3.1 Net intangible fixed assets

(a) Change from January 1, 2015 to December 31, 2015

(in € thousand)	At January 1, 2015	Changes in the period			At December 31, 2015
		Increase	Decrease	Other Changes	
Preliminary expenses	0	0	0	0	0
Development expenditure	8,604	107	(369)	0	8,343
Goodwill	8,124	0	(8,124)	0	0
Concessions, patents and rights	8,084	0	(7,916)	0	168
Software	180	146	(101)	0	225
Intangible assets under development	105	0	(101)	0	4
Other	0	0	0	0	0
Gross intangible fixed assets	**25,097**	**253**	**(16,610)**	**0**	**8,740**
Preliminary expenses	0	0	0	0	0
Development expenditure (1)	6,237	628	(306)	0	6,558
Goodwill (2)	4,017	0	(4,017)	0	0
Concessions, patents and rights (3)	5,041	10	(4,905)	0	146
Software	135	46	(98)	0	83
Total amortization	**15,429**	**684**	**(9,327)**	**0**	**6,786**
Net intangible fixed assets	**9,668**	**(431)**	**(7,283)**	**0**	**1,954**
Development expenditure	623	0	(156)	0	467
Concessions, patents and rights	0	0	0	0	0
Software	2	0	(2)	0	0
Total accelerated tax depreciation or amortization	**625**	**0**	**(158)**	**0**	**467**
Net tax value of intangible fixed assets	**9,042**	**(431)**	**(7,125)**	**0**	1 487
(1) Of which exceptional depreciation	1,229	0	(38)	0	1 191
(2) Of which exceptional depreciation	4,017	0	(4,017)	0	0
(3) Of which exceptional depreciation	2,683	0	(2,683)	0	0

Development expenditure

In 2015, a new development expenditure of €107 thousand was capitalized in accordance with the accounting policy described in Note 4.2.5.

Commercial goodwill

Goodwill corresponding to the difference between the book value of the holding in the receiving company and the transfer value of the net assets received (*mali de confusion*) arising from the simplified merger (TUP) with Humalys in 2010 was derecognized in connection with the contribution to

BliNK Biomedical SAS. An impairment was recorded for this amount in 2014 based on the valuation of the VIVA│Screen® technology in the Contribution Agreement.

Concessions, patents and rights

The SC World technology was transferred in connection with the contribution to BliNK Biomedical SAS. It was subject to impairment in 2014 following the valuation of the VIVA│Screen® technology in the Contribution Agreement providing for the transfer to BliNK Biomedical SAS.

(b) Change from January 1, 2014 to December 31, 2014

(in € thousand)	At January 1, 2014	Changes in the period			At December 31, 2014
		Increase	Decrease	Other Changes	
Preliminary expenses	0	0	0	0	0
Development expenditure	8,453	152	0	0	8,604
Goodwill	8,117	7	0	0	8,124
Concessions, patents and rights	8,082	2	0	0	8,084
Software	130	50	0	0	180
Intangible assets under development	1	105	(1)	0	105
Other	0	0	0	0	0
Gross intangible fixed assets	**24,783**	**315**	**(1)**	**0**	**25,097**
Preliminary expenses	0	0	0	0	0
Development expenditure (1)	5,572	665	0	0	6,237
Goodwill (2)	0	4,017	0	0	4,017
Concessions, patents and rights (3)	1,919	3,121	0	0	5,041
Software	124	11	0	0	135
Total amortization	**7,615**	**7,814**	**0**	**0**	**15,429**
Net intangible fixed assets	**17,167**	**(7,499)**	**(1)**	**0**	**9,668**
Development expenditure	778	0	(156)	0	623
Concessions, patents and rights	0	0	0	0	0
Software	2	1	0	0	2
Total accelerated tax depreciation or amortization	**780**	**1**	**(156)**	**0**	**625**
Net tax value of intangible fixed assets	**16,387**	**(7,500)**	**155**	**0**	9 042
(1) Of which exceptional depreciation	1,229	0	0	0	1 229
(2) Of which exceptional depreciation	0	4,017	0	0	4 017
(3) Of which exceptional depreciation	0	2,683	0	0	2,683

Development expenditure

In 2014, a new development expenditure of €152 thousand was capitalized in accordance with the accounting policy described in Note 4.2.5.

Commercial goodwill

Goodwill corresponding to the difference between the book value of the holding in the receiving company and the transfer value of the net assets received (*mali de confusion*) arising from the simplified merger (TUP) with Humalys in 2010 was written down by €4,017 thousand following the valuation of the VIVA│Screen® technology in the Contribution Agreement providing for the transfer to BliNK Biomedical SAS.

Concessions, patents and rights

An impairment expense of €2,683 thousand was recorded for SC World's technology. This impairment follows the valuation of the VIVA│Screen® technology and the Contribution Agreement providing for the transfer to BliNK Biomedical SAS.

4.3.2 Net intangible fixed assets

(a) Change from January 1, 2015 to December 31, 2015

(in € thousand)	At January 1, 2015	Changes in the period			At December 31, 2015
		Increase	Decrease	Other Changes	
Land	677	0	0	0	677
Buildings on own land	3,026	0	0	0	3,026
Buildings on land of third parties	557	0	0	0	557
Building installations and improvements	2,591	33	0	0	2,624
Plant, machinery and equipment	4,323	338	(1,212)	0	3,449
General installations, miscellaneous improvements	42	0	(33)	0	9
Vehicles	18	0	(13)	0	5
Office, IT equipment, furniture	620	18	(165)	0	473
Recoverable packaging	2	0	0	0	2
Tangible fixed assets under construction	0	15	0	0	15
Prepayments	0	0	0	0	0
Gross intangible fixed assets	**11,856**	**404**	**(1,424)**	**0**	**10,837**
Land	123	28	0	0	150
Buildings on own land	605	133	0	0	738
Buildings on land of third parties	191	63	0	0	254
Building installations and improvements	1,121	169	0	0	1,290
Plant, machinery and equipment	2,821	272	(623)	0	2,470
General installations, miscellaneous improvements	16	1	(14)	0	3
Vehicles	18	0	(13)	0	5
Office, IT equipment, furniture	445	35	(123)	0	357
Recoverable packaging	2	0	0	0	2
Total depreciation	**5,341**	**701**	**(773)**	**0**	**5,270**
Impairment	0	0	0	0	0
Plant, machinery and equipment	34	0	(23)	0	11
Net intangible fixed assets	**6,481**	**(297)**	**(629)**	**0**	**5,556**
Plant, machinery and equipment	34	0	(34)	0	0
Total accelerated tax depreciation or amortization	**34**	**0**	**(34)**	**0**	**0**
Net tax value of intangible fixed assets	**6,447**	**(297)**	**(595)**	**0**	**5,556**

€404 thousand in capital expenditures were incurred for fixtures and laboratory equipment for the Saint-Herblain site.

Fixtures and laboratory equipment were transferred in connection with the contribution to BliNK Biomedical SAS for a net carrying amount of €620 thousand.

(b) Change from January 1, 2014 to December 31, 2014

(in € thousand)	At January 1, 2014	Changes in the period			At December 31, 2014
		Increase	Decrease	Other Changes	
Land	677	0	0	0	677
Buildings on own land	3,025	0	0	0	3,025
Buildings on land of third parties	553	4	0	0	557
Building installations and improvements	2,561	32	(1)	0	2,591
Plant, machinery and equipment	3,991	350	(17)	0	4,323
General installations, miscellaneous improvements	42	0	0	0	42
Vehicles	18	0	0	0	18
Office, IT equipment, furniture	605	25	(10)	0	620
Recoverable packaging	2	0	0	0	2
Tangible fixed assets under construction	0	0	0	0	0
Prepayments	0	0	0	0	0
Gross intangible fixed assets	**11,483**	**402**	**(29)**	**0**	**11,856**
Land	95	28	0	0	123
Buildings on own land	472	133	0	0	605
Buildings on land of third parties	129	62	0	0	191
Building installations and improvements	954	168	(1)	0	1,121
Plant, machinery and equipment	2,418	417	(14)	0	2,821
General installations, miscellaneous improvements	13	3	0	0	16
Vehicles	18	0	0	0	18
Office, IT equipment, furniture	409	46	(10)	0	445
Recoverable packaging	2	0	0	0	2
Total depreciation	**4,509**	**858**	**(26)**	**0**	**5,341**
Impairment	0	0	0	0	0
Plant, machinery and equipment	34	0	0	0	34
Net intangible fixed assets	**6,940**	**(456)**	**(3)**	**0**	**6,481**
Plant, machinery and equipment	35	0	(1)	0	34
Total accelerated tax depreciation or amortization	**35**	**0**	**(1)**	**0**	**34**
Net tax value of intangible fixed assets	**6,905**	**(456)**	**(2)**	**0**	**6,447**

€106 thousand in capital expenditures were incurred for fixtures and laboratory equipment for the Lyon site and €244 thousand for the Saint-Herblain site.

4.3.3 Long-term investments

(a) Change from January 1, 2015 to December 31, 2015

(in € thousand)	At January 1, 2015	Acquisitions/ Contributions/ Mergers	Disposals	At December 31, 2015
Non-consolidated investments	137,928	25,999	0	163,927
Receivables on non-consolidated investments	0	0	0	0
Loans[1]	130	11	0	142
Deposits and bonds	47	0	0	47
Treasury shares	646	0	0	646
Liquidity agreement	600	0	0	600
Gross value	**139,352**	**26,011**	**0**	**165,363**
Non-consolidated investments	0	8,998	0	8,999
Depreciation of deposits and bonds	8	0	0	8
Treasury shares impairment	97	79	0	176
Liquidity agreement impairment	307	(21)	0	286
Total depreciation	**413**	**9,057**	**0**	**9,469**
Total net long-term investments	**138,939**	**16,954**	**0**	**155,893**
Non-consolidated investments	0	0	0	0
Total accelerated tax depreciation or amortization	**0**	**0**	0	**0**
Net tax value	**138,939**	**16,954**	**0**	**155,893**

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

The increase in non-consolidated investments reflects:

+ the acquisition of an equity stake in BliNK Biomedical SAS for €8,998 thousand (fully written down at December 31, 2015);
+ the acquisition of securities of Vaccines Holdings Sweden AB pour €17,000 thousand following the acquisition of Crucell Sweden AB ;
+ the acquisition of securities of the distribution company Valneva Canada Inc. for €0.7 thousand; and
+ the acquisition of securities of the distribution company Valneva UK Ltd. for €0.1 thousand.

124,322 treasury shares representing €646,350 and correspond to financial compensation the Company paid to former Intercell shareholders having exercised their exit right.

The liquidity agreement concluded in July 2007 amounted to €600 thousand at December 31, 2015. Assets held under this liquidity agreement included both cash and shares (21,110 shares at December 31, 2015). The portion in shares has been valued on the basis of the average trading price for December 2015 resulting in the reversal of an allowance for impairment for €21 thousand. On that basis, the impairment at December 31, 2015 was €287 thousand.

An impairment charge of €79 thousand for treasury shares was recorded according to this same principle of valuation at December 31, 2015. At December 31, 2004, the remaining amount of this provision amounted to €176 thousand.

Portfolio of shares held in treasury:

	Number of shares at December 31, 2015	Gross	provision	Net
Liquidity agreement	20,110	363	287	76
Financial compensation	124,322	646	176	470

(b) Change from January 1, 2014 to December 31, 2014

(in € thousand)	At January 1, 2014	Acquisitions/ Contributions/ Mergers	Disposals	At December 31, 2014
Non-consolidated investments	127,923	10,005	0	137,928
Receivables on non-consolidated investments	0	0	0	0
Loans[1]	117	13	0	130
Deposits and bonds	47	0	0	47
Treasury shares	646	0	0	646
Liquidity agreement	600	0	0	600
Gross value	**129,333**	**10,019**	**0**	**139,352**
Non-consolidated investments	0	0	0	0
Depreciation of deposits and bonds	8	0	0	8
Treasury shares impairment	123	(26)	0	97
Liquidity agreement impairment	321	(14)	0	307
Total depreciation	**453**	**(40)**	**0**	**413**
Total net long-term investments	**128,880**	**10,059**	**0**	**138,939**
Non-consolidated investments	0	0	0	0
Total accelerated tax depreciation or amortization	**0**	**0**	0	**0**
Net tax value	**128,880**	**10,059**	**0**	**138,939**

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

The increase in non-consolidated investments reflects on the one hand, the injection of €10 million on December 12, 2014 into Valneva Austria GmbH for the recapitalization of this subsidiary, and on the other hand, the acquisition of securities of Goldcup 10618 AB (renamed “Vaccines Holdings Sweden AB”) for SEK 50 thousand (€5 thousand) in December 2014 in preparation for the proposed acquisition.

124,322 treasury shares representing €646,350 and correspond to financial compensation the Company paid to former Intercell shareholders having exercised their exit right.

The liquidity agreement concluded in July 2007 amounted to €600 thousand at December 31, 2014. Assets held under this liquidity agreement included cash plus 26,722 shares at December 31, 2014.

The portion in shares has been valued on the basis of the average trading price for December 2014 resulting in the reversal of an allowance for impairment for €14 thousand. On that basis, the impairment at December 31, 2014 was €307 thousand.

A provision for impairment of €26 thousand for treasury shares was recorded according to this same principle of measurement at December 31, 2014. At December 31, 2004, the remaining amount of this provision amounted to €97 thousand.

Portfolio of shares held in treasury:

	Number of shares At December 31, 2014	Gross	provision	Net
Liquidity agreement	26,722	425	307	118
Financial compensation	124,322	646	97	549

4.3.4 Inventories and work-in-progress

(a) Change from January 1, 2015 to December 31, 2015

(in € thousand)	At January 1, 2015	Increase	Decrease	At December 31, 2015
Raw materials and supplies	737	0	(527)	210
Impairment	(52)	0	1	(51)
Total	**685**	**0**	**(526)**	**159**

A provision for impairment of €52 thousand was recorded at December 31, 2014 relating to small laboratory consumables no longer adapted to current processes was subject to a marginal adjustment.

(b) Change from January 1, 2014 to December 31, 2014

(in € thousand)	At January 1, 2014	Increase	Decrease	At December 31, 2014
Raw materials and supplies	360	377	0	737
Impairment	0	(52)	0	(52)
Total	**360**	**325**	**0**	**685**

4.3.5 Trade receivables and related accounts

(in € thousand)	December 31, 2015	December 31, 2014
Trade receivables	163	404
Doubtful trade receivables	0	0
Gross value	**163**	**404**
Impairment of trade receivables	0	0
Total trade receivables(net value)	**163**	**404**

(a) Trade receivables by maturity at December 31, 2015

(in € thousand)	Gross	Up to 1 year	More than 1 year
Trade receivables	153	153	0
Doubtful trade receivables	0	0	0
Trade receivables – sales invoice accruals	10	10	0
Total	**163**	**163**	**0**

(b) Trade receivables by maturity at December 31, 2014

(in € thousand)	Gross	Up to 1 year	More than 1 year
Trade receivables	362	362	0
Doubtful trade receivables	0	0	0
Trade receivables – sales invoice accruals	42	42	0
Total	**404**	**404**	**0**

4.3.6 Other receivables

(in € thousand)	December 31, 2015	December 31, 2014
Income tax	8,811	8,955
VAT	149	379
Grant income	189	1,299
Current account advances / Valneva Toyama Japan K.K.	144	129
Current account impairment charges / Valneva Toyama Japan K.K.	(144)	(129)
Current account advances / subsidiaries	36,411	21,985
Other operating receivables	25	735
Amounts receivable on disposal of assets	0	0
Total other receivables (net value)	**45,584**	**33,352**

The corporate income tax receivables virtually all concern the Research Tax Credit (RTC) and the CICE (*Crédit d'Impôt pour la Compétitivité et l'Emploi*) wage tax credit.

(in € thousand)	December 31, 2015	December 31, 2014
2015 RTC	1,851	0
2014 RTC	1,965	1,965
2013 RTC	2,039	2,039
2012 RTC	2,759	2,759
2011 RTC	0	2,046
CICE 2015 tax credit	52	0
CICE 2014 tax credit	70	70
CICE 2013 tax credit	71	71
Miscellaneous tax reductions	4	5
Total corporate income tax receivables (net value)	**8,811**	**8,955**

(in € thousand)	Allocated	Reversed	Paid	Balance
DIACT (2008)	550	460	220	(130)
OSEO (2009)	6,016	1,594	4,422	0
NANTES (2009)	894	0	894	0
ANR (2010)	541	76	465	0
FEDER	1,500	298	752	450
FUI RHONES ALPES	374	276	112	(14)
FUI PAYS DE LOIRE	628	430	314	(116)
Total grants and advances	**10,503**	**3,134**	**7,180**	**189**

(a) At December 31, 2015

(in € thousand)	Gross	Up to 1 year	More than 1 year
Income tax	8,811	2,759	6,052
VAT	149	149	0
Grant income	189	189	0
Current account advances / Valneva Toyama Japan K.K.	144	144	0
Current account impairment charges / Valneva Toyama Japan K.K.	(144)	(144)	0
Current account advances / subsidiaries	36,411	36,411	0
Other operating receivables	25	25	0
Amounts receivable on disposal of assets	0	0	0
Total	**45,584**	**39,533**	**6,052**

(b) At December 31, 2014

(in € thousand)	Gross	Up to 1 year	More than 1 year
Income tax	8,955	2,046	6,909
VAT	379	379	0
Grant income	1,299	1,299	0
Current account advances / Valneva Toyama Japan K.K.	129	129	0
Current account impairment charges / Valneva Toyama Japan K.K.	(129)	(129)	0
Current account advances to Valneva Austria GmbH	21,985	21,985	0
Other operating receivables	735	735	0
Amounts receivable on disposal of assets	0	0	0
Total	**33,352**	**26,443**	**6,909**

4.3.7 Net cash flow

Net cash flow items

(in € thousand)	December 31, 2015	December 31, 2014
Cash at bank and in hand[1]	11,184	9,314
Fixed term deposits	1000	0
Marketable securities[2]	0	0
Cash assets	**12,184**	**9,314**
Bank facilities	0	0
Cash liabilities	**0**	**0**
Net cash flow	**12,184**	**9,314**
(1) Of which notes sent for collection or discounting	0	0
(2) Of which accrued income on certain assets	0	0

4.3.8 Prepaid expenses

(in € thousand)	December 31, 2015	December 31, 2014
Office supplies	5	1
Maintenance and repairs	23	25
Leasing expenses	0	9
Rent and service charges	42	32
Insurance premiums	109	118
Documentation	15	11
Conventions	29	2
Fees	157	17
Advertising	6	3
Bank services	15	7
Site security services	2	2
Royalties, concessions, patents	24	22
Total	**427**	**250**

4.3.9 Accrued income

(in € thousand)	December 31, 2015	December 31, 2014
Receivables on non-consolidated investments	0	0
Accrued interest on liquid assets under the equity agreement	0	0
Trade receivables and related accounts	10	42
Other receivables	0	55
Marketable securities (certificates of deposit)	0	0
Bank – accrued interest on time deposits	1	19
Total accrued income[1]	**11**	**116**

(1) For 2014: amount up to one year: €116 thousand

For 2015: amount up to one year: €11 thousand

4.3.10 Shareholders' equity

(a) Change from January 1, 2015 to December 31, 2015

(in € thousand)	At January 1, 2015	Changes in the period			At December 31, 2015
		Increase	Decrease	Other changes	
Share capital	8,631	2,752	0	0	11,383
Additional paid-in capital	175,041	39,258	0	0	214,299
Regulated reserves	52,832	0	0	0	52,832
Retained earnings/(accumulated deficit)	(43,832)	0	0	(14,883)	(58,715)
Net income/(loss) for the year	**(14,883)**	**0**	**(17,619)**	**14,883**	(17,619)
Net investment grants	418	0	(245)	0	173
Tax-driven provisions	660	0	(193)	0	467
Total shareholders' equity	**178,866**	**42,010**	**(18,057)**	**0**	**202,820**

Share capital

At December 31, 2015, the share capital in the amount of €11,383 thousand is comprised of 75,888,288 shares, including (a) 74,698,099 ordinary shares with a par value of €0.15, (b) 17,836,719 preferred shares with a par value of €0.01, and (c) 1,074 convertible preferred shares with a par value of €0.15.

On February 4, 2015, Valneva completed a capital increase with shareholders preferential subscription rights. The final gross proceeds of the rights issue amounted to €45,031,721.02, corresponding to the issuance of 18,231,466 new ordinary shares, at a subscription price of €2.47 per share.

This issue generated an increase in the share capital of €2,735 thousand and share premium of €42,297 thousand.

Restricted shares granted for no consideration (free shares) and preferred shares were furthermore granted in the amount of €17 thousand.

At December 31, 2015, 15.95% of the share capital was mainly held by "Groupe Grimaud La Corbière SA", 9.83% by BPI (*Banque Publique d'Investissement*) and 69.95% by the free float. The remaining capital is held by financial investors, employees and executive managers.

Other equity

€3,338 thousand relating to the share issuance costs were charged against additional paid-in capital.

No dividend was paid in 2015.

(b) Change from January 1, 2014 to December 31, 2014

		Changes in the period			
(in € thousand)	**At January 1, 2014**	**Increase**	**Decrease**	**Other Changes in the period**	**At December 31, 2014**
Share capital or individual share	8,384	246	0	0	8,631
Additional paid-in capital	166,656	8,385	0	0	175,041
Regulated reserves	52,832	0	0	0	52,832
Retained earnings/(accumulated deficit)	(33,880)	0	0	(9,952)	(43,832)
Net income/(loss) for the year	**(9,952)**	**0**	**(14,883)**	**9,952**	**(14,883)**
Net investment grants	458	0	(40)	0	418
Tax-driven provisions	816	0	2	(157)	660
Total shareholders' equity	**185,314**	**8,631**	**(14,922)**	**(157)**	**178,866**

Share capital

The share capital in the amount of €8,631 thousand is comprised of 57,540,948 shares including (a) 56,351,833 ordinary shares each with a par value of €0.15 and (b) 17,836,719 preferred shares with a par value of €0.01.

Valneva SE and the bank Crédit Agricole CIB (CACIB) executed an agreement on May 6, 2014 to establish an equity line for up to 10% of the share capital in the form of an issue of equity warrants.

On May 12, 2014, the Management Board decided to issue 5,474,633 warrants (bons d'émissions d'actions) permitting the issuance of 5,474,633 new ordinary shares, that once exercised, will represent the equivalent of 10% of the ordinary shares.

500,000, 600,000 and once again, 500,000 such equity warrants were exercised on May 21, 2014, 3 June 2014 and June 25, 2014 resulting in the issuance of respectively 500,000, 600,000 and 500,000 ordinary shares.

These three issues resulted in an increase in the share capital of €240 thousand and share premium of €8,716 thousand.

Restricted shares were granted for no consideration (free shares) in the amount of €6 thousand.

At December 31, 2014, 20.58% of the share capital was mainly held by "Groupe Grimaud La Corbière SA", 9.56% by BPI (*Banque Publique d'Investissement*) and 64.50% by the free float. The remaining capital is held by financial investors, employees and executive managers.

Other equity

€325 thousand relating to transaction costs for the equity line were charged against additional paid-in capital.

No dividend was paid in 2014.

4.3.11 Investment grants

(in € thousand)	MENRT 04G608	REGION NANTES	MINEFI 6075	REGION EPF	REGION EPF
Amount granted	441	500	954	111	137
Grant date	January 5, 2005	September 13, 2005	August 11, 2006	October 12, 2006	October 12, 2006
Net amount at 01/01/11	**75**	**162**	**23**	**50**	**81**
Grant for 2011	0	0	0	0	0
Amounts reclassified as operating grants	0	0	0	0	0
Grant transferred to 2011 net income	14	63	22	7	10
Net amount at 12/31/11	**61**	**99**	**1**	**43**	**71**
Grant for 2012	0	0	0	0	0
Amounts reclassified as operating grants	0	0	0	0	0
Grant transferred to 2012 net income	15	55	1	6	10
Net amount at 12/31/12	**46**	**44**	**0**	**37**	**61**
Grant transferred to 2013 net income	13	42	0	6	10
Net amount at 12/31/13	**33**	**2**	**0**	**31**	**51**
Grant transferred to 2014 net income	7	2	0	6	10
Net amount at 12/31/14	**26**	**0**	**0**	**25**	**41**
Grant transferred to 2015 net income	6	0	0	6	10
Decrease in the grant	0	0	0	0	0
Net amount at 12/31/15	**20**	**0**	**0**	**19**	**31**

(in € thousand)	REGION EPF	REGION Energie	OSEO Vivabio	DEPT 44	TOTAL
Amount granted	115	15	556	87	
Grant date	October 12, 2006	December 15, 2008	June 26, 2009	October 13, 2009	
Net amount at 01/01/11	**83**	**13**	**422**	**85**	**994**
Grant for 2011	0	0	0	0	0
Amounts reclassified as operating grants	0	0	(116)	0	(116)
Grant transferred to 2011 net income	10	3	14	3	146
Net amount at 12/31/11	**73**	**10**	**292**	**82**	**732**
Grant for 2012	0	0	0	0	0
Amounts reclassified as operating grants	0	0	0	0	0
Grant transferred to 2012 net income	11	2	41	4	145
Net amount at 12/31/12	**62**	**8**	**251**	**78**	**587**
Grant transferred to 2013 net income	11	2	42	3	**129**
Net amount at 12/31/13	**51**	**6**	**209**	**75**	**458**
Grant transferred to 2014 net income	10	1	0	3	40
Net amount at 12/31/14	**41**	**5**	**209**	**71**	**418**
Grant transferred to 2015 net income	10	1	0	3	36
Decrease in the grant	0	0	209	0	209
Net amount at 12/31/15	**31**	**4**	**0**	**68**	**173**

4.3.12 Subordinated grants

(in € thousand)	REGION PDL	OSEO Vivabio	NANTES Métropole	TOTAL
Amount granted	894	2,770	894	**4,558**
Grant date	May 22, 2009	June 26, 2009	November 16, 2009	
Net amount at 01/01/11	**894**	**2,770**	**894**	**4,558**
Grant for 2011	0	0	0	0
Repayment during 2011	0	0	0	0
Net amount at 12/31/11	**894**	**2,770**	**894**	**4,558**
Grant for 2012	0	0	0	0
Repayment during 2012	(178)	0	0	(178)
Net amount at 12/31/12	**716**	**2,770**	**894**	**4,380**
Grant for 2013	0	0	0	0
Repayment during 2013	(179)	0	0	(179)
Net amount at 12/31/13	**537**	**2,770**	**894**	**4,201**
Repayment during 2014	**(179)**	**0**	**(72)**	**(250)**
Net amount at 12/31/14	**358**	**2,770**	**822**	**3,951**
Decrease in aid in line with actual expenses	0	**(1,307)**	**0**	**(1,307)**
Financial returns	**0**	**194**	**0**	**194**
Repayment during 2015	**(179)**	**0**	**(143)**	**(322)**
Net amount at 12/31/15	**179**	**1,658**	**679**	**2,516**

4.3.13 Provisions for contingencies and losses

(a) Change from January 1, 2015 to December 31, 2015

(in € thousand)	January 1, 2015	Changes in the period			December 31, 2015
		Charge	Reversals		
			Used	Not used	
Disputes	12	0	0	0	12
Foreign exchange risk	4	46	0	0	50
Retirement severance benefits	163	25	0	0	189
Miscellaneous risks	113	0	0	(113)	0
Minimum annual CIT charge	0	0	0	0	0
Total provisions for contingencies and losses	**292**	**71**	**0**	**(113)**	**250**
+ of which operating	289	25	0	(113)	201
+ of which financial	3	46	0	0	49
+ of which exceptional	0	0	0	0	0

The provision for contingencies and expenses in an amount of €113 thousand in connection with the renegotiation of the grant obtained for the Vivabio project was reversed after payment of €320 thousand in 2015 by Valneva SE.

(b) Change from January 1, 2014 to December 31, 2014

(in € thousand)	January 1, 2014	Changes in the period			December 31, 2014
		Charge	Reversals		
			Used	Not used	
Disputes	12	0	0	0	12
Foreign exchange risk	211	0	(207)	0	4
Retirement severance benefits	23	141	0	0	164
Miscellaneous risks	0	113	0	0	113
Minimum annual CIT charge	0	0	0	0	0
Total provisions for contingencies and losses	**245**	**254**	**(207)**	**0**	**292**
+ of which operating	35	254	0	0	289
+ of which financial	210	0	(207)	0	3
+ of which exceptional	0	0	0	0	0

A provision for contingencies and expenses was recorded for €113 thousand. This concerns the evaluation of an unjustified amount (€443 thousand) by Bpifrance in connection with the renegotiation of a grant for the Vivabio project.

The risk is valued at €322 thousand. This amount is based on the best possible estimate from information available at the end of the reporting period.

The provision for €113 thousand results from the measurement of the risk (€322 thousand) less the amount of the investment grant not yet written back to income (€209 thousand).

4.3.14 Borrowings

(in € thousand)		December 31 2015	December 31 2014
CA €800 thousand loan of 12/31/09[1]	3-month Euribor floating rate + 1.10%	320	400
CA €500 thousand loan of 07/16/12[1]	3-month Euribor floating rate + 1.40%	175	276
CM €1.2 million loan of 08/08/08[1]	5.45% fixed rate	0	152
CM €1.2 million loan of 12/23/09[1]	3-month Euribor floating rate + 1.25%	240	300
CM €1,030 thousand loan of 06/18/10[1]	2.70% fixed rate	221	369
CM €1.2 million loan of 05/05/11[1]	3-month Euribor floating rate + 0.70%	429	601
CM €500 thousand loan of 07/05/12[1]	3-month Euribor floating rate + 1.40%	176	276
CE €300 thousand loan of 07/25/08[1]	5.40% fixed rate	0	51
CE €600 thousand loan of 12/23/09[1]	1-month Euribor floating rate + 1.20%	240	300
CA €500 thousand loan of 07/31/12[1]	1-month Euribor floating rate + 1.30%	180	281
LCL €500 thousand loan of 12/23/09[1]	1-month Euribor floating rate + 1.25%	200	250
LCL €470 thousand loan of 07/30/10[1]	3-month Euribor floating rate + 0.80%	118	185
RTC credit collateralization	1-month Euribor floating rate + 1.70%	6,095	6,168
Current bank facilities, bank credit balances		1	5
Total		**8,396**	**9,613**

(1) Of which accrued interest €11 thousand

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

No covenants exist under these loans used to finance a portion of the work related to the construction of the laboratories of Valneva SE and their equipment.

Since 2010, through Groupe Grimaud La Corbière, the Company has been covered by several interest rate hedging contracts.

The last hedging contract still open was set in 2012 up for €385 thousand and reduced to €270.4 thousand at December 31, 2014 and €215.4 thousand at December 31, 2015.

This last contract was implemented on October 17, 2012 for a seven-year period.

This interest rate swap agreement provides for payment to Groupe Grimaud La Corbière each month of 1-month Euribor plus a fixed-rate amount of 0.58%.

The fair value of this last contract in progress represented a loss of €2.2 thousand at December 31, 2015.

(a) At December 31, 2015

(in € thousand)		Gross	Up to 1 year	More than 1 year	More than 5 years
Total financial debt		8,396	7,037	1359	0
+ of which loans secured during the year	6,087				
+ of which loans repaid during the year	2,987				

Loans obtained during the period correspond on the one hand to the renewed collateralization of the 2012 and 2013 Research Tax Credits (RTC), and on the other hand, the collateralization of the 2014 RTC with BPI.

Repayment of these loans includes the collateralization of the 2011 RTC.

(b) At December 31, 2014

(in € thousand)		Gross	Up to 1 year	More than 1 year	More than 5 years
Total financial debt		9,613	7,317	2,296	0
+ of which loans secured during the year	6,159				
+ of which loans repaid during the year	3,202				

4.3.15 Trade payables and related accounts

(a) At December 31, 2015

(in € thousand)	Gross	Up to 1 year	More than 1 year	More than 5 years
Operating payables	613	613	0	0
Notes payable	0	0	0	0
Operating payables – purchase invoice accruals	459	459	0	0
Total	**1,073**	**1,073**	**0**	**0**

(b) At December 31, 2014

(in € thousand)	Gross	Up to 1 year	More than 1 year	More than 5 years
Operating payables	660	660	0	0
Notes payable	0	0	0	0
Operating payables – purchase invoice accruals	1,173	1,173	0	0
Total	**1,833**	**1,833**	**0**	**0**

4.3.16 Tax and employee-related liabilities

(in € thousand)	December 31, 2015	December 31, 2014
VAT due	16	28
Other taxes	7	26
Wages and salaries	621	624
Employee benefit expense	378	458
Other employee-related liabilities	0	0
Total tax and employee-related liabilities[1]	**1,022**	**1,137**
(1) up to 1 year	1,022	1,137
more than 1 and less than 5 years	0	0
more than 5 years	0	0

4.3.17 Other financial liabilities

(in € thousand)	December 31, 2015	December 31, 2014
Payables on non-consolidated investments	0	6
Amounts due in respect of fixed asset purchases	115	1,572
Other operating payables	5,733	1,822
Total other liabilities	**5,848**	**3,400**

Amounts due with respect to "Fixed asset purchases" include at December 31, 2014 both estimated future royalties to be paid for license concessions (see Note 4.2.6) as well as €1 million in debt incurred from the technology acquired in 2011 from SC World. This latter debt was contributed to BliNK Biomedical SAS and at December 31, 2015 there no longer existed debt relating to future royalties.

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

(a) At December 31, 2015

(in € thousand)	Gross	Up to 1 year	More than 1 year	More than 5 years
Payables on non-consolidated investments	0	0	0	0
Payables to fixed asset suppliers	115	115	0	0
Payables to fixed asset suppliers – purchase invoice accruals	0	0	0	0
Other financial liabilities	5,733	5,733	0	0
Total	**5,848**	**5,848**	**0**	**0**

(b) At December 31, 2014

(in € thousand)	Gross	Up to 1 year	More than 1 year	More than 5 years
Payables on non-consolidated investments	6	6	0	0
Payables to fixed asset suppliers	1,479	440	1,040	0
Payables to fixed asset suppliers – purchase invoice accruals	93	93	0	0
Other financial liabilities	1,822	1,822	0	0
Total	**3,400**	**2,360**	**1,040**	**0**

4.3.18 Deferred income

(in € thousand)	December 31, 2015	December 31, 2014
Operating grants	0	0
Research services and royalties	33	0
Total deferred income	**33**	**0**

(a) At December 31, 2015

(in € thousand)	Gross	Up to 1 year	More than 1 year	More than 5 years
Operating grants	0	0	0	0
Research services and royalties	33	0	0	0
Total	**33**	**0**	**0**	**0**

(b) At December 31, 2014

(in € thousand)	Gross	Up to 1 year	More than 1 year	More than 5 years
Operating grants	0	0	0	0
Research services and royalties	0	0	0	0
Total	**0**	**0**	**0**	**0**

4.3.19 Accrued expenses

(in € thousand)	December 31, 2015	December 31, 2014
Trade payables and related accounts	459	1,173
Tax and employee-related liabilities	930	948
Payables on fixed assets and equivalent	0	93
Borrowings and financial liabilities	12	20
Other financial liabilities	14	14
Total accrued expenses (1)	**1,415**	**2,248**

(1) Payable up to 1 year

4.4 Notes to the income statement

4.4.1 Revenues

(in € thousand)	December 31, 2015	December 31, 2014
Research services	224	309
Other services	606	1,093
Total	**830**	**1,402**

(in € thousand)	December 31, 2015	December 31, 2014
Sales in France	549	135
Export sales	281	1,267
Total	**830**	**1,402**

4.4.2 Own production of goods and services capitalized

(in € thousand)	December 31, 2015	December 31, 2014
Development expenditure	107	152
Total	**107**	**152**

4.4.3 Operating grants

(in € thousand)	December 31, 2015	December 31, 2014
FEDER	0	121
FUI RHONE ALPES	0	51
FUI PAYS DE LOIRE	0	106
OSEO	86	0
Total	**86**	**278**

4.4.4 Other income

(in € thousand)	December 31, 2015	December 31, 2014
Upfront and milestones	3,196	1,090
Other	4	1
Total	**3,200**	**1,090**

4.4.5 Reversals of depreciation, amortization and provisions and expense reclassifications

(in € thousand)	December 31, 2015	December 31, 2014
Reversals of provisions for trade receivables	0	21
Reversals of inventory provisions	1	0
Reversals of provisions for contingencies and losses	113	0
Operating expense reclassifications	27	270
Total	**141**	**291**

Operating expense reclassifications concerned amounts recharged for outside services to certain customers.

4.4.6 Purchases and external expenses

Main expense items (in € thousand)	December 31, 2015	December 31, 2014
Work by various third parties	2,878	1,523
Fees	2,281	2,675
Maintenance and repairs	257	366
Administrative services	1,500	2,155
Temporary personnel	20	60
Travel expenses	310	309
Symposiums, seminars, conferences	110	76
Post and telephone expenses	89	109
Entertainment expenses	73	86
Property leasing	130	135
Leasing expenses	55	55
Equipment leasing	14	4
Sundry transport expenses	42	53
Advertising, publications, public relations	112	28

Main expense items (in € thousand)	**December 31, 2015**	**December 31, 2014**
Documentation	20	17
Insurance premiums	249	272
Waste management	27	36
Security services	7	8
Training fees	4	15
Bank services	64	58
Natural gas	22	27
Water	2	2
Electricity	115	173
Dues and related contributions	22	23
Total	**8,404**	**8,265**

4.4.7 Taxes, duties and related amounts

(in € thousand)	**December 31, 2015**	**December 31, 2014**
Taxes on remuneration	**69**	**84**
Training	40	48
Apprentices tax	17	21
Other taxes / remuneration (FNAL)	13	15
Other taxes	**51**	**112**
Local taxes	52	51
CFE - CVAE regional business tax	(15)	7
Company vehicle tax	2	4
Corporate Social Solidarity Contribution C3S tax	(3)	3
Employer contribution for handicapped workers	8	3
Withholding taxes	4	37
Stamp and registration duties	1	3
Other taxes	2	4
Total	**121**	**196**

4.4.8 Personnel

(a) Employees

Average number of employees	**December 31, 2015**	**December 31, 2014**
Executives and higher intellectual professions	38	51
Intermediate professions	4	5
Office employees/workers	2	3
Workers	0	0
Seconded personnel	0	0
Total	**45**	**59**

+ Employees present at December 31, 2015: 47 employees, of which 47 on permanent contracts and on 0 on fixed term contract.
+ Employees present at December 31, 2014: 58 employees, of which 57 on permanent contracts and on 1 on fixed term contract.

(b) Staff costs

(in € thousand)	December 31, 2015	December 31, 2014
Wages and salaries	2,660	3,261
Employee benefit expense	1,284	1,394
CICE wage tax credit	(52)	(70)
Other personnel expenses	51	104
Total	**3,943**	**4,689**

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

(in € thousand)	December 31, 2015	December 31, 2014
Fixed compensation	219	195
Variable compensation	139	93
Fringe benefits	7	6
All Management Board members	**365**	**294**
Attendance fees	250	243
All Supervisory Board members	**250**	**243**
Total	**615**	**537**

Restricted shares (free shares) (Restricted shares fully vested)	December 31, 2015	December 31, 2014
Management Board members	0	0
Supervisory Board members	0	0

Equity warrants (number of shares subscribed)	December 31, 2015	December 31, 2014
Management Board members	79,800	0
Supervisory Board members	0	0

Equity warrants (number of shares subscribed)	December 31, 2015	December 31, 2014
Management Board members	0	0
Supervisory Board members	0	0

(d) Employee benefits

Assumptions used for the valuation of pension benefits

	December 31, 2015	December 31, 2014
Discount rate	1.90%	1.80%
Salary increase rate	2%	2%
Social security charge rate	47.00%	45.00%
Employee turnover rate by age	Details below	Details below

2014 and 2015 data	Supervisors	Managers	Office employees/workers
20-29 years	39.00%	45.90%	18.00%
30-29 years	19.40%	23.00%	9.00%
40-29 years	6.80%	7.60%	3.06%
50-29 years	0.00%	0.00%	0.00%
60 years and older	0.00%	0.00%	0.00%

Change in net commitments and reconciliation of the provision

(in € thousand)	December 31, 2015	December 31, 2014
Commitment at the beginning of period	**163**	**23**
Commitment at the end of period	**189**	**163**
Provision at the beginning of period	**163**	**23**
Charge for the period	25	141
Reversal of the period	0	0
Provision at the end of period	**189**	**163**

4.4.9 Depreciation, amortization & impairment of fixed assets

(in € thousand)	December 31, 2015	December 31, 2014
Intangible fixed assets	684	1,114
Property, plant and equipment	701	858
Total fixed assets (A)	**1,385**	**1,971**
Employee commitments	25	141
Provisions for operating contingencies and losses	(113)	113
Total provisions (B)	**(88)**	**254**
Total net charges excluding current assets (C=A+B)	**1,297**	**2,225**
Trade receivables and other current assets	(1)	52
Total assets (D)	**(1)**	**52**
Exceptional amortization (E=C+D)	**1,296**	**2,277**
Provisions for unrealized foreign exchange losses	46	
Impairments of current account balances	15	
Impairment of financial assets	9,057	
Total financial assets (F)	**9,117**	**0**
Exceptional amortization of fixed assets (G)		
Impairment of fixed assets (H)	(6,761)	6,701
Accelerated tax depreciation or amortization of fixed assets (I)	(192)	(156)
Other provisions (J)		
Total exceptional items (K=G+H+I+J)	**(6,954)**	**6,545**

The provision for impairment of property, plant and equipment (€6,704 thousand) recorded in 2014 to remeasure the VIVA│Screen® technology to its contribution value in the new company BliNK Biomedical SAS, was reversed in 2015 when this contribution was finalized.

A provision for impairment of the full amount of €8,998 thousand for the equity stake in this company (48.20%) was furthermore recorded on December 31, 2015. This provision was recorded following an impairment test carried out at year-end.

4.4.10 Net income/(loss) from financial items

(in € thousand)	December 31, 2015	December 31, 2014
Revenue from marketable securities and deposits	98	157
Interest on borrowings	(136)	(185)
Interest on convertible bond debt	(194)	0
Interest on current accounts	321	533
Translation adjustments	(40)	(3)
Impairment of financial assets /reversals	(9,072)	63
Other	(2)	(25)

Net financial income/(expense)	**(9,025)**	**540**

The impairment of the non-consolidated investment in BliNK Biomedical SAS had an adverse impact on net financial income (expense) of €8,998 thousand.

4.4.11 Net exceptional items

(in € thousand)	December 31, 2015	December 31, 2014
Net income on disposals	(7,418)	(3)
Depreciation and provisions, net of reversals on tangible fixed assets	23	0
Amortization and provisions, net of reversals on intangible fixed assets	6,739	(6,701)
Accelerated tax depreciation and amortization charges and reversals	192	156
Share of grant transferred to income	37	40
Misc. / renegotiation of debt on fixed assets	299	2,500
Net exceptional items	**(129)**	**(4,008)**

In 2015, the contribution of tangible and intangible assets relating to the VIVA│Screen® technology contributed to BliNK Biomedical SAS generated a disposal loss of €7 million offset by the reversal of the impairment charge for the same assets at December 31, 2014.

In 2014, the renegotiation of SC World's debt generated exceptional income of €2.5 million while the impairment of assets relating to VIVA│Screen® generated an exceptional expense of €6.7 million.

4.4.12 Income tax

(a) Income tax charges

Effective tax rate

(in € thousand)	December 31, 2015	December 31, 2014
Net profit/(loss)	(17,619)	(14,883)
Income tax	(1,851)	(1,965)
Net loss before tax	(19,470)	(16,849)
Effective tax rate	**0**	**0**

(b) Tax losses carried forward

	December 31, 2015	December 31, 2014
Losses carried forward at the beginning of the period	81,084	67,421
Losses generated during period[1]	10,385	13,663
Losses utilized during period	0	0
Prior losses used	0	0
Losses expired during period	0	0
Losses carried forward at the end of the period	**91,469**	**81,084**

(1) 2014 loss adjusted by €85 thousand.

(c) Deferred tax assets and deferred tax liabilities

(in € thousand)	December 31, 2015	December 31, 2014
Deferred tax assets (investment grants and accelerated tax depreciation or amortization)	213	359
Deferred tax liabilities		
+ Corporate Social Solidarity Contribution (C3S)	0	(1)
+ Capital grants taxable at time of allotment	0	0
+ Operating grants taxable at time of allotment	0	0
+ Unrealized gains from UCITS	0	0
+ Employee profit-sharing	0	0
Total deferred tax assets/deferred tax liabilities)	**213**	**358**

4.4.13 Earnings per share

		December 31, 2015	December 31, 2014
Basic net loss (in euros)	(a)	(17,619,145)	(14,883,482)
Average number of shares outstanding:	(b)	74,012,127	56,846,809
Total number of potential shares	(c)	92,932,332	69,923,691
Basic net earnings per share (in euros)	**(a) / (b)**	**(0.24)**	**(0.26)**

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

5. OTHER INFORMATION

5.1 Commitments and contingent liabilities

5.1.1 Debt guarantee by collateral

(in € thousand)	December 31, 2015	December 31, 2014
Equipment pledge	429	600
Pledges on non-consolidated investments[1]	154,881	137,876
pledge on Vaccines Holdings Sweden AB intercompany loans[2]	5,255	0

(1) Securities of Valneva Austria GmbH in connection with the financing transaction with Pharmakon, and securities of Vaccines Holdings Sweden AB in connection with the financing transaction of Crucell Sweden AB with Athyrium, for respectively €137,876 thousand and €17,005 thousand.

(2) In connection with the financing transaction for the acquisition of Crucell Sweden AB (first-demand guarantee signed by Valneva SE on behalf of Athyrium).

For information, the Athyrium loan was paid back in full in January 2016, and in consequence the corresponding pledges were no longer in force on the date of publication of these French GAAP accounts.

5.1.2 Off-balance-sheet commitments

	At December 31,	
(in € thousand)	2015	2014
Commitments given		
+ Commitment on Pharmakon / Valneva Austria GMBH loan[1]	46,916	37,768
+ Commitment on the Athyrium loan[1]	18,340	0
+ Potential earn out payment on investment securities[2]	0	4,954
+ Purchase commitment with a supplier	0	619
+ Financial returns on OSEO reimbursable loans[3]	1,346	6,230
+ Property lease commitment	551	680
+ Equipment financing lease	34	47
+ Comfort letter in favor of Valneva GMBH[4]	7,794	8,662
+ Comfort letter in favor of the ERP fund for a loan relating to the *Pseudomonas* project	2,084	0
+ Comfort letter in favor of SC World	300	0
+ Comfort letter and guarantee for the benefit of Valneva Canada Inc. for a contract for vehicles	79	0
+ Financial returns and repayment of subordinated grants	220	220
+ Mortgage on loans	1,000	1,250
+ Interest payable on loans	41	91
Total commitments given	**78,705**	**60,521**

Commitments received	0	0
+ Grant from "Département 44" - Laennec construction	0	45
+ Bonds received from the Groupe Grimaud company	0	0
› CM 7-year loan	221	519
› CEP 5-year loan	180	281
› LCL 7-year loan	118	185
+ Securities received / bank accounts	50	100
Total commitments received	**568**	**1,130**

(1) Capital and interest until maturity on the Pharmakon and Athyrium loans guaranteed by Valneva SE. Note: the Athyrium loan was paid back in full in January 2016, and in consequence the corresponding commitment was no longer in force on the date of publication of these French GAAP accounts.

(2) The maximum earn out is €5.5 million over a 15 year period (2025) less €539 thousand for the amount owed from 2010 to 2014 (See Note 4.3.3).

(3) The maximum amount repayable of reimbursable loans under the Vivabio program was reduced to €3 million in July 2015. This amount that is repayable until 2024, was recognized in the amount of €1,658 thousand (see Note 4.3.12)

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

5.1.3 Contingent liabilities

There are no significant cases of litigation in progress.

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

5.1.4 Auditors' fees

	PWC		Deloitte	
	In € excl. tax		In € excl. tax	
	2015	2014	2015	2014
Audit				
Statutory auditing	74,167	110,730	81,745	113,954
Capital increase	83,971	78,150	63,584	66,000
Merger				
Accessory missions			7,916	4,180
Subtotal	**158,138**	**188,880**	**153,245**	**184,134**
Other services				
Legal, tax, labor issues				
Other directly related procedures				
Accessory missions				
Subtotal	**0**	**0**	**0**	**0**
Total	**158,138**	**188,880**	**153,245**	**184,134**

5.2 Information concerning related parties

Related parties concern relations with Groupe Grimaud La Corbière and companies of said group (1), and relations with the subsidiaries Valneva Toyama Japan K.K. (2), Valneva Austria GmbH (3), Vaccines Holdings Sweden AB (4), Valneva Canada Inc. (5) and Valneva UK Ltd. (6).

1. For the Groupe Grimaud La Corbière and Groupe Grimaud La Corbière companies, services rendered related to either normal operating activities (interest rate swap allocation agreement) or regulated activities (guarantees). For fiscal 2015, €7 thousand excluding tax were invoiced for these services including €7 thousand for trade payables
2. Valneva Toyama Japan K.K invoiced Valneva €85 thousand for operating expenses with €55 thousand under trade payables at December 31, 2015.
3. Valneva SE guaranteed a loan of US$41 million from the investment fund managed by Pharmakon Advisors for the benefit of Valneva Austria GmbH. (Initial amount of US$30 million in December 2013, increased by US$11 million in July 2015). The purpose of this loan is to support growth in sales of the Japanese encephalitis vaccine of Valneva, IXIARO/JESPECT and to promote the company's portfolio of vaccine candidates. In February 2014, an agreement was signed between the two parties (and revised in November 2015 after the amount borrowed was increased by €11 million) whereby Valneva SE charges interest to Valneva Austria of 0.77% applied to the remaining loan amount outstanding. For 2015, interest thus invoiced amounted to €221 thousand).

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

   Under the terms of this agreement, in 2015 Valneva SE re-invoiced €210 thousand and Valneva Austria GmbH re-invoiced €3,983 thousand.

   These invoices were recognized in the current account balance (showing a credit balance for the net amount of €5,584 thousand at December 31, 2015).

   In October 2013, a loan agreement was signed between Valneva SE and Valneva Austria GmbH for €30 million subject to a rate of interest of 3-month Euribor plus 1%, with €15 million maturing on December 31, 2016 (€2,845 thousand was repaid as of December 31, 2015). €15 million will be repaid after repayment of the Pharmakon (Biopharma) debt by Valneva Austria GmbH.
4. In 2015, two loan agreements were signed between Valneva SE and its subsidiary Vaccines Holding Sweden AB representing €8 million at December 31, 2015 and subject to a rate of interest of 3-month Euribor plus 1%. These loans were paid back in full in February 2016.

   An agreement between Valneva SE and Vaccines Holdings Sweden AB entering into effect starting in 2015 sets guidelines for re-invoicing services by Valneva SE Under this agreement, €8 thousand were invoiced for fiscal 2015.
5. A loan agreement, entering into effect in March 2015, was signed between Valneva SE and its subsidiary Valneva Canada Inc. The amount of this loan, subject to interest at a rate of 3-month CDOR plus 1% is limited to C$10 million and must be paid back before January 31, 2020. The amount borrowed under this loan agreement amounted to €1.1 million at December 31, 2015.

An agreement between Valneva SE and Valneva Canada Inc. entering into effect starting in 2015 sets guidelines for re-invoicing services by Valneva SE. Under this agreement, €21 thousand were invoiced for fiscal 2015.

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

(in € thousand)	December 31, 2015	December 31, 2014
Financial assets		
+ Equity interests	163,927	137,928
Receivables		
+ Other receivables	36,411	21,985
Payables		
+ Trade payables and related accounts	62	58
+ Other financial liabilities	5,693	2,004
Revenues	**239**	**1,089**
Financial income	**545**	**533**
Operating expenses		
+ Other purchases and external expenses	4,184	3,668
Financial expense		
+ Interest and similar expenses	211	25

5.3 Dilutive instruments

Valneva SE's share capital after the exercise of different dilutive instruments at December 31, 2015

		Shares held	%[1]	Dilutive instruments	Breakdown of share capital after the exercise of dilutive instruments	%
Groupe Grimaud La Corbière[2]		**12,104,830**	**15.95**	**0**	**12,104,830**	**13.03**
Bpifrance Participations		**7,456,785**	**9.83**	**0**	**7,456,785**	**8.02**
Management Board members	**Total Management Board members[3]**	**660,048**	**0.87**	**2,402,446**	**3,060,884**	**3.29**
	Franck Grimaud	478,005	0.63	708,103	1,185,890	1.28
	Thomas Lingelbach	124,751	0.16	1,012,637	1,136,842	1.22
	Reinhard Kandera	57,292	0.08	681,706	738,152	0.79
Non-officer employees[4]		**127,007**	**0.17**	**2,097,129**	**2,223,806**	**2.39**
Other private individual shareholders		**1,548,609**	**2.04**	**134,018**	**1,681,126**	**1.81**
Of which private individual shareholders of the Groupe Grimaud Family and Financière Grand Champ SAS [2&5]		874,903	1.15	36,000	910,903	0.98
Of which investors		172,277	0.23	0	172,277	0.19
Of which independent members of the Supervisory Board[6]	Alain Munoz	41,800	0.06	19,500	61,300	0.07
	Michel Greco	618	0.00	19,754	20,340	0.02
	James Sulat	17,867	0.02	19,500	37,367	0.04
	Alexander Von Gabain	39,687	0.05	31,066	69,284	0.07
Other private individual investors with shares in registered form		401,457	0.53	8,198	409,655	0.44
Other bearer shares		52,804,261	69.58	0	52,804,261	56.82
Other preferred shares with a par value of €0.01 per share, increased to a par value of €0.15		1,186,748	1.56	9,338,503	9,338,503	10.05
BSA equity warrants held by non-shareholder members of the Supervisory Board		n.a.	n.a.	39,000	39,000	0.04
Anne Marie Graffin		n.a.	n.a.	19,500	19,500	0.02
Hans Wigzell		n.a.	n.a.	19,500	19,500	0.02
Warrants not yet exercised		n.a.	n.a.	4,223,349	4,223,349	4.54
TOTAL		**75,888,288**	**100.00**	**18,234,445**	**92,932,544**	**100.00**

[1] 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.

[2] 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".

[3] 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.

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

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

[6] 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.

5.4 Subsidiaries and associates

SUBSIDIARIES
(more than 50%)

Name	Share capital Shareholders' equity[1]	Ownership interest[2] Dividends[3]	Gross value of securities Net value of securities	Loans, advances[4] Guarantees[5]	Net sales[6] Profit or loss[7]
Valneva Toyama Japan K.K.	¥ 5,660,000	100 %	€ 46 471	€ 144,437	¥ 11,249,722
	¥ (1,133,331)	€ 0	€ 46,471	€ 0	¥580,566
Valneva Austria GmbH[8]	€ 10,070,000	100 %	€ 137,876,224	€ 27,155,647	€ 39,183,271
	€ 255,299,928	€ 0	€ 137,876,224	€ 0	€ (9,497,495)
Vaccines Holdings Sweden AB	SEK 50,000	100.00 %	€ 17,005,268	€ 8,082,469	SEK 63,227,029
	SEK 159,140,400	€ 0	€ 17,005,268	€ 0	SEK 115,817,819
Valneva Canada Inc.	CAD 1,000	100.00 %	€ 731	€ 1,168,805	CAD 2,481,418
	€ 0	€ 0	€ 731	€ 0	CAD 45,198
Valneva Scotland Ltd.	GBP 100	100.00 %	€ 136	€ 4,225	€ 0
	€ 0	€ 0	€ 136	€ 0	GBP (206,456)

NON-CONSOLIDATED INVESTMENTS
(less than 50%)

Name	Share capital Shareholders' equity[1]	Ownership interest[2] Dividends[3]	Gross value of securities Net value of securities	Loans, advances[4] Guarantees[5]	Net sales[6] Profit or loss[7]
BliNK Biomedical SAS	€ 14,518,028	48.20%	€ 8,998,528.00	€ 0	€ 991,638
	€ 2,324	€ 0	€ 0	€ 0	€ (2,185,985)

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

(2) Ownership interest = percentage held by Valneva at 12/31/2013

(3) Dividends = dividends received by Valneva in 2015

(4) Loans, advances = loans, financial advances, current account advances

(5) Guarantees = outstanding balance of guarantees given by Valneva

(6) Net sales = sales excluding tax

(7) Profit or loss = reported net income or loss of the last financial period

(8) 2015 IFRS data

5.5 Market Risks

5.5.1 Interest rate risk

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

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

The Company has also obtained loans to finance its investments. At December 31, 2015, borrowings totaled €8,396 thousand including fixed rate debt of €221 thousand (see Note 4.3.14). Floating rates are based on the 3-month and 1-month Euribor benchmarks.

At 31 December 2015, the Company was covered by an interest rate hedging contract through Grimaud La Corbière SA. In consequence, its exposure to risks relating to floating-rate debt is limited.

5.5.2 Exchange rate risk

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

5.6 Subsequent events

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