



# 2014 Annual Report



**VALNEVA**

A European company (*Societas Europaea* or SE) with a Management and a Supervisory Board

Share capital: EUR 11,365,862.04

Registered office: 70, rue Saint Jean de Dieu, 69007 Lyon

Lyon Companies Register (RCS) No. 422 497 560

**MANAGEMENT BOARD ANNUAL REPORT TO THE ORDINARY ANNUAL  
GENERAL MEETING OF JUNE 25, 2015  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

To the Shareholders,

We have called you to this annual ordinary general meeting in accordance with the provisions of the law and the Company's articles of association to report to you on the activity of our Company "Valneva SE" (hereafter "**the Company**") and its subsidiaries (hereafter referred to jointly as the **Group**" or "**Valneva Group**") for the year ended December 31, 2014, the results of its operations and outlook, and submit for your approval the separate and consolidated annual financial statements for the period.

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

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

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

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

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



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

### 1.1. Presentation of Valneva Group

Formed in 2013 through the merger of Vivalis SA and Intercell AG<sup>1</sup>, Valneva SE, with its subsidiaries, is a European biotechnology company specialized in developing, manufacturing and commercializing vaccines. Up until December 31, 2014 Valneva also engaged in research focusing on antibody discovery (See below [Section 1.2.10](#)).

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

### 1.2. Activities of the Group: 2014 Annual Operating Highlights

Operating highlights for the Group for 2014 were as follows:

- + Aeras initiates Phase II clinical trial of a tuberculosis vaccine candidate using IC31® adjuvant;
- + Approval and launch in South America of a second veterinary vaccine produced on the EB66® cell line;
- + Continuation of the Phase II/III clinical trial for its pseudomonas aeruginosa vaccine candidate;
- + First ever marketing authorization in Japan for a human vaccine produced in the EB66® cell line;
- + Valneva and Adimmune partner to commercialize Japanese encephalitis vaccine in Taiwan;
- + First ever marketing approval in Europe for a vaccine produced in the EB66® cell line;
- + Texas A&M inauguration of EB66®-based influenza vaccine facility;
- + Publication of pre-clinical data for its Lyme/ Borrelia vaccine candidate in international scientific journal PLOS ONE showing vaccine candidate can provide good safety and immunogenicity;
- + Publication of first phase II data of Valneva's tuberculosis vaccine candidate formulated with IC31® adjuvant showing good safety and immunogenicity;
- + Valneva and Blink Therapeutics Ltd. announce launch of new biotech company specialized in the discovery of innovative monoclonal antibodies;
- + Start of Phase II clinical trial of its Clostridium difficile vaccine candidate.

#### 1.2.1. Aeras initiates Phase II clinical trial of a tuberculosis vaccine candidate using IC31® adjuvant

On March 11, 2014, the Company distributed the following press release issued by Aeras, a nonprofit biotech advancing the development of tuberculosis vaccines for the world, about the initiation of a Phase II randomized clinical trial for their tuberculosis (TB) vaccine candidate Aeras-404 using Valneva's IC31® proprietary adjuvant.

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<sup>1</sup> See in particular Document E filed with the AMF (No. 13-003) on January 23, 2013



Aeras-404 (also designated as H4IC) is a novel vaccine candidate developed jointly by Aeras, Statens Serum Institut (SSI), a state-owned enterprise under the Danish Ministry of Health and Prevention, integrated in the national Danish health services, tasked with preventing and controlling infectious diseases, biological threats and congenital disorders, and Sanofi Pasteur. It has already been tested in four Phase I studies which showed an acceptable safety profile and immunogenicity.

Aeras thus announced the initiation of the first randomized, controlled tuberculosis (TB) vaccine trial designed to study prevention of *Mycobacterium tuberculosis* (Mtb) infection by vaccination. The Phase II study of the TB vaccine candidate, H4+IC31® (AERAS-404), will evaluate its safety, immunogenicity, and ability to prevent infection by Mtb, the bacterium that causes TB. The trial, which will be conducted in South Africa, will also evaluate BCG revaccination.

The randomized, placebo-controlled, partially blinded trial will enroll 990 adolescents in the Western Cape Province. The South African Tuberculosis Vaccine Initiative (SATVI) will conduct this Phase II trial in healthy adolescents who have been previously vaccinated with BCG as infants. One-third of the participants will receive a revaccination with BCG; one-third will receive vaccination with H4+ IC31®, and one-third will receive a placebo. Infection will be determined with the use of commercially available interferon gamma release assays. Models indicate that an effective vaccine given to adolescents and adults, who bear the brunt of the TB burden, could have a dramatic impact on the global TB epidemic, preventing tens of millions of cases and millions of deaths from the disease.

Preliminary results are expected at the end of 2015. If this initial study in adolescents shows that revaccination with BCG or vaccination with H4+ IC31® prevents infection with Mtb, then additional larger scale efficacy studies looking at the impact on TB disease in more diverse populations would be warranted.

### **1.2.2. Approval and launch in South America of a second veterinary vaccine produced in the EB66® cell line**

On March 13, 2014 the Company announced the approval and launch of a second veterinary vaccine produced in the EB66® cell line. The vaccine for the prevention of inclusion body hepatitis virus (IBH) was developed by Lima (Peru) based biopharmaceutical company FARVET SAC (FARVET), and will be available for sale in Peru and several other South American countries.

Inclusion body hepatitis is an acute disease of young chickens associated with anemia and hemorrhagic disorders. The vaccine is routinely used in many Central and South American countries. FARVET, which licensed the EB66® cell line in June 2012, developed and launched the IBH vaccine into the market in only 20 months.

### **1.2.3. Continuation of the Phase II/III clinical trial for its *Pseudomonas aeruginosa* vaccine candidate**

On March 24, 2014 the Company announced the continuation of the current phase II/III clinical trial of its *Pseudomonas aeruginosa* vaccine candidate IC43.

Valneva's *Pseudomonas aeruginosa* vaccine candidate is targeted for ventilated intensive care patients, who are vaccinated after ICU admission and are at particular risk of life threatening *Pseudomonas* infections. Targeted patients include more than 700 000 patients in Europe and US.





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

Valneva and its co-development partner decided to continue the trial following different assessments including analyses conducted by a Data Monitoring Committee (DMC) and after consultation with two European regulatory agencies and experts.

The continuation decision was also taken since the interim analysis showed a clinically meaningful reduction in all-cause mortality rates for the vaccine group as compared to placebo and no safety concerns were observed. These findings were in-line with previous Phase II results.

Valneva expects to resume recruitment for the trial in progress in the second quarter of 2014. In addition to the 394 patients already enrolled, another 400 ventilated intensive care patients are planned initially to be enrolled in this second phase of the study in 40 different sites. Preliminary results are expected at the end of 2015 / early 2016.

Although the difference on all-cause mortality between vaccine and placebo groups on day 28 (primary endpoint) at interim analysis was smaller than initially pre-specified, the development partners concurred to progress with the original sample size to potentially achieve statistical significance in this pivotal trial earlier on a potential route to licensure. The company is however also considering the option to extend the study further if needed and justified.

#### **1.2.4. First-ever marketing authorization for a human vaccine produced in the EB66® cell line**

On March 24, 2014, the Company announced that the Chemo-Sero Therapeutic Research Institute (Kaketsuken), a co-development partner to GlaxoSmithKline (GSK), received the marketing authorization in Japan for a pandemic H5N1 influenza vaccine produced in Valneva's EB66® cell line.

The preventative vaccine is the first human vaccine produced in EB66® cells to be approved by any regulatory authority in the world. The vaccine has been developed in accordance to the Japanese government's plan to rapidly respond to an influenza pandemic both before and during an outbreak, and has been approved for prophylaxis of pandemic H5N1 influenza.

Kaketsuken has recently completed the construction of a state-of-the-art manufacturing facility in Kumamoto. Following a Japanese national directive, Kaketsuken will produce pandemic H5N1 vaccine for more than 40 million people within six months after the virus strain for vaccine production is decided.

#### **1.2.5. Valneva and Adimmune partner to commercialize Japanese encephalitis vaccine in Taiwan**

On April 10, 2014, the Company announced that it had granted vaccine manufacturer Adimmune Corporation certain exclusive rights to its Japanese encephalitis (JE) vaccine in Taiwan. Adimmune will be entitled to register and commercialize Valneva's JE vaccine under a local trade name and to develop, manufacture and commercialize such a vaccine from bulk product delivered by Valneva.

Japanese encephalitis is recognized as a major public health issue in Asia, as evidenced by its inclusion into the national vaccination schedules of many endemic countries in Asia including Taiwan. Adimmune has worked with the Taiwanese Center for Disease Control and Prevention for decades to ensure supply of its mouse-brain derived JE vaccine, for which public tenders have historically reached a level of 600,000 doses per year. The Taiwanese Advisory Committee on





Immunization Practices (ACIP) has recently recommended the introduction of a more modern, cell culture-derived vaccine.

#### **1.2.6. First ever marketing approval in Europe for a vaccine produced in the EB66® cell line**

On May 19, 2014, the Company announced the first ever marketing approval in Europe for a vaccine produced in the EB66® cell line. The marketing authorization was granted by the European Medicines Agency (EMA) for the prevention of Muscovy Duck Parvovirus (MDPV).

MDPV is a contagious disease which causes high morbidity and mortality in one to three weeks-old ducklings and is a well-recognized hazard of commercial duck production. The disease, which has been reported from all major duck farming countries in Europe and other countries including the former Soviet Union, Israel, China, Vietnam and Japan, remains a serious problem in countries where Muscovy ducks are farmed intensively.

#### **1.2.7. Texas A&M inauguration of EB66®-based influenza vaccine facility in Texas**

The Company joined GlaxoSmithKline (GSK) in celebrating the site dedication of the Texas A&M Pandemic Influenza Vaccine Facility in Texas, which is on track for completion of construction by the end of 2015, to be followed by start-up phase in 2016. This new facility will provide the capabilities to manufacture bulk antigen for GSK's next generation pandemic influenza vaccine, based on Valneva's proprietary EB66® cell line, to help protect the United States against global influenza pandemics.

After completion of construction and subsequent validation of the facility to manufacture pandemic bulk antigen, the facility is expected to have the capacity to produce, within four months of a declared influenza pandemic and availability of acceptable virus seeds, the bulk antigen needed for up to 50 million doses of EB66®-based adjuvanted pandemic influenza vaccine for use by the US government in the event of an influenza pandemic.

#### **1.2.8. Publication of pre-clinical data for its Lyme/ Borrelia Vaccine Candidate in international scientific journal PLOS ONE showing good safety and immunogenicity;**

On November 25, 2014, the Company announced that an article, presenting for the first time the pre-clinical data of its novel vaccine candidate for prevention of Lyme borreliosis, was published in PLOS ONE, the largest scientific journal in the world by volume.

The article entitled "Design and development of a novel vaccine for protection against Lyme borreliosis" details for the first time Valneva's Borrelia/Lyme borreliosis vaccine approach, with design, proof-of-concept studies and preclinical data on protection.

The publication reveals that Valneva's vaccine candidate, a multivalent, protein subunit based vaccine, has the potential to provide protection against the majority of Borrelia species pathogenic for humans. Lyme borreliosis is caused by at least four species of Borrelia and is transmitted via the bite of an infected tick. Delayed or inadequate treatment can lead to very serious symptoms, involving the joints, heart, and central nervous system, which can be disabling. There is currently no vaccine available to protect humans against Lyme borreliosis, the most common vector-borne infection in the Northern hemisphere.



### **1.2.9. Publication of first Phase II data of tuberculosis vaccine candidate formulated with IC31® adjuvant showing good safety and immunogenicity**

On December 10, 2014 Valneva announced that the Statens Serum Institut's (SSI) novel Tuberculosis (TB) vaccine candidate H1/IC31® formulated with Valneva's proprietary adjuvant IC31® showed good safety and immunogenicity in Phase II clinical trial in HIV-infected adults.

H1/IC31® is a recombinant subunit vaccine based on two important TB antigens (Ag85B and ESAT-6) developed by SSI and formulated with Valneva's proprietary adjuvant IC31®, ultimately targeted toward adults and adolescents.

The results of the randomized, double-blind, clinical phase II trial initiated and led by Prof Churchyard from the Aurum Institute NPC, South Africa, were published in an article written by Dr. Reither of the Swiss Tropical and Public Health Institute (TPH) in the scientific publication PLOS ONE\*. The aim of the trial, which was conducted in South Africa and Tanzania, was to evaluate the immunogenicity and safety of two doses of the TB vaccine candidate H1/IC31® in 48 HIV-positive adults (between 18 and 55 years of age).

According to the article, the vaccine candidate H1/IC31® was well tolerated and safe in HIV-infected adults with a CD4+ Lymphocyte count greater than 350 cells/mm<sup>3</sup>. It did not affect HIV viral load and induced a specific and durable immune response against TB.

SSI is also conducting a second Phase II clinical study to assess the safety and immunogenicity of the H1/IC31® vaccine candidate in 240 adolescents.

### **1.2.10. Launch with BliNK Therapeutics Ltd. of a new biotech company specialized in the discovery of innovative monoclonal antibodies**

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

The creation of BliNK Biomedical SAS will 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. BliNK Biomedical SAS' powerful B cell technology will enable the isolation of antibody-producing cells for difficult targets for which other platforms have failed to deliver. This cutting-edge technology will be based on the combination of two validated platforms, BliNK Therapeutics' IVV and Valneva's VIVA|Screen®, which have already both succeeded in delivering high quality human antibodies. With the combined highly efficient process, an unprecedented capability to screen and identify extremely rare antibody-secreting cells will be achieved. This unique capability represents a major competitive advantage compared to other technologies.

Update: the closing of the transaction for the creation of BliNK Biomedical SAS was announced on January 20, 2015 (with retroactive effect on January 1, 2015) with all conditions precedent having been met, including the absence of material adverse events and the consent of certain third parties. BliNK Biomedical SAS is today held by Valneva (by approximately 48.2%), Kurma Biofund I (by approximately 30.6% - the historic investor of BliNK Therapeutics), different funds managed by Idinvest (for approximately 6.8%), the Cancer Research Technology (approximately 10.5%) et and the founders of BliNK Therapeutics Ltd (with approximately 3.7%).



### 1.2.11. Start of Phase II clinical trial of its *Clostridium difficile* vaccine candidate

On December 18, 2014, Valneva announced the initiation of the Phase II clinical trial of its VLA84 prophylactic vaccine candidate against *Clostridium difficile* (*C. difficile*), the main cause of nosocomial diarrhea. Data from the Phase I study in healthy elderly and adults showed good safety and immunogenicity of the vaccine candidate, and indicated functionality of induced antibodies, supporting the Company's decision to progress the vaccine candidate into Phase II.

The Phase II study (VLA84-201) will enroll 500 healthy subjects aged 50 years and older. This age group represents the target population for a prophylactic *C. difficile* vaccine as the risk to contract the infection-associated disease increases with age. The randomized, placebo-controlled, observer-blind study will be conducted in Germany as well as in the United States under an Investigational New Drug application (IND). It aims to confirm the optimal dose and formulation of the vaccine in two different age groups and to generate sufficient additional clinical data to advance the program into Phase III.

Valneva expects to announce the first results of the Phase II study at the end of 2015.

Valneva's *C. difficile* vaccine is part of the Strategic Alliance Agreement (SAA) which was signed between Valneva Austria GmbH and Novartis in 2007. Following completion of Phase II clinical development and if Novartis opts-in, Valneva will have the right, at its option, to either co-develop and profit-share with Novartis or to receive potential milestones for the remaining development period along with royalties tied to sales performance.

## 1.3. Subsidiaries and associates

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

### 1.3.1. Valneva Toyama Japan K.K.

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

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

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

At December 31, 2014, one part-time employee remained with responsibility for business development operations.

Financial highlights of the subsidiary's corporate financial statements at December 31, 2014:

- Shareholders' equity: JPY 4,527,669
- Operating revenue: JPY 84,394,258
- Result: JPY - 3,045,739
- Total assets: JPY 24,453,623



### 1.3.2. Valneva Austria GMBH

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

At December 31, 2014, the team was composed of 132 employees.

The financial highlights of the subsidiary, at December 31, 2014, are:

- Shareholders' equity: EUR 275,328,437.75
- Operating revenue: EUR -9,335,472.11
- Result: EUR -1,511,799.64
- Total assets: EUR 375,910,431.31

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

Valneva Austria GmbH currently holds three wholly owned subsidiaries:

- + Intercell USA, Inc.: a subsidiary responsible for marketing and sales of the vaccine against Japanese encephalitis to the U.S. army and the private market, as well as international sales through distribution partners.

At December 31, 2014, the team was composed of 2 employees.

The financial highlights of the subsidiary, at December 31, 2014, are:

- Shareholders' equity: EUR -27,706,382.30
- Operating revenue: EUR 135,546.10
- Result: EUR -245,400.70
- Total assets: EUR 803,486.87

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

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

At December 31, 2014, the team was composed of 86 employees.

The financial highlights of the subsidiary, at December 31, 2014, are:

- Shareholders' equity: EUR 10,097,540.53
- Operating revenue: EUR 892,621.55
- Result: EUR 470,474.34
- Total assets: EUR 17,389,904.93

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

- + ELATOS GmbH: a subsidiary created in January 2013. Its activities were originally related to the proprietary platform eMAB®, which contributes to the discovery of monoclonal antibodies.



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

The financial highlights of the subsidiary, at December 31, 2014, are:

- Shareholders' equity: EUR -775,319.47
- Operating revenue: EUR -1,776,682.91
- Result: EUR -1,788,761.53
- Total assets: EUR 38,826.87

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

### 1.3.3. Goldcup 10618 AB

Goldcup 10618 AB (renamed "Vaccines Holdings Sweden AB" as of January 15, 2015) is a wholly-owned subsidiary of Valneva SE, created in December 2014 in connection with the Crucell Sweden AB acquisition (see [Section 4.1](#) of this Annual Report).

Financial highlights of the subsidiary's corporate financial statements at December 31, 2014:

- + Shareholders' equity: SEK 50,000
- + Operating revenue: SEK 0
- + Result: SEK 0
- + Total assets: SEK 50,000

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

### 2.1. Valneva group (IFRS)

#### Financial Review

#### Key Financial Information (Audited)

EUR in thousands	3 months ended Dec 31,		12 months ended Dec. 31,		
	2014	2013	2014	2013	2013 pro forma
Revenues & Grants	13,113	11,640	42,429	35,991	43,684
Net profit/(loss)	(11,520)	(6,028)	(26,272)	(24,110)	(38,902)
EBITDA	(3,754)	(1,273)	(7,364)	(11,709)	(20,402)
Net operating cash flow	(7,846)	1,130	(14,944)	(20,903)	n/a
Cash, short-term deposits and marketable securities, end of period	29,468	40,167	29,468	40,167	40,167

Note: As a result of the merger between Vivalis SA and Intercell AG, Intercell's business has been included in the Group's consolidated financial statements from the merger closing date May 28, 2013. Therefore, the 2014 and 2013 IFRS results are not fully comparable as the ex-Intercell operations were only included for the period 2013 starting from June 2013. Pro-forma figures





*including the Intercell business for the 2013 period and excluding one-time effects due to the merger were prepared for illustrative purposes only. For detailed explanation of pro-forma assumptions and reconciliation to IFRS results, please refer to note 32 of the Consolidated Financial Statements 2014 ([www.valneva.com](http://www.valneva.com)).*

## Revenues and grants

Valneva's aggregate revenues and grants increased from EUR 36.0 million in the year 2013 to EUR 42.4 million in the year 2014. This increase was mainly due to the contribution of ex-Intercell revenues to the business as a result of the merger of Vivalis and Intercell to form Valneva. Compared to the previous year on a pro forma basis (combining Intercell's revenues and grants in the first five months of 2013 with Valneva's revenues and grants since June) revenues and grants slightly decreased from EUR 43.7 million in 2013 to EUR 42.4 million in 2014. This decrease was mainly due to a decrease in revenues from collaborations and licensing.

IXIARO®/JESPECT® product sales contributed EUR 28.1 million to revenues in 2014. On a pro-forma basis full year 2013 product sales were EUR 27.2 million representing an increase of 3.4% in 2014 despite the transition in the U.S. military sales responsibility to Novartis from late 2013 onward which resulted in Valneva now recognizing only two thirds of the total sales revenue to the U.S. military instead of 100% previously.

Revenues from collaborations and licensing increased from EUR 7.2 million in 2013 to EUR 8.8 million in 2014. On pro forma basis revenues from collaborations and licensing decreased from EUR 10.8 million in 2013 to EUR 8.8 million in the full year 2014 due to a decrease in revenues from EB66® cell line technology from EUR 3.7 million in the year 2013 to EUR 2.3 million in the year 2014 and a decrease in revenues from the VivalScreen® antibody platform from EUR 2.9 million in the year 2013 to EUR 1.7 million in the year 2014.

Grant income amounted to EUR 5.5 million in 2014 and was flat compared to 2013. On a pro forma basis grant income was EUR 5.7 million in the year 2013.

## Operating result and EBITDA

The operating loss increased from EUR 20.9 million in 2013 to EUR 23.8 million in 2014. On a pro forma basis, the operating loss decreased by EUR 8.7 million, or 26.8%, from EUR 32.5 million in the year 2013 to EUR 23.8 million in the year 2014. This decrease was mainly due to cost synergies and prioritization of R&D activities in connection with the merger, including savings as a result of the disposal of the CMO business in the fourth quarter 2013.

Cost of goods and services increased by EUR 0.6 million from EUR 16.5 million in the year ended 2013 to EUR 17.1 million in the year 2014. The gross margin on the Japanese Encephalitis product improved from 29.0% in 2013 to 44.7% in the full year 2014. On a pro forma basis cost of goods and services decreased by EUR 2.9 million from EUR 20.0 million in the full year 2013 to EUR 17.1 million in the year 2014.

Research and Development expenses ("R&D") increased by EUR 0.8 million from EUR 21.4 million in the year ended 2013 to EUR 22.2 million in the year 2014. On a pro forma basis R&D expenses decreased by EUR 8.5 million. This decrease resulted from R&D pipeline prioritization and cost synergies, implemented as part of the merger integration, as well as timing effects in connection with clinical trial costs and savings as a result of the disposal of the CMO business in the fourth quarter 2013.

General, selling and administrative expenses ("SG&A") decreased slightly from EUR 14.7 million in the year 2013 to EUR 14.1 million in the year 2014. On a pro forma basis SG&A expenses decreased by 32.0% from EUR 20.8 million in the year 2013. The transition of the U.S. military



sales responsibility to Novartis contributed significantly to the reduction of selling expenses in 2014 in comparison to 2013.

Amortization and impairment charges increased by EUR 7.0 million from EUR 5.4 million in the year 2013 to EUR 12.3 million in the year 2014. In 2014 an impairment charge of EUR 4.1 million in connection with the antibody business was recognized as the Company decided to change the strategy on the antibody business.

Valneva's EBITDA improved to minus EUR 7.4 million in the year 2014 from minus EUR 11.7 million in year 2013. On a pro-forma basis, the 2014 EBITDA improvement was 63.9% compared minus EUR 20.4 million in the same period of the previous year. EBITDA was calculated by excluding depreciation, amortization and impairment from the operating loss recorded in the condensed consolidated income statement under IFRS.

### **Net result**

Valneva's net loss in the year 2014 was EUR 26.3 million compared to EUR 24.1 million for the same period of the previous year. On a pro-forma basis, the net loss decreased by 32.5% to EUR 26.3 million in the year 2014 from EUR 38.9 million in year 2013. The decrease reflects the progress made in both, the merger consolidation and the cost saving projects.

### **Cash flow and liquidity**

Net cash used in operating activities decreased by EUR 6.0 million from EUR 20.9 million in the year 2013 to EUR 14.9 million in the year 2014. This decrease reflects the financial progress in cash-flow relevant operating expenses, whereas non-cash expenses such as depreciation, amortization and impairment charges have increased.

The purchases of intangible assets and property, plant and equipment (net of proceeds from sale of such assets) amounted to EUR 2.0 million in the year 2014 and to EUR 0.1 million in the year 2013.

Cash in-flows from financing activities were EUR 5.3 million in the year 2014 and EUR 34.7 million in the year 2013. In the year 2014, net cash generated from financing activities resulted primarily from a capital increase through the Company's equity line, which was partially offset by repayments of borrowings. In the year 2013, net cash generated from financing activities resulted primarily from the net proceeds of a capital increase completed in July 2013.

### **Cash position at year-end**

Liquid funds at December 31, 2014 stood at EUR 29.5 million compared to EUR 40.2 million at the end of December 2013 and consisted of EUR 28.9 million cash and EUR 0.6 million restricted cash.





## 2.2. Valneva SE (French GAAP accounts)

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

### Operating income

Operating income amounted to EUR 3.21 million, up from EUR 3.78 million for fiscal 2013.

Revenue came to EUR 1.4 million for 2014 compared to EUR 1.7 million in 2013.

Other operating income (mainly grants and licensing income) came to EUR 1.8 million in 2014, up from EUR 2.1 million the prior year.

### Operating expenses

Operating expenses amounted to EUR 16.6 million, up from EUR 16.5 million for fiscal 2013.

Purchases of raw materials and external expenses represented EUR 9.1 million in 2014 compared to EUR 7.1 million in 2013. Purchases of raw materials were down by EUR 0.5 million in 2014 whereas external expenses rose by EUR 2.5 million. This latter increase reflects both fees from strategic transactions in the amount of EUR 1.3 million and charge-backs for services provided by the Austrian subsidiary Valneva Austria GmbH for EUR 2.1 million.

Staff costs amounted to EUR 4.7 million in 2014 compared to EUR 6.2 million in 2013.

Allowances for depreciation and amortization represented EUR 2.0 million in 2014 compared to EUR 2.8 million in 2013.

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

### Income/(loss) from ordinary activities

The operating loss from ordinary activities for the year ended December 31, 2014 was EUR 13.3 million, up from EUR 12.7 million in the prior year.

### Net financial income/(expense)

Net financial expense came to EUR 0.5 million for 2014 compared to an expense of EUR 0.8 million in 2013. This increase reflected:

- + a decrease in the amortization and depreciation by EUR 0.7 million, compared to 2013;
- + an increase in the inter-company interest income by EUR 0.4 million in 2014 compared to the prior year.

### Net exceptional items

Net exceptional items resulted in an expense of EUR 4 million in 2014 compared to income of EUR 1.5 million in 2013.



In 2013, the EUR 1.5 million corresponded to the net gain from the disposal of the clinical manufacturing operations based in Nantes sold to Biological E.

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

### **Corporate income tax**

The negative income tax item corresponds to research tax credit (RTC). This came to EUR 2 million in 2014, unchanged from the prior year.

### **Net income/(loss)**

The net loss for 2014 was EUR 15 million compared to EUR 10 million in the prior year.

### **Fixed assets**

Fixed assets rose from EUR 153 million in 2013 to EUR 155 million in 2014 (net value). This increase is mainly due to the EUR 10 million increase in by the Valneva Austria GmbH securities, following the subsidiary's recapitalization, as well as a EUR 6.7 million impairment charge relating to VIVA|Screen® technology intangible assets.

### **Current assets**

Current assets came to EUR 44 million in 2014, up from EUR 56.4 million in 2013. This increase is mainly due to partial repayment of the EUR 5 million advance granted by the Company to its Austrian subsidiary, and payment in 2014 of the EUR 1.7 million receivable for Biological E., the EUR 1.3 million decrease in grants receivable and a EUR 4.8 million decrease in cash.

### **Shareholders' equity**

Shareholders equity rose from EUR 185.3 million at December 31, 2013 to EUR 178.9 million at December 31, 2014 with detailed explanations on this change provided in the notes to the statutory accounts (point 4.3.10).

This change reflects mainly corporate actions involving a EUR 0.2 million capital increase and share premium of 8.4 million.

### **Liabilities**

Total debt decreased in the period from EUR 19.8 million to EUR 16 million.

Total borrowings declined from EUR 10.99 million in 2013 to EUR 9.61 million in 2014. This change reflects mainly the EUR 1.3 million in debt installment payments and the monetization of 2013 Research Tax Credits that were offset by repayment of the 2010 Research Tax Credit (EUR 0.1 million).



Operating payables rose from EUR 2.7 million to EUR 2.9 million, mainly due to the increase in the "Suppliers; accrued expenses" line item.

Payables to suppliers of fixed assets declined from EUR 4.5 million at the end of 2013 to EUR 1.6 million at the end of 2014, reflecting the reduction in SC World debt linked to the VIVA|Screen® technology for EUR 2.9 million.

## Cash

Cash came to EUR 9.3 million at December 31, 2014, down from EUR 14.1 million one year earlier.

Net cash provided by operating activities represented an inflow of EUR 1.8 million at December 31, 2014 compared to an outflow of EUR 38.2 million at December 31, 2013, and reflecting:

- + cash flow for the period representing an outflow of EUR 6.5 million;
- + partial repayment of the EUR 5 million advance granted by the Company to the Austrian subsidiary;
- + payment of the EUR 1.7 million receivable for Biological E.;
- + the EUR 1.8 million increase in the line item for financial liabilities corresponding to the current account balance of the Austrian subsidiary at the end of 2014.

Net cash from (used in) investing activities represented an outflow of EUR 13.5 million in 2014 compared to an outflow of EUR 1.5 million in 2013, and reflecting mainly:

- + the increase in Valneva Austria GmbH securities in the amount of EUR 10 million following the capital increase for the subsidiary for its recapitalization.
- + the EUR 2.9 million decrease in the SC World debt linked to the VIVA|Screen® technology.

Net cash from financing activities amounted to EUR 7 million in 2014 compared to EUR 17.5 million in 2013. This decrease reflects the EUR 8.6 million from the capital increase and the EUR 1.4 million in loan repayments.

## 3. BUSINESS TRENDS AND OUTLOOK OF THE COMPANY AND GROUP

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

When preparing its targets, the Group's management used the same accounting rules it adopted for its IFRS-compliant financial statements.

Based on information currently available, the Group has set the following financial targets for 2015:

- + Valneva anticipates continued growth of in-market sales of IXIARO®/JESPECT® and a significant revenues contribution from the newly acquire Dukoral® vaccine and Nordic trade third party distribution business (see below [Section 4.1](#) of this Annual Report).
- + The Company expects 2015 overall IFRS revenue to grow above €70m while continuing to focus on its efforts to strive towards financial self-sustainability while leading its key R&D programs to next stage gates.



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

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

#### 4.1.1. Signature of the Sale and Purchase Agreement

On January 5, 2015, Valneva announced that it has entered into a Sale and Purchase Agreement with Crucell Holland B.V. to acquire Crucell Sweden AB ("Crucell Sweden") and all assets, licenses and privileges related to Dukoral®, a vaccine against cholera and traveler's diarrhea caused by ETEC, as well as a Nordics vaccine distribution business of the seller and its affiliates (the "Acquisition"). The agreement entails in particular the purchase of the manufacturing site in Solna (Sweden) and will comprise approximately 115 employees (FTEs).

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

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

#### Financing of the Acquisition

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

In this context, Valneva has already received the support of Bpifrance Participations ("Bpifrance"), one of its two principal shareholders, Groupe Grimaud La Corbière and Bpifrance Participations as well as from certain funds affiliated with two international life sciences investors, Athyrium Capital Management LLC and Capital Ventures International.

In aggregate, subscription commitments from Bpifrance, Athyrium Capital Management LLC, Capital Ventures International and Groupe Grimaud La Corbière amount to approximately EUR 20 million, i.e. approximately 44% of the contemplated Rights Issue.

Credit Agricole Corporate and Investment Bank and Kempen & Co will act as Joint Bookrunners of the Rights Issue and, subject to customary conditions, committed to underwrite the balance of the Rights Issue.

Additionally, in order to finance the balance of the Acquisition, a newly formed Swedish acquisition subsidiary of Valneva has entered into a EUR 15 million term loan facility from funds managed by Athyrium. The loan, which is guaranteed by Valneva, extends over a 5 year period and carries a fixed yearly interest rate of 11% payable in cash on a quarterly basis.



#### 4.1.2. Launch of a capital increase with shareholders preferential subscription rights

Following its announcement on January 5, 2015, on January 12, 2015, the Company announced, the launch of a capital increase with preferential subscription rights for holders of ordinary shares for a gross amount of approximately EUR 45 million (the "Acquisition Price") with estimated net proceeds from the rights issue of approximately EUR 42 million.

##### Main terms and conditions of the Rights Issue

- + The share capital increase was carried out with preferential subscription rights of holders of ordinary shares by the issuance of 18,231,466 new ordinary shares at a price of EUR 2.47 per share (comprised of the EUR 0.15 nominal value and issue premium of EUR 2.32 per share), representing a total gross amount of EUR 45,031,721.02 (including issue premium);
- + Each holder of Valneva ordinary shares will receive one preferential subscription right for each ordinary share registered for accounting purposes in their securities accounts as of the close of trading on January 14, 2015. 34 preferential subscription rights will entitle the holder to subscribe on the basis of exact rights ("*à titre irréductible*") to 11 new ordinary shares. Subscriptions for excess shares subject to reduction ("*à titre réductible*") will be accepted;
- + Based on the closing price of Valneva's shares on January 12, 2015 (i.e. EUR 4.02), the theoretical value of each preferential subscription right is EUR 0.38. The subscription price represents a 38.56% discount to the closing price of Valneva's shares on January 12, 2015 and a 32.16% discount to the theoretical ex-right price;
- + The offer was open to the public in France only.

##### Subscription commitments and underwriting of the offering

- + Groupe Grimaud la Corbière ("Groupe Grimaud"), holding 11,843,327 Valneva's existing ordinary shares representing approximately 21% of the Company's ordinary share capital on the date hereof, has irrevocably undertaken (a) to sell 4,851,494 and 6,256,884 preferential subscription rights to Athyrium Opportunities II Acquisition LP ("Athyrium") and Capital Ventures International, respectively, (b) to exercise the amount of 734,944 preferential subscription rights not sold, allowing for subscription on an irreducible basis for 237,776 new ordinary shares representing EUR 587,306.72 and (c) to place an order subject to reduction for 216,907 new ordinary shares representing a maximum amount of EUR 535,760.29 in order to fulfill its commitment to reinvest the total proceeds from the sale of these preferential subscription rights in this Rights Issue.
- + Athyrium, not yet a shareholder of the Company as of the date of the launch, has irrevocably undertaken to subscribe for a maximum amount of EUR 3,876,914.47. In this context, Athyrium has undertaken to acquire from Groupe Grimaud 4,851,494 preferential subscription rights at a price of EUR 0.23 per preferential subscription right and to subscribe for new ordinary shares on an irreducible basis by exercising a total of 4,851,494 preferential subscription rights, for a total number of 1,569,601 new ordinary shares, representing a subscription amount of EUR 3,876,914.47. For a period of five years following the settlement of the Offering and for as long as Athyrium holds 80% of those new shares subscribed, Athyrium is entitled to appoint one board observer to the Company's Supervisory Board to participate, with consultative voice only, in the meetings of the supervisory board and its committees.



- + Capital Ventures International, not yet a shareholder of the Company as of the date hereof, has irrevocably undertaken to subscribe for a maximum amount of EUR 5 million in new ordinary shares. In this context, Capital Ventures International has undertaken to acquire from Groupe Grimaud 6,256,884 preferential subscription rights for a total price consideration of EUR 1 and to subscribe for new ordinary shares on an irreducible basis by exercising the total number of 6,256,884 preferential subscription rights thus acquired, for a total number of 2,024,286 new ordinary shares, representing a subscription amount of EUR 4,999,986.42. Furthermore, Capital Ventures International has reserved the right to place an order for excess shares subject to reduction.
- + Bpifrance Participations, holding 5,499,863 existing ordinary shares representing approximately 10% of the Company's ordinary share capital on the date hereof, has irrevocably undertaken to subscribe for a maximum amount of EUR 10 million in new ordinary shares. In particular, Bpifrance Participations has irrevocably undertaken to subscribe on an irreducible basis for 1,779,360 new ordinary shares for EUR 4,395,019.20 and to place an order subject to reduction in the amount of 2,269,222 new ordinary shares for a maximum amount of EUR 5,604,978.34.

In total, the undertakings to subscribe for shares on an irreducible basis and, as applicable, subject to reduction, by Bpifrance Participations, Athyrium, Capital Ventures International and Groupe Grimaud, represent approximately EUR 20 million or 44.4% of the Rights Issue.

The remaining part of the Rights Issue not covered by the subscription commitments of Bpifrance, Athyrium, Capital Ventures International and Groupe Grimaud, represents EUR 25 million and is underwritten by Crédit Agricole Corporate and Investment Bank and Kempen & Co N.V. (together, the "Joint Bookrunners") who are acting as Joint Bookrunners of the Rights Issue pursuant to an underwriting agreement entered into on January 12, 2015 between the Joint Bookrunners and the Company.

The members of the management board have also indicated their intent to subscribe for new ordinary shares in the Rights Issue by selling a portion of their preferential subscription rights and using the proceeds from that sale to subscribe for the capital increase by exercising the remaining portion of their preferential subscription rights.

### **Lock-up commitment**

Bpifrance Participations, Groupe Grimaud and Athyrium have agreed to a lock-up for a period ending 90 days after the settlement date of the Rights Issue, subject to certain customary exceptions, except that Groupe Grimaud may pledge the shares it holds as well as those acquired in the Rights Issue.

The Company entered into a 180-day lock-up commitment vis-à-vis the Joint Bookrunners, subject to certain customary exceptions.

### **Timetable of the rights issue**

The subscription period for the new shares ran from January 15, 2015 to the close of trading on January 28, 2015. During this period, the preferential subscription rights were listed and traded on the regulated market of Euronext in Paris ("Euronext Paris") under ISIN code FR0012444842.





#### 4.1.3. Successful completion of the EUR 45 million capital increase

On February 4, 2015, Valneva announced the completion of its capital increase with shareholders preferential subscription rights launched on January 12, 2015 (the "Rights Issue"). The final gross proceeds of the Rights Issue amount to EUR 45,031,721.02, corresponding to the issuance of 18,231,466 new ordinary shares, at a subscription price of EUR 2.47 per new ordinary share. Total subscription orders for the Rights Issue amounted to approximately EUR 81.1 million, i.e. a subscription rate of approximately 180%.

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

Upon completion of the Rights Issue and fulfillment of their subscription commitments described in the Securities Note (as defined below), Groupe Grimaud la Corbière, Bpifrance Participations, Capital Ventures International and Athyrium will hold respectively 16.2%, 10%, 3% and 2.1% of the Company's share capital

The settlement-delivery and the listing of the new ordinary shares took effect on February 6, 2015. The new ordinary shares were immediately fungible with the Company's existing ordinary shares and will be admitted to trading on the regulated market of Euronext in Paris as well as on the Prime Market segment of the Vienna Stock Exchange on the same listing line under the same ISIN code FR0004056851.

Post Rights Issue, the Company's share capital amounted to EUR 11,365,862.04, corresponding to 74,583,299 ordinary shares with a nominal value of EUR 0.15 each and 17,836,719 preferred shares with a nominal value of EUR 0.01 each.

#### 4.1.4. Closing of the Crucell Sweden AB acquisition

On February 10, 2015, Valneva announced that it had completed the acquisition of Crucell Sweden AB, the Nordics vaccine distribution business of the seller (Crucell Holland B.V., a subsidiary of Johnson & Johnson) and its affiliates and all assets, licenses and privileges related to Dukoral®, a vaccine against cholera and traveler's diarrhea caused by ETEC.

The acquired business generated revenues of EUR 38 million in 2013 and EUR 23 million in the first nine months of 2014 from the sales of the Dukoral® vaccine and the distribution of several other vaccines for third parties.

#### 4.2. Confirmation of BliNK Biomedical's launch in financing

Please refer to [Section 1.2.10](#) of this Annual Report.





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

On January 29, 2015, Valneva and UK company Immune Targeting Systems (ITS) Ltd announced that they have signed an exclusive worldwide commercial license agreement.

The agreement grants Immune Targeting Systems (a company supported by Novartis Venture Fund, HealthCap, Truffle Capital, Esperante Ventures and London SME and focused on the development of T-cell vaccines to highly mutated viruses and to cancers utilizing its proprietary long-peptide based Depovaccine® platform) the rights to research, develop and commercialize Hepatitis B vaccine candidates in combination with Valneva's IC31® Adjuvant

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

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

### 5. PRINCIPAL RISKS AND UNCERTAINTIES INCURRED BY THE COMPANY AND GROUP

Pursuing biotech innovation includes the inherent risk of failure and the Company is therefore exposed to significant industry-specific risks. Valneva is subject to additional risks because (a) it has launched its first product, a Japanese encephalitis vaccine, which has not yet generated sufficient revenues to ensure the Company's sustainable development, and (b) it has recently acquired the company "Crucell Sweden AB" (now renamed "Valneva Sweden AB"), the Dukoral vaccine and a distribution business in Nordic countries (collectively, the "Vaccine Manufacturing and Distribution Division" or the "Division"). Moreover, the Company has incurred significant losses since its inception, is exposed to liquidity risk and may never reach sustainable profitability. Management has undertaken considerable efforts to establish a risk management system in order to monitor and mitigate the risks associated with its business.

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

**The acquisition of the Vaccine Manufacturing and Distribution Division entails financial risks for Valneva.**

The integration costs for the Vaccine Manufacturing and Distribution Division might be greater than initially expected. In addition, revenues generated by the Vaccine Manufacturing and Distribution Division could be lower than those forecasted by Valneva. The occurrence of these risks could have an adverse effect on the results and financial position of the Company as well as on the price of Valneva's ordinary shares.

**Revenues resulting from the Vaccine Manufacturing and Distribution Division acquisition should allow the Company to build a distribution and marketing network – an activity in which the Company does not possess experience.**



The Company intends to build a distribution and marketing network that will include a new team in Canada and strengthen its teams in Nordic countries. Other markets will be covered by a network of third-party distributors. Interim agreements have been entered into with the seller of the Division in order to ensure continuity in operations while the Company puts into place its own network.

**The packaging and labeling equipment should be transferred from Madrid (Spain) to Solna (Sweden). During this transfer, it will not be possible to package any Dukoral product. Any damage that might be caused to this equipment during its transfer or validation would have adverse consequences on Valneva's business.**

Labeling and packaging of DUKORAL<sup>®</sup> products were assured in Madrid, Spain, by an affiliate of the seller of the Division. This equipment is being transferred to Solna. Valneva currently believes it will be possible for the installation to be back on line in June 2015. During this transfer and until the installations in Solna are back on line, it will not be possible for any DUKORAL<sup>®</sup> product to be packaged or labeled, and by extension put on the market. Sales will however be made possible by the use of products that have already been already labeled and packaged provided by the seller of the Division. Inventories of products thus labeled and packaged have already been made available to cover this period in sufficient quantities to meet expected demand.

**The geographical breakdown for the sales of DUKORAL<sup>®</sup> products is imbalanced. In addition, no team dedicated to marketing or promoting DUKORAL<sup>®</sup> products located in the territory where the majority of DUKORAL<sup>®</sup> sales are generated has been transferred to Valneva in connection with the Vaccine Manufacturing and Distribution Division acquisition.**

DUKORAL<sup>®</sup> products were distributed by entities affiliated with the seller of the Division or third-party distributors in a number of territories. Despite this, the geographical sales mix for DUKORAL<sup>®</sup> products is imbalanced and Canada is by far the largest market, generating nearly 50 percent of total revenues linked to the sale of DUKORAL<sup>®</sup> products.

Furthermore, no team dedicated to marketing or promoting DUKORAL<sup>®</sup> products located in Canada have been transferred to Valneva in connection with the acquisition of the Vaccine Manufacturing and Distribution Division. Valneva is developing its own teams and structure for marketing and promotion in Canada.

**The Company might not be able to maintain or replace its relations with vaccine manufacturers in connection with the vaccine distribution activity.**

The portfolio of vaccines distributed by the Vaccine Manufacturing and Distribution Division, includes in particular vaccines manufactured by third parties. In light of recent strategic developments in the vaccine sector, a risk exists that these third-party manufacturers change their distribution strategy in Nordic countries. If the Company is not successful in maintaining or replacing relations with these third-party manufacturers after acquiring the Vaccine Manufacturing and Distribution Division, the resulting loss in revenues could adversely affect the Company's operations.

#### **Other risk factors:**

The Company needs to gain further market acceptance for its **Japanese encephalitis vaccine** in order to recover the significant development costs it has incurred. Valneva may be unable to successfully market and sell its Japanese Encephalitis (JE) vaccine and to develop and commercialize its product candidates as expected or at all. The ability to commercialize product candidates will depend upon the degree of market acceptance among Valneva's primary customers, the customers of Valneva's strategic partners and the medical community. The degree of market acceptance will depend upon many factors, including recommendations by global and local health organizations, reimbursements by health authorities and health insurers and payors, legislative efforts to control or reduce health care costs or reform government healthcare programs, and the ability of customers to pay or be reimbursed for treatment costs. Demand for Valneva's JE vaccine may be adversely affected by international, national or local events or economic conditions



that affect consumers' willingness to travel, such as security concerns relating to threatened or actual terrorist attacks, armed conflicts or recent crises in the global economy.

The Company's **manufacturing facilities** in Livingston, Scotland, and Solna, Sweden, are, and will continue to be, significant factors in growing revenues from product sales and maintaining control over production costs. The manufacturing of biological materials is a complex undertaking and technical problems may occur. Valneva may experience delays, be unsuccessful in manufacturing or face difficulties in the ability to manufacture its products according to market demands. Biological manufacturing is subject to government regulation and regular inspection. It is not possible to predict the changes that regulatory authorities may require during the life cycle of a novel vaccine. Such changes may be costly and may affect the Company's sales and marketing and product revenue expectations. The failure of our product manufacturing facility to comply with regulatory requirements, including current Good Manufacturing Practices, could give rise to regulatory actions or suspension or revocations of manufacturing licenses and result in failure to supply. The risk of suspension or revocation of a manufacturer's license also applies to third party manufacturers and contractors with whom the Company contracts for manufacturing and services.

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

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

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

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

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



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

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

Furthermore, announcements regarding changes in the achievement of **expected value inflection points** for Valneva's existing development programs, delays in receiving **regulatory approvals**, obstacles hindering product commercialization or realignment of Valneva's operations could be perceived negatively by investors, consumers, or others in the market and thus damage Valneva's reputation, contribute towards a lower share price or otherwise adversely affect Valneva's business, financial condition, results of operation, and prospects. Under certain conditions such an event could occur with one of Valneva's major projects, such as its product candidate, a *Pseudomonas* vaccine, which is currently in a phase II/III clinical trial. Following a review of initial data, the Company and its development partner have decided to continue the trial. Preliminary data from the full trial are expected at the end of 2015 or the beginning of 2016.

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

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

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



corresponding intangible asset. Such impairment of intangible assets would result in substantial losses in the profit and loss statement.

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

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

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

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

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Further risk factors are set out in detail in the registration document of Valneva filed with the AMF on 30 April 2014 under number D.14-0444.

## 6. FINANCIAL RISKS

The Group is exposed to the financial risks (market risks, credit risks, liquidity risks) such as described in the consolidated financial statements for the year 2014, Note no. 3.

## 7. PROPOSED APPROPRIATION OF EARNINGS

After deducting all expenses, taxes, depreciation and amortization expenses, the financial statements here presented show a loss of EUR 14,883,482.38.

We propose that you appropriate this loss of EUR 14,883,482.38 to the accumulated deficit that would be thus increased from EUR 43,832,409.55 to EUR 58,715,891.93.





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

NATURE OF ITEM	2010	2011	2012	2013	2014
<b><u>I- Capital at the end of the year</u></b>					
Share capital (in euros)	3,149,047.05	3,167,616.45	3,219,379.35	8,384,717.19	8,631,142.14
Number of ordinary shares	20,993,647	21,117,443	21,462,529	54,709,000 (a)	56,351,833 (a)
Maximum number of shares to be created by conversion of bonds:	0	0	0	0	0
<b><u>II- Operations and income for the year (in euros)</u></b>					
Revenue excluding tax and financial income	1,747,577	2,334,447	2,764,334	19,714,054	2,375,385
Income before tax employee profit-sharing and depreciation allowance and provisions	-5,158,706	-7,496,532	-11,712,495	-8,836,658	-8,318,013
Tax on profit (income if negative)	-2,088,820	-2,042,621	-2,758,828	-2,038,859	-1,965,473
Employee profit-sharing due for the year	0	0	0	0	0
Income after tax employee profit-sharing and depreciation allowance and provisions.	-5,319,293	-8,387,554	-11,957,883	-9,952,449	-14,883,482.38
Distributed income	0	0	0	0	0
<b><u>III- Earnings per share (in euros)</u></b>					
Income after tax and employee profit-sharing but before depreciation allowances and provisions	-0.15	-0.26	-0.42	-0.12	-0.11
Income after tax employee profit-sharing and depreciation allowance and provisions.	-0.25	-0.40	-0.56	-0.18	-0.26
Dividend per share (indicate if gross or net)	0	0	0	0	0.00
<b><u>IV- Personnel</u></b>					
Average headcount for the period	87	105	104	84	59
Annual payroll (in euros)	3,944,381	4,633,895	4,686,250	4,267,644	3,261,008
Total of amounts paid for social benefits for the year (social security, social welfare programs, etc.) (in euros)	1,811,994	2,151,831	2,090,362	1,933,195	1,427,891

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



## 9. STATUTORY DISCLOSURE OF PRIOR DIVIDEND DISTRIBUTIONS

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

## 10. DISALLOWED TAX DEDUCTIONS

In compliance with article 223 *quater* and 223 *quinquies* of the French General Tax Code, we inform you that the financial statements for the period ended do not include any expenses which are not deductible from taxable income as mentioned in articles 39.4 and 39.5 (subsection 10) of the French General Tax Code (*Code Général des Impôts*), except regarding the excess lease payments on passenger vehicle that are not deductible from taxable income for an amount of EUR 2,043.

## 11. SUPPLIERS' TERMS OF PAYMENT

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

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

In euros	30 days	60 days	Over 60 days	Total outstanding at December 31, 2014
Amounts due to trade suppliers as at December 31, 2014	EUR 591.998,85	EUR 56.545,46	EUR 2.916,75	EUR 651.461,06
Amounts due to equipment suppliers as at December 31, 2014	EUR 1.021.228,62	EUR 5.052,00	EUR 365.223,87	EUR 1.391.504,49
Commercial paper (trade bills) outstanding at December 31, 2014	EUR 0	EUR 0	EUR 0	EUR 0
<b>Total</b>	<b>EUR 1.613.227,47</b>	<b>EUR 61.597,46</b>	<b>EUR 368.140,62</b>	<b>EUR 2,042,965,55</b>

With respect to invoices issued by Valneva's suppliers unpaid at year-end 2013, the aged trial balance of the payables breaks down as follows:

In euros	30 days	60 days	More than 60 days	Total outstanding at December 31, 2013
Amounts due to trade suppliers as at December 31, 2013	EUR 940.753,04	EUR 28.191,33	EUR 62.863,53	EUR 1.031.807,90
Amounts due to equipment suppliers as at December 31, 2013	EUR 138.528,83	EUR 0	EUR 4.272.066,85	EUR 4.410.595,68
Commercial paper (trade bills) outstanding at December 31, 2013	EUR 0	EUR 0	EUR 0	EUR 0
<b>Total</b>	<b>EUR 1.079.281,87</b>	<b>EUR 21.191,33</b>	<b>EUR 4.334.930,38</b>	<b>EUR 5.442.403,58</b>





## 12. SHARE CAPITAL DISTRIBUTION

Please, refer to [Section 15.1](#) of this Annual Report.

## 13. EMPLOYEE STOCK OWNERSHIP

In compliance with the provisions of Article L.225-102 of the French Commercial Code, we report to you on employee stock ownership on the last day of the fiscal year of December 31, 2014 (end of business day).

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

At December 31, 2014 (end of business day), total employee stock ownership (shares in registered form, excluding officers) amounted to 133,685 shares, or 0.23%<sup>2</sup> of the Company's share capital.

### 13.2. Options to subscribe for or purchase shares and restricted share grants

The majority of the Company's employees benefit from equity compensation instruments in the form of stock options or restricted shares.

#### 13.2.1. Stock option plans

The Company has only granted stock options to subscribe for shares. In consequence, plans for stock options to purchase shares do not exist at Valneva.

Company stock option plan highlights are presented below:

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<sup>2</sup> This rate is calculated in reference to a share capital totaling 57,540,948 Valneva shares, divided into 56,351,833 ordinary shares and 17,836,719 preferred shares representing a nominal value of EUR 0.15 per share.



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

### Valneva stock option plan at December 31, 2014 (end of business day)

STOCK OPTION PLANS								
	Plan 1	Plan 2	Plan 3	Plan 4	Plan 4 bis	Plan 5	Plan 6	Plan 7
Grant decision date	General Meeting: June 29, 2001	General Meeting: May 23, 2002	General Meeting: November 29, 2002	General Meeting: November 03, 2004	General Meeting: November 03, 2004	General Meeting: September 13, 2005	General Meeting: June 09, 2009	General Meeting: June 28, 2013
	Board of Directors meeting: July 12, 2001	Board of Directors meeting: May 23, 2002	Management Board meeting: Tranche 1: December 20, 2002 Tranche 2: September 1, 2003 Tranche 3: October 6, 2003 Tranche 4: January 5, 2005 Tranche 5: February 1, 2005	Management Board meeting: Tranche 1: April 5, 2005 Tranche 2: April 5, 2005 Tranche 3: April 5, 2005 Tranche 4: October 5, 2005	Management Board meeting: Tranche 1: April 3, 2006 Tranche 2: April 3, 2006	Management Board meeting: Tranche 1: April 3, 2006 Tranche 2: April 3, 2006	Management Board meeting: October 1, 2010	Management Board meeting: October 2, 2013
Number of beneficiaries	9	19	9 breaking down as follows: Tranche 1: 1 Tranche 2: 1 Tranche 3: 4 Tranche 4: 2 Tranche 5: 1	4 breaking down as follows: Tranche 1: 1 Tranche 2: 1 Tranche 3: 1 Tranche 4: 1	2 breaking down as follows: Tranche 1: 1 Tranche 2: 1	2 breaking down as follows: Tranche 1: 1 Tranche 2: 1	1	293
Duration of plan (as from the date of the decision of the Board of Directors or Management Board)	Until July 12, 2011	Until May 23, 2012	Until: Tranche 1: December 20, 2012 Tranche 2: September 1, 2013 Tranche 3: October 06, 2013 Tranche 4: January 05, 2015 Tranche 5: February 1, 2015	Until: Tranche 1: April 05, 2015 Tranche 2: April 05, 2015 Tranche 3: April 05, 2015 Tranche 4: October 05, 2015	Until: Tranche 1: April 03, 2016 Tranche 2: April 03, 2016	Until: Tranche 1: April 03, 2016 Tranche 2: April 03, 2016	Until October 1, 2020	Until October 02, 2023
Maximum amount authorized by the General Meeting	Authorization to grant a number of stock options corresponding to the creation of 2,420 shares with a nominal value of EUR 15 per share	Authorization to grant a number of stock options corresponding to the creation of 1,810 shares with a nominal value of EUR 15 per share	Authorization to grant a maximum number of 3,610 stock options	Authorization to grant a maximum number of 2,400 stock options	Authorization to grant a maximum number of 1,100 stock options <sup>3</sup>	Authorization to grant a maximum number of 660 stock options	Authorization to grant a maximum number of 290,000 stock options	Authorization to grant an amount of stock options conferring a right to subscribe to a total number of shares representing 4% maximum of the Company's share capital on the date the capital increase is adopted under the terms of the ninth resolution of Valneva's Combined General Meeting of March 7, 2014. <sup>4</sup>

<sup>3</sup> It is stipulated that this number was reduced to 440 under the terms of resolution 19 of the General Meeting of November 3, 2004 and decisions of the Management Board of August 3, 2005 recording the completion of the capital increases.

<sup>4</sup> At the Supervisory Board's meeting of August 29, 2013, the number of these options was set at 2,231,356.



STOCK OPTION PLANS								
	Plan 1	Plan 2	Plan 3	Plan 4	Plan 4 bis	Plan 5	Plan 6	Plan 7
Subscription price <sup>5</sup>	EUR 0.30	EUR 0.45	EUR 1.80	EUR 1.80	EUR 1.80	EUR 1.80	EUR 5.19	EUR 3.21
Option/share conversion ratio <sup>6</sup>	1: 108	1: 108	1: 114	1: 114	1: 114	1: 114	1: 1	1: 1
Number of options granted to employees and/or corporate officers by the Board of Directors or Management Board	2,420	1,810	3,225 breaking down as follows: <b>Tranche 1:</b> 1,535 <b>Tranche 2:</b> 700 <b>Tranche 3:</b> 570 <b>Tranche 4:</b> 120 <b>Tranche 5:</b> 300	2,300 breaking down as follows: <b>Tranche 1:</b> 800 <b>Tranche 2:</b> 900 <b>Tranche 3:</b> 300 <b>Tranche 4:</b> 300	320 breaking down as follows: <b>Tranche 1:</b> 160 <b>Tranche 2:</b> 160	530 breaking down as follows: <b>Tranche 1:</b> 240 <b>Tranche 2:</b> 290	14,000	1,052,950
Starting date for the exercise of options	July 12, 2005	May 23, 2006	<b>Tranche 1:</b> according to objectives <b>Tranche 2:</b> according to objectives <b>Tranche 3:</b> October 06, 2007 <b>Tranche 4:</b> January 05, 2009 <b>Tranche 5:</b> February 1, 2009	<b>Tranche 1:</b> according to objectives <b>Tranche 2:</b> according to objectives <b>Tranche 3:</b> April 05, 2009 <b>Tranche 4:</b> October 05, 2009	<b>Tranche 1:</b> according to objectives <b>Tranche 2:</b> according to objectives	<b>Tranche 1:</b> according to objectives <b>Tranche 2:</b> according to objectives	According to the objectives	10/2/2015 10/2/2017 <sup>7</sup>
Number of shares exercised at December 31, 2014	1,320	1,310	2,709	1,360	160	290	0	0
Number of shares subscribed for at December 31, 2014 by exercising stock options	132,664	135,000	287,326	149,646	17,280	31,320	0	0
Exercisable options not yet exercised at December 31, 2014	0	0	90	700	160	90	7,000	947,300
of which options exercisable by officers	0	0	0	700	160	90	0	300,000

<sup>5</sup> For plans 1 to 5: the subscription price as revised in accordance with resolution two of the Extraordinary General Meeting of March 31, 2007.

<sup>6</sup> For plans 1 to 5: the conversion ratio as revised in accordance with resolution two of the Extraordinary General Meeting of March 31, 2007 and the decisions of the Management Board meetings of August 27, 2010 and July 24, 2013, according to the case.

<sup>7</sup> 50% of options may be exercised after being held for two years, the remaining 50% becoming exercisable after being held for four years.


STOCK OPTION PLANS								
	Plan 1	Plan 2	Plan 3	Plan 4	Plan 4 bis	Plan 5	Plan 6	Plan 7
Potential number of shares available for subscription at December 31, 2014 from exercisable options	0	0	10,260	79,800	18,240	10,260	7,000	947,300
Number of options having lapsed at December 31, 2014	1,100	500	426	240	0	150	7,000	105,650
Balance of options remaining to be granted at December 31, 2014 under the General Meeting's authorization – authorization status	0 Authorization expired	0 Authorization expired	0 Authorization expired	0 Authorization expired	0 Authorization expired	0 Authorization expired	0 Authorization expired	0 Authorization rendered null and void by the Combined General Meeting of June 26, 2014
Theoretical number of shares available for take up at December 31, 2014 if the Board of Directors or Management Board makes use of the remainder amount under the General Meeting's authorization	0	0	0	0	0	0	0	0

At December 31, 2014 (end of business day) for all Company plans combined, 955,340 exercisable options were outstanding permitting the subscription for 1,072,860 new ordinary Valneva shares, or a potential nominal increase in the share capital of EUR 160,929, representing a maximum potential dilution of 1.86%<sup>8</sup>.

<sup>8</sup> This rate is calculated in reference to a share capital totaling 57,540,948 Valneva shares, divided into 56,351,833 ordinary shares and 17,836,719 preferred shares representing a nominal value of EUR 0.15 per share.



### 13.2.2. Restricted share units plan

In fiscal year 2014, 42,833 restricted share units were transferred to beneficiaries at the end of the vesting date under the restricted share units plans of February 22, 2010 and October 1, 2010 in the form of new shares.

At December 31, 2014 (end of business day) for all Company plans combined, 39,000 restricted share units were in the process of vesting by their beneficiaries, representing potential maximum increase in the share capital of EUR 5,850 or a potential dilution of 0.07%<sup>9</sup>.

Highlights of Company restricted share unit plans are presented below:

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<sup>9</sup> This rate is calculated in reference to a share capital totaling 57,540,948 Valneva shares, divided into 56,351,833 ordinary shares and 17,836,719 preferred shares representing a nominal value of EUR 0.15 per share.



## Valneva restricted share unit plans at December 31, 2014 (end of business day)

SUMMARY OF PAST RESTRICTED SHARE PLANS			
	Plan 1	Plan 2	Plan 3
Restricted share grant decision date	General Meeting: March 31, 2007	General Meeting: June 9, 2009	General Meeting: AGM 1: 10 June 2010 AGM 2: June 07, 2011 AGM 3: June 4, 2012
	Management Board meeting: <ul style="list-style-type: none"> <li>Tranche 1: September 04, 2007</li> <li>Tranche 2: July 25, 2008</li> <li>Tranche 3: July 23, 2009</li> <li>Tranche 4: July 23, 2009</li> <li>Tranche 5: February 22, 2010</li> <li>Tranche 6: February 22, 2010</li> </ul>	Management Board meeting: <ul style="list-style-type: none"> <li>Tranche 1: February 22, 2010</li> <li>Tranche 2: February 22, 2010</li> <li>Tranche 3: February 22, 2010</li> <li>Tranche 4: October 1, 2010</li> <li>Tranche 5: October 1, 2010</li> <li>Tranche 6: September 06, 2011</li> <li>Tranche 7: September 06, 2011</li> </ul>	Management Board meeting: <ul style="list-style-type: none"> <li>Tranche 1: July 24, 2013</li> <li>Tranche 2: July 24, 2013</li> </ul>
Maximum amount authorized by the General Meeting	Authorization to grant for no consideration a maximum number of 436,000 ordinary shares	Authorization to grant for no consideration a maximum number of 290,000 ordinary shares	AGM 1 : Authorization to grant for no consideration a maximum number of 7.500 ordinary shares  AGM 2 : Authorization to grant for no consideration a maximum number of 7.500 ordinary shares  AGM 3 : Authorization to grant for no consideration a maximum number of 157.000 ordinary shares
Number of beneficiaries	<ul style="list-style-type: none"> <li>Tranche 1: 23 (employees and officers)</li> <li>Tranche 2: 11 employees</li> <li>Tranche 3: 13 employees</li> <li>Tranche 4: 2 employees</li> <li>Tranche 5: 1 officer</li> <li>Tranche 6: 1 officer</li> </ul>	<ul style="list-style-type: none"> <li>Tranche 1: 1 officer</li> <li>Tranche 2: 1 officer</li> <li>Tranche 3: 11 employees</li> <li>Tranche 4: 13 employees</li> <li>Tranche 5: 6 employees</li> <li>Tranche 6: 10 employees</li> <li>Tranche 7: 6 employees</li> </ul>	<ul style="list-style-type: none"> <li>Tranche 1: 10 employees</li> <li>Tranche 2: 17 employees</li> </ul>
Vesting period	<ul style="list-style-type: none"> <li>Tranche 1: 4 years for "employee" beneficiaries; 2 years for "Management Board member" beneficiaries</li> <li>Tranche 2: 4 years</li> <li>Tranche 3: 4 years</li> <li>Tranche 4: 2 years</li> <li>Tranche 5: 2 years</li> <li>Tranche 6: 2 years as from January 1, 2011</li> </ul>	<ul style="list-style-type: none"> <li>Tranche 1: 2 years as from January 1, 2011</li> <li>Tranche 2: 2 years as from January 1, 2012</li> <li>Tranche 3: 4 years</li> <li>Tranche 4: 4 years</li> <li>Tranche 5: 2 years</li> <li>Tranche 6: 4 years</li> <li>Tranche 7: vesting period complete on October 09, 2013</li> </ul>	<ul style="list-style-type: none"> <li>Tranche 1: 4 years</li> <li>Tranche 2: 2 years</li> </ul>



SUMMARY OF PAST RESTRICTED SHARE PLANS			
	Plan 1	Plan 2	Plan 3
Lock-up period (from the vesting date) <sup>10</sup>	<ul style="list-style-type: none"> <li>Tranche 1: 2 years</li> <li>Tranche 2: 2 years</li> <li>Tranche 3: 2 years</li> <li>Tranche 4: 2 years</li> <li>Tranche 5: 2 years</li> <li>Tranche 6: 2 years</li> </ul>	<ul style="list-style-type: none"> <li>Tranche 1: 2 years</li> <li>Tranche 2: 2 years</li> <li>Tranche 3: 2 years</li> <li>Tranche 4: 2 years</li> <li>Tranche 5: 2 years</li> <li>Tranche 6: 2 years</li> <li>Tranche 7: 2 years</li> </ul>	<ul style="list-style-type: none"> <li>Tranche 1: 2 years</li> <li>Tranche 2: 2 years</li> </ul>
Number of restricted shares granted to employees and/or company officers	436,000 restricted shares, breaking down as follows: <ul style="list-style-type: none"> <li>Tranche 1: 296,000</li> <li>Tranche 2: 60,500</li> <li>Tranche 3: 18,500</li> <li>Tranche 4: 10,000</li> <li>Tranche 5: 33,334</li> <li>Tranche 6: 17,666</li> </ul>	137,500 restricted shares, breaking down as follows: <ul style="list-style-type: none"> <li>Tranche 1: 15,667</li> <li>Tranche 2: 33,333</li> <li>Tranche 3: 6,500</li> <li>Tranche 4: 9,500</li> <li>Tranche 5: 38,000</li> <li>Tranche 6: 6,000</li> <li>Tranche 7: 28,500</li> </ul>	52,000 restricted shares, breaking down as follows: <ul style="list-style-type: none"> <li>Tranche 1: 7,500</li> <li>Tranche 2: 44,500</li> </ul>
Number of restricted shares fully vested at December 31, 2014	377,000	101,500	0
Number of restricted shares in process of vesting at December 31, 2014	0	4,500	34,500
Number of restricted shares in process of vesting at December 31, 2014	0	0	0
Number of restricted shares lapsed at December 31, 2014	59,000	31,500	17,500
Balance of restricted share units remaining to be granted at December 31, 2014 under the General Meeting's authorization – authorization status	0 Authorization expired	0 Authorization expired	AGM 1: 0 Authorization expired  AGM 2: 0 Maximum amount of the authorization reached – Authorization officially expiring on August 7, 2014  AGM 3 : 120,000 Authorization expiring on August 4, 2015

<sup>10</sup> The Company's Supervisory Board has set out the terms of lock-up for restricted shares granted to company officers.

Under these terms, two options are available:

- the restricted shares may not be transferred before the termination of their duties,

- corporate officers are required to retain a selected number of shares originating from the plan in registered form until the termination of their duties.

The Company's corporate officers most often choose the second option (generally 20 to 25% of restricted shares granted for no consideration having vested must be kept).





## **14. SIGNIFICANT EQUITY INVESTMENTS IN COMPANIES HAVING THEIR REGISTERED OFFICE IN FRANCE; CONTROLLING INTERESTS ACQUIRED IN SUCH COMPANIES**

In 2014, Valneva did not require any material equity interests in companies having been registered office in France representing more than a twentieth, tenth, fifth, third or half of the capital of this company, and further does not exercise control over such company.

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

### **15.1. Company capital structure at December 31, 2014**

At December 31, 2014, the Company's share capital stood at EUR 8,631,142.14 divided into

- + 56,351,833 ordinary shares with a par value of EUR 0.15 each and
- + 17,836,719 preferred shares with a par value of EUR 0.01 each.

The theoretical number of corresponding voting rights (including voting rights having been suspended such as those associated with treasury shares) is 56,351,833.

A description of Valneva's capital structure (at December 31, 2014, end of the business day) is presented below:



*Valneva's capital structure at December 31, 2014 (end of business day)*

		Shares held	% (a)	Number of theoretical voting rights (including suspended voting rights)	%
<b>Groupe Grimaud La Corbière (b)</b>		11 843 327	20,58	11 843 327	21,02
<b>BPI France Participations SA</b>		5 499 863	9,56	5 499 863	9,76
<b>Management Board Members</b>	<b>Total Board Members</b>	524 746	0,91	523 880	0,93
	Franck GRIMAUD	375 140	0,65	375 140	0,67
	Thomas LINGELBACH (c)	98 978	0,17	98 740	0,18
	Reinhard KANDERA (c)	50 628	0,09	50 000	0,09
<b>Non-officer employees</b>		133 685	0,23	133 685	0,24
<b>Other private individual shareholders</b>		1 455 922	2,53	1 454 421	2,58
Of which private individual shareholders of the Grimaud family and Financière Grand Champ SAS (b) (c)		834 542	1,45	834 542	1,48
Of which investors		172 266	0,30	172 266	0,31
Of which independent members of the Supervisory Board	Alain MUNOZ	41 800	0,07	41 800	0,07
	Michel GRECO (c)	618	0,00	586	0,00
	James SULAT	13 500	0,02	13 500	0,02
	Alexander VON GABAIN (c)	23 517	0,04	22 048	0,04
Other private individual investors with shares in registered form		369 679	0,64	369 679	0,66
<b>Other bearer shares</b>		36 896 657	64,12	36 896 657	65,48
<b>Other preferred shares</b>		1 186 748	2,06	0	0,00
<b>TOTAL</b>		<b>57 540 948</b>	<b>100,00</b>	<b>56 351 833</b>	<b>100,00</b>

(a) This rate is calculated in reference to a share capital totaling 57,540,948 Valneva shares, divided into 56,351,833 ordinary shares and 17,836,719 preferred shares with a nominal value of EUR 0.01 written down to a nominal value of EUR 0.15 per share.

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

(c) Securities mentioned in the column "Shares held" include bearer shares and/or preferred shares written down to a nominal value of EUR 0.15, as applicable.



## 15.2. Restrictions under the articles of association on the exercise of voting rights or the transfer of shares disclosed in accordance with article L.233-11 of the French Commercial Code

### 15.2.1. Restrictions relating to double voting rights

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

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

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

### 15.2.2. Restrictions on voting rights exercisable in General Meetings

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

### 15.2.3. Clauses of agreements reported to the Company in application of article L.233-11 of the French Commercial Code

The Company was not informed in 2014 of any new contractual provisions providing for preferential terms and conditions for the sale and purchase of Valneva shares concerning at least 0.5% of the Company's capital or voting rights.

Readers are nevertheless invited to refer to [Section 15.6](#) of this Annual Report, with respect to the Shareholders Agreement executed on July 5, 2013 between Groupe Grimaud La Corbière ("GGLC"), France's Strategic Investment Fund (*Fonds stratégique d'Investissement* or FSI), today named "Bpifrance Participations", Franck Grimaud, Majid Mehtali, Thomas Lingelbach and Reinhard Kandra.



### 15.3. Direct or indirect holdings in the share capital of the Company of which it is informed under articles L233-7 and L233-12 of said code

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

During fiscal 2014, Valneva was informed that the following thresholds were crossed:

#### **Statements of La Financière Grand Champ SAS**

+ Financière Grand Champ SAS declared, for the purposes of regularization, having crossed the thresholds for itself and for the following persons with which it acted in concert:

- Groupe Grimaud La Corbière, its subsidiary over which it exercises control and with which it is considered to act in concert in accordance with article L.233-10 II 2° of the French Commercial Code,
- Frédéric Grimaud, Chairman of Groupe Grimaud La Corbière, considered to act in concert in accordance with article L.233-10 II 1° of the French Commercial Code,
- Joseph Grimaud, Marie-Thérèse Grimaud, Renée Grimaud, Thomas Grimaud, Odile Grimaud Chateigner, Agnès Grimaud, Anne Marie Grimaud, Bruno Grimaud, partners of Financière Grand Champ, considered to be acting in concert in accordance with article L.233-10 II 4° of the French Commercial Code,

(refer to jointly as the "**Grimaud Family Shareholding Group**")

having crossed below on May 28, 2013 the statutory threshold of 2/3 of the voting rights and 50% and 1/3 of the capital and voting rights of the Company.

On this occasion, the Grimaud Family Shareholding Group accordingly also crossed below all statutory thresholds between 30% and 52% of the Company's capital and between 30% and 66% of the Company's voting rights.

On May 28 2013, the Grimaud Family Shareholding Group accordingly held a total amount of 11,568,195 Valneva shares representing an equivalent amount of voting rights or 28.54% of the capital and 29.41% of the voting rights of the Company<sup>11</sup>, breaking down as follows:

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<sup>11</sup> Based on a capital made up of 39,339,385 ordinary shares with a nominal value of EUR 0.15 per share and 17,836,719 preferred shares with a nominal value of EUR 0.01 per share or 40,528,500 shares, in light of the nominal value of the shares representing 39,339,385 voting rights in application of subsection 2 of article 223-11 of the AMF General Regulation.



	Number of shares	% of capital	Number of voting rights	% of voting rights
Groupe Grimaud La Corbière	10,885,280	26.86	10,885,280	27.67
Financière Grand Champ	277,700	0.69	277,700	0.71
Frédéric Grimaud	203,052	0.50	203,052	0.52
Joseph Grimaud	115,699	0.29	115,699	0.29
Marie Thérèse Grimaud	50,000	0.12	50,000	0.13
Renée Grimaud	35,000	0.09	35,000	0.09
	780	NS	780	NS
Anne Marie Grimaud	480	NS	480	NS
Thomas Grimaud	100	NS	100	NS
Odile Grimaud Chateigner	62	NS	62	NS
Bruno Grimaud	42	NS	42	NS
<b>TOTAL Grimaud Family Shareholding Group</b>	<b>11,568,195</b>	<b>28.54</b>	<b>11,568,195</b>	<b>29.41</b>

The crossing of the thresholds results from the merger between Vivalis SA (having become "Valneva SE") and Intercell AG, effective as from May 28, 2013<sup>12</sup>.

Groupe Grimaud La Corbière furthermore declared having, on this same occasion, individually crossed below the statutory thresholds of 50% and 1/3 of the Company's capital and voting rights. Groupe Grimaud La Corbière therefore also crossed below individually all statutory thresholds between 28% and 50% of the Company's capital and between 28% and 64% of the Company's voting rights.

+ Financière Grand Champ SAS thereupon declared, for the purposes of regularization, both for itself and other members of the Grimaud Family Shareholding Group, having crossed below, on July 5, 2013 the statutory threshold of 25% of the Company's capital and voting rights. On this occasion, the Grimaud Family Shareholding Group accordingly crossed below all statutory thresholds between 24% and 28% of the Company's capital and voting rights.

On July 5, 2013, the Grimaud Family Shareholding Group accordingly held a total of 12,727,397 Valneva ordinary shares representing an equivalent amount of voting rights or 22.82% of the capital and 23.31% of the voting rights of the Company<sup>13</sup>, breaking down as follows:

	Number of shares	% of capital	Number of voting rights	% of voting rights
Grimaud La Corbière Group	11,843,327	21.23	11,843,327	21.69
Financière Grand Champ	384,505	0.69	384,505	0.70
Frédéric Grimaud	235,127	0.42	235,127	0.43
Joseph Grimaud	145,284	0.26	145,284	0.27
Marie Thérèse Grimaud	69,230	0.12	69,230	0.13
Renée Grimaud	48,460	0.09	48,460	0.09
Agnès Grimaud	780	NS	780	NS
Anne Marie Grimaud	480	NS	480	NS
Thomas Grimaud	100	NS	100	NS
Odile Grimaud Chateigner	62	NS	62	NS
Bruno Grimaud	42	NS	42	NS
<b>TOTAL Grimaud Family Shareholding Group</b>	<b>12,727,397</b>	<b>22.82</b>	<b>12,727,397</b>	<b>23.31</b>

<sup>12</sup> See in particular Document E filed with the AMF (No. 13-003) on January 23, 2013

<sup>13</sup> Based on a capital made up of 54,594,780 ordinary shares with a nominal value of EUR 0.15 per share and 17,836,719 preferred shares with a nominal value of EUR 0.01 per share or 55,783,895 shares, in light of the nominal value of the shares representing 54,594,780 voting rights in application of subsection 2 of article 223-11 of the AMF General Regulation.



The crossing of the thresholds results from the increase in capital by maintaining preferential subscription rights of shareholders decided by the Company on June 13, 2013<sup>14</sup>. The settlement-delivery and admission of the new shares to trading thereafter took effect on July 5, 2013.

Groupe Grimaud La Corbière furthermore declared having, on this same occasion, individually crossed below this same statutory threshold of 25% of the Company's capital and voting rights. Groupe Grimaud La Corbière therefore also crossed below individually all statutory thresholds between 22% and 26% of the Company's capital and voting rights.

#### **Statement of EPIC BPI-Groupe**

+ The French public undertaking (*Etablissement Public Industriel et Commercial*) BPI-Groupe (formally "EPIC OSEO") – hereafter "**EPIC BPI-Group**" - declared having crossed below on May 29, 2014, the statutory threshold of 10% the Company's voting rights, via Bpifrance Participations SA (formally "FSI" - a company controlled by BPI-Groupe SA).

On May 29, 2014, EPIC BPI-Group therefore held indirectly through Bpifrance Participations SA, 5,499,863 shares and voting rights of the Company or 9.74% of the capital and 9.95% of the voting rights<sup>15</sup>.

The crossing of this threshold results from the issue of 500,000 new ordinary shares of the Company following the exercise of equity warrants (*Bons d'Emission d'Actions*) in connection with the equity line set up by the Company.

#### **15.4. List of all security holders with special control rights and description of said rights**

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

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

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

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

A Shareholders Agreement was executed on July 5, 2013 between Groupe Grimaud La Corbière ("**GGLC**"), France's Strategic Investment Fund (*Fonds stratégique d'Investissement* or FSI), renamed "Bpifrance Participations"), Franck Grimaud, Majid Mehtali, Thomas Lingelbach and Reinhard Kandra.

The Shareholders Agreement was executed in connection with the capital increase maintaining preferential subscription rights by Valneva for approximately EUR 40 million for which the

<sup>14</sup> See the original French Securities Note filed with the AMF (Visa No. 13-0275).

<sup>15</sup> Based on a capital made up of 55,246,333 ordinary shares with a nominal value of EUR 0.15 per share and 17,836,719 preferred shares with a nominal value of EUR 0.01 per share or 56,435,448 shares, in light of the nominal value of the shares representing 55,246,333 voting rights in application of subsection 2 of article 223-11 of the AMF General Regulation.





prospectus was submitted for clearance with the French Financial Markets Authority (Visa no.°13-0275) and which follows the creation of Valneva from the merger of Vivalis and Intercell.

The Shareholders Agreement's main provisions are as follows :

### **Agreement to not act in concert**

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

### **Governance**

#### **Composition of the Supervisory Board**

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

#### **Composition of the Management Board**

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



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

### **Transfer of shares**

#### **Lock-up commitment.**

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

#### **Unrestricted transfers.**

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

#### **Right of first refusal.**

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

#### **Anti-dilution.**

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

### **Duration of Agreement**

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

## **15.7. Rules and regulations pertaining to the appointment and replacement of Management Board members and modifications to the articles of association**

The rules and regulations applicable in this area comply with the provisions of the articles of association and the law.



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

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

### 15.8.1. Information on authorizations for stock option and/or restricted share unit plans

#### Combined General Meeting of June 7, 2011

Operation	Resolution	Duration of the authorization	Terms and maximum amount of the capital increase/reduction	Status of the authorization
Issuance of stock options to subscribe for shares	15	38 months, i.e. until August 7, 2014	<p>The Management Board is authorized to grant employees and officers of the Company and its subsidiaries, 7,500 stock options, each conferring a right to subscribe for one ordinary share of the Company, it being specified that the entire issue undertaken under this resolution shall be included under the maximum authorization set in resolution sixteen of this shareholders' meeting;</p> <p>The subscription price of the shares shall equal 80% of the average price of the shares over the twenty trading days preceding the date of grant by the Management Board. In addition, in respect to setting the subscription price for shares, the Management Board may not apply any advantage or discount on the price set according to legal conditions at the time options are granted.</p> <p><b>Protection of the interest of recipients of options</b></p> <p>If the company proceeds with (i) a repayment or reduction of share capital, (ii) a grant of restricted shares, the capitalization of reserves, earnings or share premium, (iii) a distribution of reserves or share premium, (iv) a modification of the allocation of earnings by the creation of preferred shares, (v) an issue of new shares, in any form whatsoever, conferring rights to the share capital or securities conferring rights to the grant of equity securities with preferential subscription rights in favor of shareholders, the rights of recipients of stock options must be safeguarded in accordance with the provisions provided for by Articles L.228-99 of the French Commercial Code.</p> <p>The Management Board shall designate the beneficiaries of the plan, determine the amount of subscriptions pursuant to the exercise of options, set the date as of which stock options may be exercised and the maximum period for exercising options.</p> <p>This authorization entails the express waiver in favor of the recipients of the options by the shareholders of their preferential subscription rights to shares that will be issued as options are exercised.</p>	<p>Authorization still in force</p> <p>***</p> <p>Authorization not yet used</p> <p>***</p> <p>Balance of the authorization: The maximum amount of the authorization for the issuance of options to subscribe for shares has been reached through the grant of restricted share units for no consideration under resolution 16 of the combined shareholders' meeting of June 7, 2011 (see below)</p>
Issue of restricted share units, repurchase by the Company of its shares on the market for this purpose	16	38 months, i.e. until August 7, 2014	<p>Authorization granted to the Management Board to make, on one or more occasions grants of existing or future shares, of the Company to selected categories of beneficiaries whose identity shall be determined by the Management Board from among:</p> <ul style="list-style-type: none"> <li>- Salaried employees of the Group and its subsidiaries;</li> <li>- Members of the Management Board and executive officers of its subsidiaries.</li> </ul> <p>The vesting period following which the grant of ordinary shares to the beneficiaries shall become definitive, subject to any conditions determined by the Management Board, is set at a minimum of two years and except in cases of disability of the beneficiary recognized under Article L. 225-197-1 I of the French Commercial Code, from the date of final grant of the shares.</p> <p>Beneficiaries must hold the shares freely granted to them for a minimum of two years after the shares have been fully vested, except cases where the beneficiary is recognized as ineligible in compliance with Article L. 225-197-1 I of the French Commercial Code.</p> <p>The total number of ordinary shares that may be freely granted under this authorization may not exceed 7,500 shares or 0.03 % of the share capital of the Company on the date of this authorization, it being specified that any issue undertaken under this resolution shall be included under the maximum amount set forth in resolution fifteen of this General Meeting;</p> <p>In compliance with Article L225-132 of the French Commercial Code, the decision of the shareholders' meeting entails automatic waiver in favor of the recipients of restricted shares by the shareholders of their preferential subscription rights for ordinary shares issued as capital increases are carried out through the capitalization of reserves, earnings or share premium, decided by the Management Board, under this authority, and any rights to the portion of reserves, earnings or share premium thus capitalized, on condition that the grant of said shares to recipients becomes definitive after the vesting period.</p>	<p>Authorization still in force</p> <p>***</p> <p>Authorization used in connection with the implementation of the restricted share unit plan of the Company No. 3 – tranche 2, of July 24, 2013, for 7,500 shares (See <a href="#">Section 13.2.2</a> of the Annual Report)</p> <p>***</p> <p>Balance of the authorization: the maximum amount of the authorization for the grant of restricted share units for no consideration has been reached</p>



## Combined general meeting' meeting of June 4, 2012

Operation	Resolution	Duration of the authorization	Terms and maximum amount of the capital increase/reduction	Status of the authorization
<b>Issuance of stock options to subscribe for shares</b>	16	38 months, i.e. until August 04, 2015	<p>The Management Board is authorized to grant employees and officers of the Company and its subsidiaries, 157,000 stock options, each conferring a right to subscribe for one ordinary share of the Company, it being specified that the entire issue undertaken under this resolution shall be included under the maximum authorization set in resolution seventeen of this shareholders' meeting;</p> <p>The subscription price of the shares shall equal 80% of the average price of the shares over the twenty trading days preceding the date of grant by the Management Board.</p> <p>In addition, in respect to setting the subscription price for shares, the Management Board may not apply any advantage or discount on the price set according to legal conditions at the time options are granted.</p> <p><b><u>Protection of the interest of recipients of options</u></b></p> <p>If the Company proceeds with (i) a repayment or reduction of share capital, (ii) a grant of restricted shares, the capitalization of reserves, earnings or share premium, (iii) a distribution of reserves or share premium, (iv) a modification of the allocation of earnings by the creation of preferred shares, (v) an issue of new shares, in any form whatsoever, conferring rights to the share capital or securities conferring rights to the grant of equity securities with preferential subscription rights in favor of shareholders, the rights of recipients of stock options must be safeguarded in accordance with the provisions provided for by Articles L.228-99 of the French Commercial Code.</p> <p>The Management Board shall designate the beneficiaries of the plan, determine the amount of subscriptions pursuant to the exercise of options, set the date as of which stock options may be exercised and the maximum period for exercising options.</p> <p>This authorization entails the express waiver in favor of the recipients of the options by the shareholders of their preferential subscription rights to shares that will be issued as options are exercised.</p>	<p>Authorization still in force</p> <p>***</p> <p>Authorization not yet used</p> <p>***</p> <p>Balance of the authorization: a number of options corresponding to the creation of an amount not to exceed 120,000 ordinary Valneva shares may be issued under this resolution (whereby it is understood that this maximum amount will be deducted from the number of restricted share units granted for no consideration under resolution seventeen of the combined general meeting of June 4, 2012 (see below))</p>
<b>Issue of restricted share units, repurchase by the Company of its shares on the market for this purpose</b>	17	38 months, i.e. until August 4, 2015	<p>Authorization granted to the Management Board to make, on one or more occasions grants of existing or future shares, of the Company to selected categories of beneficiaries whose identity shall be determined by the Management Board from among:</p> <ul style="list-style-type: none"> <li>- Salaried employees of the Group and its subsidiaries;</li> <li>- Members of the Management Board and executive officers of its subsidiaries.</li> </ul> <p>The vesting period following which the grant of ordinary shares to the beneficiaries shall become definitive, subject to any conditions determined by the Management Board, is set at a minimum of two years and except in cases of disability of the beneficiary recognized under Article L. 225-197-1 I of the French Commercial Code, from the date of final grant of the shares.</p> <p>Beneficiaries must hold the shares freely granted to them for a minimum of two years after the shares have been fully vested, except cases where the beneficiary is recognized as ineligible in compliance with Article L. 225-197-1 I of the French Commercial Code.</p> <p>The total number of ordinary shares that may be freely granted under this authorization may not exceed 157,000 shares or 0.74 % of the share capital of the Company on the date of this authorization, it being specified that any issue undertaken under this resolution shall be included under the maximum amount set forth in resolution sixteen of this General Meeting;</p> <p>In compliance with Article L225-132 of the French Commercial Code, the decision of the shareholders' meeting entails automatic waiver in favor of the recipients of restricted shares by the shareholders of their preferential subscription rights for ordinary shares issued as capital increases are carried out through the capitalization of reserves, earnings or share premium, decided by the Management Board, under this authority, and any rights to the portion of reserves, earnings or share premium thus capitalized, on condition that the grant of said shares to recipients becomes definitive after the vesting period.</p>	<p>Authorization still in force</p> <p>***</p> <p>Authorization used in connection with the implementation of a restricted share unit plan of the Company No. 3 – tranche 2, of July 24, 2013, for 37,000 shares (See <a href="#">Section 13.2.2</a> of the Annual Report)</p> <p>***</p> <p>Balance of the authorization: 120,000 restricted share may be issued under this resolution (whereby it is understood that this maximum amount will be deducted from the number of stock options granted under resolution sixteen of the combined general meeting of June 4, 2012 (see above))</p>



## Combined General Meeting of June 26, 2014

Operation	Resolution	Duration of the authorization	Terms and maximum amount of the capital increase/reduction	Status of the authorization
Issuance of stock options to subscribe for shares	20	38 months, i.e. until August 26, 2017	+ Authorization given to the Management Board to grant to employees and executive officers of the Company and its subsidiaries, options conferring a right to subscribe for new ordinary shares of the Company;	Authorization still in force ***
			+ The total number of options granted under this authorization may not give rise to the right to subscribe to a total number of shares representing more than 4% of the capital of the Company on the grant date;	Authorization not yet used ***
			+ The subscription price of the shares shall equal 100% of the average price of the shares over the twenty trading days preceding the date of grant by the Management Board. The Management Board may not apply any advantage or discount on the price set according to legal conditions at the time options are granted;	Balance of the authorization: possibility to issue a total number of options giving rise to the right to subscribe to a total number of shares representing 4% maximum of the capital of the Company on the grant date ***
			+ <u>Protection of the interest of recipients of options</u>  If the Company proceeds with (i) a repayment or reduction of the share capital, (ii) a grant of restricted shares, the capitalization of reserves, earnings or share premium, (iii) a distribution of reserves or share premium, (iv) a modification of the allocation of earnings by the creation of preferred shares, (v) an issue of new shares, in any form whatsoever, conferring rights to the share capital or securities conferring rights to the grant of equity securities with preferential subscription rights in favor of shareholders, the rights of recipients of stock options must be safeguarded in accordance with the provisions provided for by Articles L.228-99 of the French Commercial Code.  + The Management Board shall designate the beneficiaries of the plan, determine the amount of subscriptions pursuant to the exercise of options, set the date as of which stock options may be exercised and the maximum period for exercising options.  + This authorization entails the express waiver in favor of the recipients of the options by the shareholders of their preferential subscription rights to shares that will be issued as options are exercised.	This authorization replaces the authorization given by the General Meeting of June 28, 2013.
Issue of restricted share units, repurchase by the Company of its shares on the market for this purpose	21	38 months, i.e. until August 26, 2017	+ Authorization granted to the Management Board to make, on one or more occasions grants of existing or future shares, of the Company to selected categories of beneficiaries whose identity shall be determined by the Management Board from among: - Salaried employees of the Group and its subsidiaries; - Members of the Management Board and executive officers of its subsidiaries.	Authorization still in force ***
			+ The vesting period following which the grant of ordinary shares to the beneficiaries shall become definitive is set by the General Meeting at a minimum of two years and except cases where the beneficiary is recognized as ineligible in compliance with Article L. 225-197-1 I of the French Commercial Code;	Authorization not yet used ***
			+ The shareholders decide that recipients must hold the shares freely granted to them for a minimum of two years after the shares have been fully vested, except cases where the beneficiary is recognized as ineligible in compliance with article L. 225-197-1 I of the French Commercial Code.	Balance of the authorization: possibility to issue a total number of ordinary shares granted for no consideration representing 2% maximum of the capital of the Company on the grant date ***
			+ The total number of ordinary shares granted for no consideration pursuant to this authorization may not represent more than 2% of the capital of the Company on the grant date;  + Existing shares that may be granted may be acquired in accordance with Article L 225-208 of the French Commercial Code;  + In compliance with Article L. 225-132 of the French Commercial Code, the decision of the shareholders' meeting entails automatic waiver in favor of the recipients of restricted shares by the shareholders of their preferential subscription rights for ordinary shares issued as capital increases are carried out through the capitalization of reserves, earnings or share premium, decided by the Management Board, under this authority, and any rights to the portion of reserves, earnings or share premium thus capitalized, on condition that the grant of said shares to recipients becomes definitive after the vesting period.	This authorization replaces the authorization given by the General Meeting of June 28, 2013.



## 15.8.2. Other capital authorized in FY 2014

### Combined General Meeting of June 26, 2014

Operation	Resolution	Duration of the authorization	Terms and maximum amount of the capital increase/reduction	Status of the authorization
Issuance of equity warrants	11	18 months (under resolution 12 of this AGM) or until December 26, 2015	<p>The purpose of this resolution is to authorize the issuance without consideration of 153,000 equity warrants ("<b>BSA 25 issue</b>") entailing the cancellation of preferential subscription rights for individual non-salaried members of the Company's Supervisory Board, whereby the Meeting assigns the Management Board with the task of drawing up the list of beneficiaries for this category and the number of warrants to be granted.</p> <p><b>CHARACTERISTICS OF BSA 25 EQUITY WARRANTS</b></p> <p><u>Form</u> BSA 25 warrants will be created exclusively in registered form.</p> <p><u>Term</u> Each BSA 25 warrant will be exercisable over a maximum period of five (5) years. As a result, at the end of the exercisable period and subject to the provisions set forth below, BSA 25 warrants that have not been exercised will immediately become null and void.</p> <p><u>Transfer</u> All BSA 25 warrants shall be freely transferable.</p> <p><u>Issue price</u> Each BSA 25 warrant will be issued free of charge.</p> <p><u>Exercise price</u> Each BSA 25 warrant will permit subscription for one new share of the Company. The subscription price for this share shall equal the average closing price for the last 20 trading days as of the grant date by the Management Board.</p> <p>The subscription price shall be payable in full on subscription either in cash or by means of offsetting certain, liquid and payable debts.</p> <p>The Management Board has been vested with all powers for the purpose of, in particular:</p> <ul style="list-style-type: none"> <li>- setting the final terms and conditions for issuing the BSA 25 warrants according to the criteria set forth in this resolution and notably determining the subscription period for the BSA 25 warrants;</li> </ul> <p>The General Meeting authorizes the Management Board to increase the capital by a maximum amount EUR 22,950 by issuing no more than 153,000 new shares, each with a nominal value of EUR 0.15, by payment of a subscription price as defined above, as a result of the exercising of all or some of the BSA 25 warrants.</p> <ul style="list-style-type: none"> <li>- take all measures necessary for the proper execution of the BSA 25 equity warrant issue;</li> <li>- receive subscription orders for shares from the exercise of BSA 25 warrants and payments of the subscription price;</li> <li>- record the number and amount of shares issued from the exercise of BSA 25 warrants;</li> <li>- take all measures required, including issuing additional new shares, or, in compliance with the law, preserve the rights of BSA 25 warrant holders;</li> <li>- carry out, in accordance with the law, formalities resulting from the corresponding capital increases and amend the articles of association in consequence, and</li> <li>- take all measures and carry out all formalities that are useful for the BSA 25 warrant issue or the creation of shares to be issued upon the exercise of said warrants, and more generally, do all that is required in accordance with the laws and regulations in force.</li> </ul>	<p>Authorization still in force</p> <p>***</p> <p>Authorization not yet used</p> <p>***</p> <p>Balance of the authorization: possibility to issue 153,000 equity warrants ("<b>BSA 25 issue</b>") permitting the subscription of a total number of 153,000 new ordinary shares of the Company</p>





Operation	Resolution	Duration of the authorization	Terms and maximum amount of the capital increase/reduction	Status of the authorization
Capital increase through the issuance of ordinary shares and all securities conferring rights to the capital maintaining preferential subscription rights	13	26 months, i.e. until August 26, 2016	<p>+ The possibility of one or more capital increases immediately and/or in the future by issuing ordinary shares of the Company or any security granting access in any way, immediately and/or in the future, to the capital of the Company;</p> <p>+ The total nominal amount of increases in share capital which can be carried out, immediately or in the future, under the powers granted by the general meeting by this resolution, may not under any circumstances exceed a maximum overall amount of three million (EUR 3,000,000) euros or the equivalent value in a foreign currency, to which will be added, if applicable, the additional amount of shares or securities to be issued for the purposes of any adjustments to be made in accordance with applicable legislative or regulatory provisions and, if applicable, with contractual stipulations providing for other forms of adjustment, in order to preserve the rights of the holders of securities giving access to capital;</p> <p>+ The shareholders may exercise, in accordance with legal and regulatory provisions in force, their preferential rights to subscribe on the basis of irrevocable entitlement (<i>à titre irréductible</i>) for ordinary shares and securities under this resolution and the Management Board may furthermore establish in favor of shareholders a right to apply for excess shares subject to reduction (<i>à titre réductible</i>) that may be exercised in proportion to their rights and within the limit of their demand; If take-up for shares on the basis of irrevocable entitlement (<i>à titre irréductible</i>) with respect to exact rights and, when applicable, for excess shares subject to reduction (<i>à titre réductible</i>), should fail to account for the entire issue of the shares or securities as defined above, the Management Board may offer all or part of the securities not taken up to the public;</p> <p>+ Securities giving access to shares in the Company thereby issued may consist of debt securities or be linked to the issuing of such securities, or else enable the issue thereof as intermediate securities. These debt securities may or may not be for an unlimited term, may or may not be subordinate, and may be issued in France or abroad, either in euros or in another currency, or in any other monetary units established by reference to several currencies. The maximal nominal amount of debt securities thereby issued may not exceed seventy million euros (EUR 70.000.000) or the equivalent value at the exchange rate prevailing on the date of the issue decision, but will be independent of the amount of debt securities not giving access to capital for which the issue may otherwise be authorized. They may have a fixed or variable interest rate, with or without capitalization, may be redeemed with or without a premium, and may be depreciated. The securities may also be purchased on the stock market or offered for sale or exchange by the Company.</p> <p>+ This delegation of authority automatically entails shareholders' waiver of their preferential right to subscribe for the shares to which these securities could give a right, for the benefit of the owners of securities giving access to the capital of the Company immediately or in the future issued pursuant to this delegation.</p>	<p>Authorization still in force</p> <p>***</p> <p>Authorization used for the share capital increase of February 6, 2014 for a nominal amount of EUR 2,734,719.90 (See <a href="#">Section 4.1</a> of this annual report)</p> <p>***</p> <p>Balance of the authorization: Authorization available for use in connection with a new capital increase for a maximum nominal amount of EUR 265,280.10 (see below resolution no. 19 of the Company's combined general meeting of June 26, 2014)</p> <p>***</p> <p>Authorization replacing and canceling, solely for the future and the unused portion, the authorization having been granted by resolution eighteen of the Company's combined general meeting of June 28, 2013.</p>



Operation	Resolution	Duration of the authorization	Terms and maximum amount of the capital increase/reduction	Status of the authorization
Capital increase through the issuance of ordinary shares and all securities conferring rights to the capital, through a public offering, cancelling preferential subscription rights though including an option for a priority period	14	26 months, i.e. until August 26, 2016	+ The possibility of one or more capital increases immediately or in the future by issuing ordinary shares of the Company or any security granting access in any way, immediately and/or in the future, to the capital of the Company;	Authorization still in force ***
			+ The maximum nominal amount of increases in share capital which can be carried out, immediately or in the future, may not under any circumstances exceed a maximum overall amount net of issue premium of three million (EUR 3,000,000) euros or the equivalent value in a foreign currency, to which amount will be added, if applicable, the additional amount of shares or securities to be issued for the purposes of any adjustments to be made in accordance with applicable laws and regulations and, if applicable, with contractual provisions providing for other forms of adjustment, in order to preserve the rights of the holders of securities giving access to the capital;	Authorization not yet used ***
			+ The Company may carry out the capital increases through a public offering of securities;	Balance of the authorization: Authorization available for use in connection with a capital increase for a maximum nominal amount of EUR 265,280.10 (see below resolution no. 19 of the Company's combined general meeting of June 26, 2014) ***
			+ Shareholders' preferential subscription rights to shares and securities giving access to the capital of the Company under this resolution will be cancelled. The Management Board may nevertheless grant the shareholders, pursuant to Article L. 225-135, paragraph 5, of the French Commercial Code, a priority subscription period for a time period that it will establish in accordance with applicable laws and regulations and for all or part of the issue. This priority subscription period shall not result in the creation of negotiable rights and must be exercised in proportion to the number of shares owned by each shareholder;	Authorization replacing and canceling, solely for the future and the unused portion, the authorization having been granted by resolution nineteen of the Company's combined general meeting of June 28, 2013.
			+ Securities giving access to shares in the Company thereby issued may consist of debt securities or be linked to the issuing of such securities, or else enable the issue thereof as intermediate securities. These debt securities may or may not be for an unlimited term, may or may not be subordinate, and may be issued in France or abroad, either in euros or in another currency, or in any other monetary units established by reference to several currencies. The maximal nominal amount of debt securities thereby issued cannot exceed a nominal amount of seventy million euros (EUR 70,000,000) or the equivalent value at the exchange rate prevailing on the date of the issue decision, but will be independent of the amount of debt securities not giving access to the capital for which the issue may otherwise be authorized. They may be subject to a fixed or variable interest rate, with or without capitalization, and be the subject of redemption, with or without a premium, or amortization, of any kind, with the possibility for the securities to be bought on the stock market or offered for sale or exchange by the Company;	
			+ The issue price of new shares that may be issued under this delegation of authority, will be determined by the Management Board, with the option of sub-delegation under the conditions laid down by law;	
			i. the issue price for the ordinary shares shall at least equal the minimum amount provided for by the laws and regulations in force at the time this delegation of authority is used, after adjusting, if applicable, this amount to take into account the difference in the date of record (or currently the volume-weighted average price for the last three trading days on NYSE Euronext Paris preceding the pricing of subscription for the capital increase, that may be reduced by a maximum discount of 5% in accordance with article L. 225-136 and article R. 225-119 of the French Commercial Code), and	
			ii. the issue price for the securities will be the amount immediately received by the Company, increased by, as applicable, the amount that may be subsequently received by the Company, so that for each ordinary share issued pursuant to the issuance of the securities, represents an amount at least equal to the amount referred to above in point "(i)" after adjustment, if applicable in order to take into account the difference in the date of record;	
			+ This delegation of authority automatically entails shareholders' waiver of their preferential right to subscribe for the shares to which these securities could give a right, for the benefit of the owners of securities giving access to the capital of the Company immediately or in the future issued pursuant to this delegation.	



Operation	Resolution	Duration of the authorization	Terms and maximum amount of the capital increase/reduction	Status of the authorization
Capitalization of reserves, earnings or premium	15	26 months, i.e. until August 26, 2016	<p>+ Possibility of one or more capital increases through capitalization of premiums, reserves, earnings, etc. in the form of restricted shares to be issued or by increasing the par value of existing shares, or a combination of the two;</p> <p>+ The overall nominal amount of increases in share capital carried out immediately or in the future pursuant to this resolution may not under any circumstances exceed a total of three million (EUR 3,000,000) euros.</p> <p>+ As applicable, in accordance with the provisions of article L. 225-130 of the French Commercial Code, resulting fractional rights shall not be negotiable and the corresponding shares shall be sold. The proceeds from the sale will be allocated to rights holders within the time frame imposed by regulations or no later than thirty (30) days from the date the whole number of shares thus granted has been recorded in their account;</p>	<p>Authorization still in force</p> <p>***</p> <p>Authorization used in connection with definitive restricted share grants after the general meeting of June 26, 2014 for an amount totaling EUR 825</p> <p>***</p> <p>Balance of the authorization: Authorization available for use in connection with a new capital increase for a maximum nominal amount of EUR 265,280.10 (see below resolution no. 19 of the Company's combined general meeting of June 26, 2014)</p> <p>***</p> <p>Authorization replacing and canceling, solely for the future and the unused portion, the authorization having been granted by resolution twenty of the Company's combined general meeting of June 28, 2013</p>



Operation	Resolution	Duration of the authorization	Terms and maximum amount of the capital increase/reduction	Status of the authorization
Capital increase by issuance of shares and/or securities giving present and/or future access to the Company's share capital with cancellation of preferential subscription rights through private placement.	16	26 months, i.e. until August 26, 2016	<p>+ The possibility of one or more capital increases immediately or in the future by issuing ordinary shares of the Company or any security granting access in any way, immediately or in the future, to the capital of the Company, by private placement as provided for by article L. 411-2 II of the French monetary and financial code;</p> <p>+ The total amount of capital increases that may be carried out, immediately and/or in the future, may not exceed the maximum amount provided for by applicable regulation, or 20% of the share capital per year, and whereby it is specified that to this maximum amount will be added, as applicable, the nominal amount of shares to be issued in accordance with the provisions of the law and contractual provisions to preserve the rights of holders of securities giving access to the capital;</p> <p>+ Cancellation of shareholders' preferential right to subscribe for shares and securities giving access to the capital of the Company to which the present resolution relates;</p> <p>+ Securities giving access to shares in the Company thereby issued may consist of debt securities or be linked to the issuing of such securities, or else enable the issue thereof as intermediate securities. These debt securities may or may not be for an unlimited term, may or may not be subordinate, and may be issued in France or abroad, either in euros or in another currency, or in any other monetary units established by reference to several currencies. The maximal nominal amount of debt securities thereby issued cannot exceed seventy million euros (EUR 70,000,000) or the equivalent value at the exchange rate prevailing on the date of the issue decision, but will be independent of the amount of debt securities not giving access to capital for which the issue may otherwise be authorized. They may be subject to a fixed or variable interest rate, with or without capitalization, and be the subject of redemption, with or without a premium, or amortization, of any kind, with the possibility for the securities to be bought on the stock market or offered for sale or exchange by the Company.</p> <p>+ The issue price of new shares that may be issued under this delegation, in accordance with articles L. 225-136 1 and R.225-119 of the French Commercial Code, will be set by the Management Board under the following conditions:</p> <ul style="list-style-type: none"> <li>o The issue price for shares directly issued shall at least equal the minimum provided by applicable legal and regulatory provisions on the issue date (i.e. on this date, the volume-weighted average price of the share on NYSE Euronext Paris calculated over a period of three trading days preceding the price-fixing date minus a discount of 5%);</li> <li>o The issue price of securities giving access to the share capital will be such that the amount immediately received by the Company, increased, as applicable, by amounts it may subsequently receive, will be for each ordinary share issued pursuant to the issuance of these securities, at least equal to the minimum subscription price as defined in the above paragraph;</li> </ul> <p>+ This delegation of authority automatically entails shareholders' waiver of their preferential right to subscribe for the shares to which these securities could give a right, for the benefit of the owners of securities giving access to the capital of the Company immediately or in the future issued pursuant to this delegation.</p>	<p>Authorization still in force</p> <p>***</p> <p>Authorization not yet used</p> <p>***</p> <p>Balance of the authorization: Authorization available for use in connection with a capital increase for a maximum nominal amount of EUR 265,280.10 (see below resolution no. 19 of the Company's combined general meeting of June 26, 2014)</p> <p>***</p> <p>Authorization replacing and canceling, solely for the future and the unused portion, the authorization having been granted by resolution twenty-one of the Company's combined general meeting of June 28, 2013</p>



Operation	Resolution	Duration of the authorization	Terms and maximum amount of the capital increase/reduction	Status of the authorization
Delegation of authority given to the Management Board to increase the share capital by issuing ordinary shares of the Company and/or securities giving present and/or future access to the Company's share capital with cancellation of shareholders' preferential subscription rights, to set the issue price according to procedures determined by the general meeting within the limit of 10% of the share capital per year	17	26 months, i.e. until August 26, 2016	<p>+ Authorization given to the Management Board, which may be further delegated under the conditions provided for by law, to set the price of a capital increase, decided in connection with the preceding resolutions fourteen and/or sixteen, by issuing shares of the Company and/or securities giving present or future access to the share capital (whether for new or existing shares) of the company, with cancellation of shareholders' preferential subscription right by means of public offering(s) and/or, according to the case, offering(s) referred to in article L.411-2 of the French monetary and financial code, by derogation of the price conditions provided for by resolutions fourteen and sixteen above as follows: the issue price may not be lower than, at the choice of the Management Board, the weighted average price on NYSE Euronext Paris for a period of between three and ninety consecutive trading days preceding the pricing of the issue, subject to a possible discount not exceeding 20%;</p> <p>+ The maximum nominal amount of capital increases which may be carried out immediately or in the future, under this authorization may not exceed 10% of the Company's share capital (whereby this limit shall be determined on the date of this General Meeting, it being specified that to this maximum amount will be added, as applicable, the additional number of shares to be issued, to preserve, in accordance with the law and, as applicable, contractual provisions providing for other cases for adjustments, the rights of holders of securities giving access to a share of the Company's share capital) within the limit of the maximum increase in capital provided for under resolution fourteen or according to the case, resolution sixteen and the maximum capital increase provided for by resolution nineteen from which it is deducted;</p>	<p>Authorization still in force</p> <p>***</p> <p>Balance of the authorization: Authorization available for use in connection with a capital increase for a maximum nominal amount of EUR 265,280.10 (see below resolution no. 19 of the Company's combined general meeting of June 26, 2014)</p> <p>***</p> <p>Authorization not yet used</p>
Increase in the share capital by the issuance of shares and/or securities giving immediate and/or future access to the capital of the Company, cancelling the preferential subscription rights in consideration for contributions in kind for equity securities or other securities giving access to the capital.	18	26 months, i.e. until August 26, 2016	<p>+ Authorization given to the Management Board to increase the share capital by the issuance of shares and/or securities giving immediate and/or future access to the capital of the Company as consideration for contributions in kind granted to the Company and consisting of equity securities or other securities giving access to the capital, within the limit of 10 % of the share capital adjusted for transactions occurring after the General Meeting affecting this capital, when the provisions of Article L. 225-148 of the French Commercial Code are not applicable;</p> <p>+ Cancellation of the preferential subscription rights of the shareholders to securities covered by this resolution;</p>	<p>Authorization still in force</p> <p>***</p> <p>Authorization not yet used</p> <p>***</p> <p>Balance of the authorization: Authorization available for use in connection with a new capital increase for a maximum nominal amount of EUR 265,280.10 (see below resolution no. 19 of the Company's combined general meeting of June 26, 2014)</p> <p>***</p> <p>Authorization replacing and canceling, solely for the future and the unused portion, the authorization having been granted by resolution twenty-two of the Company's combined general meeting of June 28, 2013</p>

#### Resolution 19:

The maximum aggregate amount of capital increases that may be carried out with immediate effect or in the future under resolutions thirteen to eighteen may not exceed three million euros (EUR 3,000,000), it being specified that to this maximum aggregate amount will be added the supplementary amount of shares or securities to be issued for the purposes of any adjustments to be made in accordance with applicable legal or regulatory provisions and, if applicable, with contractual provisions providing for other forms of adjustment, in order to preserve the rights of the holders of securities or giving immediate and/or future access to the capital;



### 15.8.3. Shares held by the Company; authorizations for share buyback programs and for the cancellation of shares of the Company

#### Combined general meeting of June 26, 2014

Operation	Resolution	Duration of the authorization	Terms and maximum amount of the capital increase/reduction	Status of the authorization
Authorization and powers given to the Management Board for purchase by the Company of own shares	9	18 months, i.e. until December 26, 2015	<p>The purpose of the resolution is to allow the Company to buy back its own shares under the conditions set out in Articles L225-209 of the French Commercial Code and articles 241-1 <i>et seq</i> of the General Regulation of the French Financial Markets Authority, which may be delegated in turn under the conditions provided for by law;</p> <p>The shares on this basis may be purchased, sold or transferred, on one or more occasions, at any time, including during public offerings, and by any means, and in particular by intervening on the market or off-market, including through block trades, with the exception of use of derivatives. There is no limitation on the use of block trades to purchase or transfer shares under this authorization.</p> <p>The Company may:</p> <ul style="list-style-type: none"> <li>- acquire its own shares for up to 5% of the shares making up the share capital as adjusted according to actions subsequent to this decision and after deducting treasury shares, for a price per share equal to EUR 10. However, when shares are purchased to promote liquidity under the conditions defined by the French Financial Market Authority's General Regulations, the number of shares to be taken into account for calculating this 5% limit will equal the number of shares purchased minus shares resold during the authorization period. Furthermore, the number of shares acquired by the Company to be held and subsequently used in payment or exchange in connection with a merger, spinoff or contribution may not exceed 5% of the share capital, after adjustments for corporate actions occurring after this decision;</li> <li>- selling or transferring by any means all or part of the shares thus acquired;</li> <li>- or cancel said shares by reducing the share capital, subject to the adoption of resolution ten and within the limit of 5% of the Company's share capital per 24 month period.</li> </ul> <p>In the case of a capital increase through the capitalization of reserves and the grant of restricted share units, stock splits or reverse stock splits, the prices indicated above will be adjusted by a multiplier equal to the ratio between the number of shares making up the share capital before the transaction and the number of shares thereafter.</p> <p>Under this program, shares may be purchased for the following purposes:</p> <ul style="list-style-type: none"> <li>- ensure an orderly market for the share price in connection with a liquidity agreement in compliance with the conduct of business rules of the French association of financial market professionals (AMAFI) concluded with an investment service provider acting in an independent manner;</li> <li>- holding the shares thus acquired for subsequent use as payment or exchange in connection with financial transactions or acquisitions, in accordance with applicable regulations;</li> <li>- canceling the shares thus acquired, subject to adoption by the extraordinary general meeting of the resolution authorizing the Management Board to reduce the share capital by canceling treasury shares;</li> <li>- cover for stock option plans reserved for employees or other share grants according to the conditions provided for by articles L.3332-1 <i>et seq.</i> and R.3332-4 of the French labor code or grants to employees and/or corporate officers of the Company or companies referred to in article L.225-197-2 of the French Commercial Code or share grants linked to employee profit-sharing schemes.</li> </ul> <p>The maximum amount of funds destined for this program is fifteen million euros.</p>	<p>Authorization still in force</p> <p>***</p> <p>Authorization used in connection with a liquidity agreement concluded with <i>Natixis</i> (see <a href="#">Section 16.2.1</a> of this Annual Report).</p> <p>***</p> <p>Authorization canceling the authorization issued for the same purpose by the combined general meeting of March 7, 2013</p>





Operation	Resolution	Duration of the authorization	Terms and maximum amount of the capital increase/reduction	Status of the authorization
Authorization given to the Management Board to cancel treasury shares held by the Company	10	18 months, i.e. until December 26, 2015	<p>The purpose of this resolution is to authorize the Management Board to:</p> <ul style="list-style-type: none"> <li>- cancel, upon its own decision, on one or more occasions, the shares acquired by the Company in connection with article L.225-209 of the French Commercial Code and the share buyback program referred to in resolution nine, within the limit of 10% of the capital, subject to adjustments that may be made for corporate actions that may affect it after this decision by twenty-four month periods, and to reduce the share capital by the corresponding amount, by charging the difference between the purchase price of shares thus canceled and their nominal amount to premium and available reserve accounts,</li> <li>- record the completion of the capital increase(s), modifying in consequence the articles of association, and fulfilling all necessary formalities.</li> </ul>	<p>Authorization still in force</p> <p>***</p> <p>Authorization canceling the authorization for the same purpose issued by the combined general meeting of March 7, 2013</p>

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

As disclosed in paragraph 1.2.5 of the 2013 Annual Report, a USD 30 million loan was granted to Valneva Austria GmbH, an Austrian subsidiary of the Company, by an investment fund managed by *Pharmakon Advisors*.

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

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

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

In contrast, for members of the Company's Management Board, provisions exist for certain indemnities on termination of their offices and/or functions under the terms of a Management Agreement ("**MA**") or an Employment and Management Agreement ("**EMA**") executed between with the Company or its subsidiary Valneva Austria GmbH, according to the case. For further details, please refer to [Section 21.1.5](#) of this Annual report.

## 16. SHARE BUYBACK PROGRAMS

In compliance with the provisions of Article L.225-211 subsection 2 of the French Commercial Code, we hereby report to you on transactions undertaken under the provisions of Article L.225-208 and L.225-209 of said code.

### 16.1. Purchases of shares under article L.225-208 under the French Commercial Code

For the record, the Company did not purchase any of its own shares under article L.225-208 of the French Commercial Code in the 2014 financial year.



## 16.2. Purchases of shares under article L.225-209 under the French Commercial Code

### 16.2.1. Share buyback program implemented for the purposes of the liquidity agreement

The General Meeting of June 26, 2014 (resolution nine) authorized the share buyback program for 18 months from the date of the meeting.

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

In accordance with Article L.225-209 of the French Commercial Code and within the framework of the liquidity agreement, the Company acquired 2,009,502 shares and sold 2,023,996 shares in 2014 for an average purchase price of EUR 5.37 (EUR 4.79 in 2013) and an average sale price of EUR 5.37 per share (EUR 4.81 in 2013). Valneva has not paid any execution fees.

On December 31, 2014, Valneva held, in connection with this liquidity agreement, 26,722 shares, corresponding to an amount on the closing date of December 31, 2014 of EUR 174,757.08 (with a nominal value of EUR 4,008.30, or 0.05%<sup>16</sup> of the share capital at December 31, 2014 compared to 0.07%<sup>17</sup> at December 31, 2013)

### 16.2.2. Treasury shares held in connection with the "exit right" linked to the merger of May 28, 2013 with Intercell AG

At December 31, 2014, the Company held 124,332 own shares with a nominal value of EUR 0.15 per share and the same number of preferred shares with a nominal value of EUR 0.01. The Company holds these shares as a direct result of the share buyback related to the merger with Intercell AG and the "exit" right offered to the latter's shareholders, combined with the simultaneous implementation of consideration for the merger, as defined in Article 3 of the Merger Agreement in its 16 December 2012 version.

#### 1. Implementation of the exit right

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

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

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

<sup>16</sup> This rate is calculated in reference to a share capital totaling 57,540,948 Valneva shares, divided into 56,351,833 ordinary shares and 17,836,719 preferred shares with a nominal value of EUR 0.01 written down to a nominal value of EUR 0.15 per share.

<sup>17</sup> This rate is calculated in reference to a share capital of 55,898,115 Valneva shares, divided into 54,709,000 ordinary shares and 17,836,719 preferred shares representing a nominal value of EUR 0.15 per share.



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

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

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

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

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

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

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

The Company has not carried out any adjustments regarding capital securities or securities giving access to Valneva's capital in 2014 due to the absence of transactions referred to in articles L.228-99, R.225-138 and R.228-90 of the French Commercial Code for this period.

Nevertheless, in connection with the capital increase with preferential subscription rights carried out by the Company on February 6, 2015 for a total amount of €45,031,721.02 (breaking down into a nominal amount of €2,734,719.90 and share premium of €42,297,001.12), by the issuance of 18,231,466 new shares at the price of €2.47 per share (including share premium of €2.32), the rights of capital securities or securities giving access to the Company's capital was modified as follows:



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

### **Adjustment of the rights of holders of stock options to subscribe for shares**

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

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

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

On that basis:

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

### **Adjustment of the rights of holders of equity warrants** **("Bons de souscription d'actions" or BSA)**

In accordance with articles L.228-99 and R.228-91 of the French Commercial Code and conditions provided for by the issue contract for the BSA 23 warrants issued to the benefit of two members of the Supervisory Board (Management Board Meeting of September 16, 2011), the right to share grants from the BSA 23 warrants was modified as follows:

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



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

**Adjustment of the rights of holders of share issue warrants**  
**(Bons d'émission d'actions or BEA)**

In accordance with articles L.228-99 and R.228-91 of the French Commercial Code and article 4.4.7.2 of the issue agreement dated May 12, 2014 for 5,474,633 share issue warrants, the right to share grants from these warrants has been modified as follows:

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

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

**Adjustments with respect to preferred shares**

In accordance with articles L.228-99 and R.228-91 of the French Commercial Code and the provisions of articles 13.3 of the Company's articles of association, the conversion ratio for preferred shares has been modified accordingly:

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

In the case of fractional amounts, the fraction of the Ordinary Share forming this fractional amount will be paid in cash to the holder of converted Preferred Shares. The holder of the Preferred Shares shall receive an amount equal to the product (i) of the fraction of an Ordinary Share forming a fractional lot and (ii) an amount equal to the first recorded market price of the Ordinary Share for the stock exchange trading session preceding that of the *ipso jure* conversion of the Preferred Shares into Ordinary Shares, when the Condition has been fulfilled (*cf. article 13.3 of the Company's articles of association* ([www.valneva.com](http://www.valneva.com)) – under the heading "Group Governance").

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

## **18. AUTHORIZATIONS FOR CAPITAL INCREASES**

In compliance with the provisions of Article L.225-100 subsection 7 of the French Commercial Code, information is provided below on authorizations granted to the Management Board by the General Meeting to proceed with capital increases in accordance with articles L.225-129-1 and L.225-129-2 of said code and uses made of these authorizations in the period ended 31 December 2014.

Regarding firstly such delegations of authority granted in 2014 by your General Meeting of June 26, 2014 to the Management Board to proceed with capital increases (other than those relating to the implementation of stock option or restricted share unit plans), readers are invited to refer to this point in [Section 15.8.2](#) of the Annual Report.



Regarding authorizations in progress relating specifically to the issuance of stock options and restricted share units, readers should refer to this point in [Section 15.8.1](#) of this Annual Report.

## 19. DIRECTORS AND OFFICERS

### 19.1. Management Board members

Name	Offices and functions exercised in fiscal 2014 in any company other than Valneva SE
<b>Thomas Lingelbach</b>  <b>Chairman of the Management Board, Chairman &amp; CEO of Valneva SE</b>  (Appointed on May 10, 2013; term of office expiring at the AGM called to approve the accounts for the fiscal year ending December 31, 2015.)	<ul style="list-style-type: none"> <li>+ Director – Valneva Scotland Ltd. (formerly "Intercell Biomedical Ltd.") (December 2006 to this day)</li> <li>+ <i>Geschäftsführer</i> - Elatos GmbH (December 2013 to this day)</li> <li>+ Board Member, <i>Chair of the Board</i> – Vaccines Holdings Sweden AB (formerly "Goldcup 10618 AB") (December 2014 to this day)</li> <li>+ <i>Geschäftsführer</i> – Valneva Austria GmbH (formerly "Intercell Austria AG") (August 2013 to this day)</li> <li>+ Director – Intercell USA Inc. (formerly "IOMAI Corporation") (August 2008 to this day)</li> <li>+ President &amp; Chief Executive Officer – Intercell USA Inc. (November 2012 to this day)</li> </ul>

Name	Offices and functions exercised in fiscal 2014 in any company other than Valneva SE
<b>Franck Grimaud</b>  <b>Management Board Member, Chairman &amp; CBO of Valneva SE</b>  (Appointed on May 10, 2013; term of office expiring at the AGM called to approve the accounts for the fiscal year ending December 31, 2015.)	<ul style="list-style-type: none"> <li>+ Board Member, Managing Director – Vaccines Holdings Sweden AB (formerly "Goldcup 10618 AB") (December 2014 to this day)</li> <li>+ <i>Geschäftsführer</i> – Valneva Austria GmbH (formerly "Intercell Austria GmbH") (August 2013 to this day)</li> <li>+ Representative Director &amp; President – Valneva Toyama Japan K.K. (formerly "Vivalis Toyama Japan K.K.") (April 2011 to this day)</li> <li>+ Director - Grimaud Deyang Animal Co Ltd. (China) (September 2000 to this day)</li> <li>+ Director - Chengdu Grimaud Breeding Co Ltd. (China) (January 2000 to this day)</li> <li>+ Director and Vice-Chairman – Atlanpole Biothérapies (January 2012 to December 2014)</li> </ul>

Name	Offices and functions exercised in fiscal 2014 in any company other than Valneva SE
<b>Reinhard Kander</b>  <b>Management Board Member &amp; CFO of Valneva SE</b>  (Appointed on May 10, 2013; term of office expiring at the AGM called to approve the accounts for the fiscal year ending December 31, 2015.)	<ul style="list-style-type: none"> <li>+ Director – Valneva Scotland Ltd. (formerly "Intercell Biomedical Ltd.") (February 2004 to this day)</li> <li>+ <i>Geschäftsführer</i> - Elatos GmbH (December 2013 to this day)</li> <li>+ Board Member – Vaccines Holdings Sweden AB (formerly "Goldcup 10618 AB") (December 2014 to this day)</li> <li>+ <i>Geschäftsführer</i> – Valneva Austria GmbH (formerly "Intercell Austria AG") (August 2013 to this day)</li> <li>+ Director – Intercell USA Inc. (April 2012 to this day)</li> <li>+ Secretary - Intercell USA Inc. (February 2012 to this day)</li> </ul>





## 19.2. Supervisory Board members

Name	Offices and functions exercised in fiscal 2014 in any company other than Valneva SE
<p><b>Frédéric Grimaud</b></p> <p><b>Member of the Supervisory Board of Valneva SE</b></p> <p>(Appointed by the EGM of December 12, 2012; term of office expiring at the AGM called to approve the accounts for the fiscal year ending December 31, 2015.)</p>	<ul style="list-style-type: none"> <li>+ Director - Ovogenetics Holding BV (December 2014 to this day)</li> <li>+ Chairman of the Management Board - Groupe Grimaud La Corbière SA (June 2004 to this day)</li> <li>+ Chairman - Grimaud Frères Sélection SAS (November 2002 to this day)</li> <li>+ Chairman - Hypharm SAS (November 2002 to this day)</li> <li>+ Chairman - Filavie SAS (November 2002 to this day)</li> <li>+ Permanent representative of Hubbard Holding SAS, in the capacity of Chairman of Hubbard SAS (February 2013 to this day)</li> <li>+ Chairman - Hubbard Holding SAS (April 2005 to this day)</li> <li>+ Chairman of the Board of Directors - Chengdu Grimaud Breeding Farm Ltd (Chine) (October 1996 to this day)</li> <li>+ Chairman of the Board of Directors - Grimaud (Putian) Breeding Farm Co Ltd (Chine) (December 2000 to this day)</li> <li>+ Chairman of the Board of Directors - Grimaud (Deyang) Animal Health Co Ltd (China) (November 2000 to this day)</li> <li>+ <i>Chairman</i> - Hubbard LLC (Etats-Unis) (Mars 2005 to this day)</li> <li>+ Chairman - Novogen (July 2008 to this day)</li> <li>+ Member of the Steering and Management Committee - La Couvée SAS (June 2005 to this day)</li> <li>+ Chairman - Grimaud Vietnam Company Limited (June 2009 to this day)</li> <li>+ Chairman - Choice Genetics SAS (January 2008 to this day)</li> <li>+ Chairman of the Management Committee- Choice Genetics SAS (August 2011 to October 2014)</li> <li>+ Chairman of the Board of Directors - Choice Genetics SAS (October 2014 to this day)</li> <li>+ Member of the Nominating and Compensation Committee - Choice Genetics SAS (November 2014 to this day)</li> <li>+ Chairman of the Board of Directors - Pen Ar Lan SA (November 2011 to this day)</li> <li>+ Chairman - Galor SAS (November 2013 to this day)</li> <li>+ Chairman - Blue Genetics Holding SAS (Mai 2013 to this day)</li> <li>+ Chairman of the Board of Directors - Blue Genetics Mexico (July 2013 to this day)</li> <li>+ Permanent representative of Groupe Grimaud La Corbière in the capacity of Chairman of La société Grimaud Frères Holding SAS (December 2014 to this day)</li> <li>+ Director - Grimaud Italia SRL (Italy) (2000 to this day)</li> <li>+ Director - Choice Genetics USA LLC (Mai 2008 to this day)</li> <li>+ Chairman of the Council - Choice Genetics Vietnam (January 2013 to this day)</li> <li>+ <i>Chairman of the Council</i> - Blue Genetics Vietnam (July 2014 to this day)</li> <li>+ Supervisory Board Member - Hubbard Polska Sp Zoo (Pologne) (July 2014 to this day)</li> <li>+ Permanent representative of Groupe Grimaud as Supervisory Board member of the company within France Food Alliance SAS (November 2007 to July 2014)</li> </ul>



Name	Offices and functions exercised in fiscal 2014 in any company other than Valneva SE
<b>Alain Munoz</b>  <b>Member of the Supervisory Board of Valneva SE</b>  <i>Independent Member</i>  (Appointed by the EGM of December 12, 2012; term of office expiring at the AGM called to approve the accounts for the fiscal year ending December 31, 2015.)	<ul style="list-style-type: none"> <li>+ Supervisory Board Member - Zealand pharma (Denmark) (November 2007 to this day)</li> <li>+ Supervisory Board Member - Auris Pharma (Switzerland) (December 2007 to this day)</li> <li>+ Supervisory Board Member - Medesis Pharma SA (October 2009 to September 2014)</li> <li>+ Supervisory Board Member - Gentice SA (March 2010 to this day)</li> <li>+ Managing Partner - SARL Science and Business Management (April 2010 to this day)</li> <li>+ Director - Hybrigenics SA (October 2011 to this day)</li> </ul>

Name	Offices and functions exercised in fiscal 2014 in any company other than Valneva SE
<b>Michel Greco</b>  <b>Member of the Supervisory Board of Valneva SE</b>  <i>Independent Member</i>  (Appointed by the EGM of December 12, 2012; term of office expiring at the AGM called to approve the accounts for the fiscal year ending December 31, 2015.)	<ul style="list-style-type: none"> <li>+ Chairman - Noraker SAS (2007 to this day)</li> <li>+ Director - Immutep S.A. (September 2005 to October 2014)</li> <li>+ Director - Texcell France (October 2010 to this day)</li> <li>+ Director - Synthelis SAS (January 2014 to this day)</li> <li>+ Chairman of the Centre hospitalier St-Joseph - St-Luc de Lyon (2004 to this day)</li> <li>+ Director of Hôpital de Fourvière de Lyon (from 2007 to this day)</li> <li>+ Deputy Manager and Director of the Institut de Pharmacie Industrielle de Lyon (from 2003 to this day)</li> </ul>

Name	Offices and functions exercised in fiscal 2014 in any company other than Valneva SE
<b>James Sulat</b>  <b>Member of the Supervisory Board of Valneva SE</b>  <i>Independent Member</i>  (Appointed by the EGM of March 7, 2013; term of office expiring at the AGM called to approve the accounts for the fiscal year ending December 31, 2015.)	<ul style="list-style-type: none"> <li>+ Chairman of the Board of Directors – Momenta Pharmaceuticals Inc. (December 2008 to this day)</li> <li>+ Audit Committee member - Momenta Pharmaceuticals, Inc. (June 2008 to this day)</li> <li>+ Nominations and Corporate Governance Committee member - Momenta Pharmaceuticals, Inc. (June 2008 to this day)</li> <li>+ Member of the Board of Directors - AMAG Pharmaceuticals, Inc. (April 2014 to this day)</li> <li>+ Audit Committee member - AMAG Pharmaceuticals, Inc. (April 2014 to this day)</li> <li>+ Transactions Committee member - AMAG Pharmaceuticals, Inc. (April 2014 to this day)</li> </ul>



Name	Offices and functions exercised in fiscal 2014 in any company other than Valneva SE
<b>Hans Wigzell</b>  <b>Member of the Supervisory Board of Valneva SE</b>  <i>Independent Member</i>  (Appointed by the EGM of March 7, 2013; term of office expiring at the AGM called to approve the accounts for the fiscal year ending December 31, 2015.)	<ul style="list-style-type: none"> <li>+ Board of Directors Member – Karolinska Development AB (current)</li> <li>+ Board of Directors Member – Raysearch AB (current)</li> <li>+ Board of Directors Member – SOBI AB (current)</li> <li>+ Board of Directors Member – Sarepta Therapeutics (current)</li> <li>+ Chairman – Stockholm School of Entrepreneurship (current)</li> </ul>

Name	Offices and functions exercised in fiscal 2014 in any company other than Valneva SE
<b>Alexander Von Gabain</b>  <b>Member of the Supervisory Board of Valneva SE</b>  <i>Independent Member</i>  (Appointed by the EGM of March 7, 2013; term of office expiring at the AGM called to approve the accounts for the fiscal year ending December 31, 2015.)	<ul style="list-style-type: none"> <li>+ Chairman of the Governing Board - European Institute of Innovation and Technology, EIT, Budapest &amp; Brussels (February 2011 to July 2014)</li> <li>+ Chairman of the Supervisory Board - Business incubator of the Viennese Universities, Inits, Vienne (April 2007 to this day)</li> <li>+ Deputy Vice-Chancellor - Karolinska Institute, Stockholm (August 2014 to this day)</li> <li>+ Professor of Microbiology – Max Perutz Laboratories, University of Vienna (January 1993 to this day)</li> </ul>

Name	Offices and functions exercised in fiscal 2014 in any company other than Valneva SE
<b>Anne Marie Grimaud</b>  <b>Member of the Supervisory Board of Valneva SE</b>  <i>Independent Member</i>  (Appointed by the EGM of March 7, 2013; term of office expiring at the AGM called to approve the accounts for the fiscal year ending December 31, 2015.)	<ul style="list-style-type: none"> <li>+ Member of the Board of Directors – Themis Bioscience GmbH (July 2012 to December 2014)</li> <li>+ Supervisory Board Member – Nanobiotix (January 2014 to this day)</li> <li>+ Managing Partner – SARL SMAG Consulting (September 2011 to this day)</li> </ul>

## 20. RENEWAL OF TERMS OF OFFICE OF SUPERVISORY BOARD MEMBERS

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



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

## 21. REMUNERATION PAID TO MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

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

- + the Company;
- + the companies controlled, pursuant to article L.233-16 of the French Commercial Code, by the Company in which the office is exercised ;
- + the companies controlled, pursuant to article L.233-16 of the French Commercial Code, by the Company(ies) controlling the Company in which the office is exercised ;
- + the company(ies) controlling pursuant to the same article the Company in which the office is exercised ;
- + in consideration for services they provide to companies of the Group.

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



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

## 21.1. Management Board compensation

### 21.1.1. Presentation of individual compensation

Thomas Lingelbach, Chairman of the Management Board, Chairman & CEO of Valneva SE				
	2014		2013 For the post-Intercell AG merger period (from May 28 2013 to December 31, 2013)	
	Amounts due	Amounts paid	Amounts due	Amounts paid
<b>Fixed compensation</b>	EUR 320,000 payable in 14 equal installments	EUR 320,000	EUR 320,000 payable in 14 equal installments (As set by the Supervisory Board of Valneva SE for the year 2013)	EUR 228,571.43
<b>Annual variable remuneration (a)</b>	Maximum 60% of gross annual salary, i.e. EUR 192,000	EUR 158,784  (Amount paid with respect to 2013 objectives)	Maximum 60% of gross annual salary i.e. EUR 192,000  Amount set by the Supervisory Board of Valneva SE for the year 2013)	EUR 133,000  Amount paid with respect to 2012 objectives by Intercell AG, and for the period from January to May 2013)
<b>Multi-year variable remuneration</b>	EUR 0	EUR 0	EUR 0	EUR 0
<b>Exceptional remuneration</b>	EUR 0	EUR 0	EUR 0	EUR 640,000 (b)
<b>Attendance fees</b>	EUR 0	EUR 0	EUR 0	EUR 0
<b>Fringe benefits</b>	<b>Car rental</b>	Maximum EUR 1,100 per month, or EUR 13,200 for year 2014  Insurance: EUR 2,755.36 for a complete year of insurance	EUR 13,526.19  i.e.: • EUR 10,770.83 for car leasing • EUR 2,755.36 for car insurance	Maximum EUR 1,100 per month, or EUR 13,200 for year 2013  EUR 7,261.77
	<b>Death and endowment policy</b>	Maximum EUR 1000 per month, or EUR 12,000 for year 2014	EUR 12,000	Maximum EUR 1,000 per month, or EUR 12,000 for year 2013  EUR 7,000
	<b>Reimbursement of home- workplace journeys made by flights and of associated costs (c)</b>	EUR 9,212	EUR 9,212	EUR 3,098.10  EUR 3,098.10
<b>TOTAL</b>	<b>EUR 549,167.36</b>	<b>EUR 513,522.19</b>	<b>EUR 540,298.10</b>	<b>EUR 1,018,931.30</b>

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

(b) Amount paid in July 2013 under a Conditional Settlement Agreement dated as of December 16, 2012 between Intercell AG, Vivalis SA and Thomas Lingelbach. This payment was in consideration for a waiver of the rights granted by Intercell AG to Mr. Lingelbach in case of change of control of the company "Intercell AG" (rights granted by a "Change of Control Agreement" signed in November 2009 and amended in May 2011), and was also intended to allow Mr. Lingelbach to acquire shares of the Company after the Vivalis / Intercell merger.

(c) The Management and Employment Agreement concluded between M. Thomas LINGELBACH and Valneva Austria GmbH provides that M. LINGELBACH be reimbursed for the costs of weekend flights between Hometown and sites of Valneva, including of its affiliates, these costs including the transfers from and to the airport.



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Franck Grimaud, Management Board Member, Chairman & CBO of Valneva SE							
		2014		2013 For the period post-merger with Intercell AG (from May 28 2013 to December 31, 2013)		2013 For the pre-Intercell AG merger period (from January 1, 2013 to January 28, 2013)	
		Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation		From EUR 153,000 - EUR 240,000 (straight-line increase in remuneration over the next 3 years following completion of the merger with Intercell AG)  Payable in 12 installments	EUR 194,932.68	From EUR 153,000- EUR 240,000 (straight-line increase in remuneration over the next 3 years following completion of the merger with Intercell AG)  Payable in 12 installments  (As set by the Supervisory Board of Valneva SE for the year 2013)	EUR 114,707.39	EUR 157,590  (As set by the Supervisory Board of Valneva SE for the year 2013)	EUR 52,530
Annual variable remuneration (a)		Maximum 60% of gross annual salary i.e. EUR 91,800 to EUR 144,000	EUR 92,803.24  (Amount paid with respect to 2013 objectives)	Maximum 60% of gross annual salary  i.e. EUR 91,800 to EUR 144,000  Amount set by the Supervisory Board of Valneva SE for the year 2013)	EUR 0	EUR 0  (Amount fixed with respect to the 2013 objectives not yet fixed by the Supervisory Board of Vivalis for the pre-merger period. The Supervisory Board of Vivalis indicated that this amount will be set when the merger is completed.)	EUR 17,671.50  (Amount paid with respect to 2012 objectives)
Multi-year variable remuneration		EUR 0	EUR 0	EUR 0	EUR 0	EUR 0	EUR 0
Exceptional remuneration		EUR 0	EUR 0	EUR 0	EUR 0	EUR 0	EUR 0
Attendance fees		EUR 0	EUR 0	EUR 0	EUR 0	EUR 0	EUR 0
Fringe benefits	GSC (b)	EUR 6,446	EUR 6,446	EUR 6,357 (for year 2013)	EUR 4,238	EUR 6,357 (for year 2013)	EUR 2,119





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Franck Grimaud, Management Board Member, Chairman & CBO of Valneva SE							
		2014		2013 For the period post-merger with Intercell AG (from May 28 2013 to December 31, 2013)		2013 For the pre-Intercell AG merger period (from January 1, 2013 to January 28, 2013)	
	Leasing car (c)	Maximum amount for car leasing : EUR 1,100 per month, i.e. EUR 13,200 for year 2014  Insurance: EUR 1,314.30 for a complete year of insurance, from September 22, 2014 to September 22, 2015  Tax on company cars (TVTS): EUR 3,645	EUR 6,919.90  i.e.:  EUR 3,045.10 for car leasing  EUR 221.80 for car insurance  EUR 3,645 for the tax on company cars (TVTS)	EUR 0	EUR 0	EUR 0	EUR 0
<b>TOTAL</b>		<b>From EUR 269,405.30 to EUR 408,605.30</b>	<b>EUR 301,101.82</b>	<b>From 251,157 to EUR 390,357</b>	<b>EUR 118,945.39</b>	<b>EUR 163,947</b>	<b>EUR 72,320.50</b>

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

(b) A Social Insurance Contract for Company Directors and Managers (Convention Garantie Sociale des Chefs et Dirigeants d'Entreprise or GSC) has been granted to Franck Grimaud. The purpose of this Contract is to guarantee the payment of compensation in case of unemployment (up to 70% of the last professional net income filed with the tax authorities). This GSC was set up pursuant to an authorization of the Board of Directors of October 26, 2000. The expense incurred by the Company for 2014 for the GSC was EUR 6,446 compared with EUR 6,357 for 2013.

(c) At the end of 2014 Valneva entered into a leasing agreement for a company car for Franck Grimaud.



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Reinhard KANDERA, Management Board Member & CFO of Valneva SE					
		2014		2013 For the post-Intercell AG merger period (from May 28, 2013 to December 31, 2013)	
		Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation		EUR 240,000  Payable in 14 equal installments	EUR 240,000	EUR 240,000  Payable in 14 equal installments  (As set by the Supervisory Board of Valneva SE for the year 2013)	EUR 171,428.57
Annual variable remuneration (a)		Maximum 60% of gross annual salary i.e. EUR 144,000	EUR 119,088  (Amount paid with respect to 2013 objectives)	Maximum 60% of gross annual salary i.e. EUR 144,000  Amount set by the Supervisory Board Valneva SE for the year 2013)	EUR 100,000  (Amount paid with respect to 2012 objectives by Intercell AG, and for the period from January to May 2013)
Multi-year variable remuneration		EUR 0	EUR 0	EUR 0	EUR 0
Exceptional remuneration		EUR 0	EUR 0	EUR 0	EUR 240,000 (b)
Attendance fees		EUR 0	EUR 0	EUR 0	EUR 0
Fringe benefits	Car rental	Maximum EUR 1,100 per month i.e. EUR 13,200 for year 2014  Insurance: EUR 2,706.04 for a complete year of insurance	EUR 13,085.94  i.e.: <ul style="list-style-type: none"><li>• EUR 10,379.90 for car leasing</li><li>• EUR 2,706.04 for car insurance</li></ul>	Maximum EUR 1,100 per month i.e. EUR 13,200 for year 2013	EUR 3,603.36
	Death and endowment policy	EUR 12,000 for year 2014	EUR 12,000	EUR 12,000 for year 2013	EUR 0
TOTAL		EUR 411,906.04	EUR 384,173.94	EUR 409,200	EUR 515,031.93

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

(b) Amount paid in July 2013 under a Conditional Settlement Agreement dated December 16, 2012 between Intercell AG, Vivalis SA and Reinhard Kandra. This payment was in consideration for a waiver of the rights granted by Intercell AG to Mr. Kandra in the case of a change of control of the company "Intercell AG" (rights granted by a "Change of Control Agreement" signed in November 2009 and amended in May 2011), and was also intended to allow Mr. Kandra to acquire shares of the Company after the Vivalis / Intercell merger.



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### 21.1.2. Options to subscribe for or purchase shares

#### Options to subscribe for or purchase shares granted to each Management Board member by the Company or any Group company

	Plan No. and date	Nature of options (purchase or subscription)	Measurement of options according to IFRS 2	Number of options granted in the period	Exercise price	Exercise period
<b>Thomas Lingelbach</b> Chairman of the Management Board, Chairman & CEO of Valneva SE	No option to subscribe for or purchase shares was granted to Mr. LINGELBACH in 2014.					
<b>Franck Grimaud</b> Management Board Member, Chairman & CBO of Valneva SE	No option to subscribe for or purchase shares was granted to Mr. GRIMAUD in 2014.					
<b>Reinhard Kander</b> Management Board Member & CFO of Valneva SE	No option to subscribe for or purchase shares was granted to Mr. KANDERA in 2014.					

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

	Plan No. and date	Number of options exercised in the period	Exercise price
<b>Thomas Lingelbach</b> Chairman of the Management Board, Chairman & CEO of Valneva SE	No option to subscribe for or purchase shares was exercised by Mr. LINGELBACH in 2014.		
<b>Franck Grimaud</b> Management Board Member, Chairman & CBO of Valneva SE	No option to subscribe for or purchase shares was exercised by Mr. GRIMAUD in 2014.		
<b>Reinhard Kander</b> Management Board Member & CFO of Valneva SE	No option to subscribe for or purchase shares was exercised by Mr. KANDERA in 2014.		



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### 21.1.3. Performance shares

#### Performance shares granted to each Management Board Member by the Company or any Group company

	Plan No. and date	Number of shares granted in the period	Measurement of options according to IFRS 2	Vesting date	Date of availability	Conditions of performance
<b>Thomas LINGELBACH</b> Chairman of the Management Board, Chairman & CEO of Valneva SE	No performance shares were granted to Mr. LINGELBACH in 2014.					
<b>Franck GRIMAUD</b> Management Board Member, Chairman & CBO of Valneva SE	No performance shares were granted to Mr. GRIMAUD in 2014.					
<b>Reinhard KANDERA</b> Management Board Member & CFO of Valneva SE	No performance shares were granted to Mr. KANDERA in 2014.					

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

	Plan No. and date	Number of shares becoming available in the period	Vesting conditions
<b>Thomas LINGELBACH</b> Chairman of the Management Board, Chairman & CEO of Valneva SE	No performance shares were fully vested by Mr. LINGELBACH in 2014.		
<b>Franck GRIMAUD</b> Management Board Member, Chairman & CBO of Valneva SE	No performance shares were fully vested by Mr. GRIMAUD in 2014.		
<b>Reinhard KANDERA</b> Management Board Member & CFO of Valneva SE	No performance shares were fully vested by Mr. KANDERA in 2014.		



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

<b>Thomas LINGELBACH, Chairman of the Management Board, Chairman &amp; CEO of Valneva SE</b>		
	<b>2014</b>	<b>2013</b>
Remuneration payable for the period	549,167.36 €	Amount set for the post-Intercell merger AG period (as from May 28, 2013): EUR 540,298.10
Measurement of multi-year variable remuneration granted in the period	0 €	EUR 0
Measurement of options granted in the period	0 €	EUR 160,936.47
Measurement of performance shares granted in the period	0 €	EUR 0
<b>Total Thomas LINGELBACH</b>	<b>549,167.36 €</b>	<b>EUR 701,234.57</b>

<b>Franck GRIMAUD, Management Board Member, Chairman &amp; CBO of Valneva SE</b>		
	<b>2014</b>	<b>2013</b>
Remuneration payable for the period	From EUR 269,405.30 to EUR 408,605.30	Amount set for the pre-Intercell AG merger period (current period up to May 28, 2013): EUR 163,947 Amount set for the post-Intercell AG merger period (as from May 28, 2013): EUR 251,157 to EUR 390,357
Measurement of multi-year variable remuneration granted in the period	EUR 0	EUR 0
Measurement of options granted in the period	EUR 0	EUR 160,936.47
Measurement of performance shares granted in the period	EUR 0	EUR 0
<b>Total Franck GRIMAUD</b>	<b>From EUR 269,405.30 to EUR 408,605.30</b>	Amount set for the pre-Intercell AG merger period (current period up to May 28, 2013): <b>EUR 324,883.47</b> Amount set for the post-Intercell AG merger period (as from May 28, 2013): <b>EUR 412,093.47 to EUR 551,293.47</b>



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Reinhard KANDERA, Management Board Member & CFO of Valneva SE		
	2014	2013
Remuneration payable for the period	EUR 411,906.04	Amount set for the post-Intercell AG merger period (as from May 28, 2013): EUR 409,200
Measurement of multi-year variable remuneration granted in the period	0 €	EUR 0
Measurement of options granted in the period	0 €	EUR 160,936.47
Measurement of performance shares granted in the period	0 €	EUR 0
<b>Total Reinhard Kandra</b>	<b>EUR 411,906.04</b>	<b>EUR 570,136.47</b>

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

Regarding members of the Company's Management Board, provisions exist for certain indemnities or benefits in case of appointment, termination or change of their duties, under the terms of a Management Agreement ("**MA**") or an Employment and Management Agreement ("**EMA**") executed between with the Company or its subsidiary Valneva Austria GmbH, according to the case.





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## Termination of duties cases provided in the « *Management Agreement* » and « *Employment and Management Agreements* »

### Thomas LINGELBACH

Chairman of the Management Board of the Company - Employee of Valneva Austria GmbH

Holder of an *Employment and Management Agreement* entered into with Valneva Austria GmbH

#### + Removal of a Board Member for cause :

- o The EMA of Mr. Lingelbach will be **automatically terminated** (in particular if the reason for the removal constitutes a **good cause** within the meaning of Austrian law – See Sec 27 of the Austria White Collar Workers Act).
- o In such case Mr. Lingelbach shall have **no further claims for future remuneration**.

#### + Removal of a Board Member solely by serving notice sent by Valneva Austria GmbH:

- o A notice period for a **minimum of four weeks** (ending on the last day of the current calendar month).
- o Mr. Lingelbach shall be entitled (i) to payment of **remuneration until the end of the Initial Term** of his EMA, or for three years as from May 28, 2013; and (ii) payment of a **pro rata of bonus**, payment for his **life insurance/disability insurance** premiums, and reimbursement of **professional expenses and benefits in kind for the period until expiry of the notice period**..

#### + Resignation of a Board Member for cause (See. Sec 75 par 4 of the Austrian Stock Corporation Act):

- o If this resignation is made for a **good cause** (in particular within the meaning of Austrian law – See. Sec 26 of the Austrian White Collar Workers Act), **or any other similar basis**, Mr. Lingelbach will be entitled to **payment of his remuneration and pro rata bonus** until the end of the Initial Term of his EMA or for three years as from May 28, 2013.

#### + Resignation of a Board Member solely by serving notice:

- o A notice period for a **minimum of four weeks** (ending on the last day of the current calendar month).
- o **If Mr. Lingelbach remains subject to a contractual non-compete clause** set within his EMA, he will be entitled to **payment of his remuneration and pro rata bonus for the duration of the competition prohibition**, or for 12 months as from term of his EMA.
- o **If Valneva Austria GmbH releases Mr. Lingelbach from the obligations of his contractual non-compete clause** set within his EMA, he shall not be entitled to **any further remuneration after expiry of the notice period**.

#### + Termination of the EMA by mutual consent with Valneva Austria GmbH:

- o Mr. Lingelbach shall be entitled to his **remuneration and pro rata bonus until the end of the Initial Term** of his EMA or for three years as from May 28, 2013.
- o Mr. Lingelbach will be entitled to these indemnities even if the proposal for termination was made by him.

#### + The case of the interlocking directorships and executive offices:

The EMA of Mr. Lingelbach provides that in addition to his status as salaried employee, Mr. Lingelbach may also be a member of the Management Board, or exercise any similar position (notably Chairman and CEO), within entities directly or indirectly controlling, controlled or by under joint control of Valneva Austria GmbH (with such offices/functions hereafter referred to as a "**Group Management Position**").

Whereas, and **subject to the terms relating to the removal of Mr. Lingelbach from the Management Board for cause** see above):

- o it is understood that **if one of the Group Management Positions exercised by Mr. Lingelbach is terminated:**
  - (i) **by resignation** of Mr. Lingelbach; or
  - (ii) **by removal** at the initiative of the Group entity concerned by the Management Position in question,
- and,
  - (i) before expiration of the Initial Term of the EMA of Mr. Lingelbach (or three years as from May 28, 2013);
  - (ii) and due to **circumstances involving a legal, functional or actual reduction** of Mr. Lingelbach's responsibilities for such Group Management Position (including resulting from the law or the operating organization of the Group),
- Mr. Lingelbach shall **be entitled to his remuneration and pro rata bonus until the end of the Initial Term of his EMA**.
- o Nevertheless, **in the absence of circumstances involving a concrete reduction in the responsibilities** of Mr. Lingelbach for the Group Management Position in question, he will then be entitled to his **remuneration and pro rata bonus until the first of one of the following events**: (i) Mr. Lingelbach obtains an alternative (full-time) employment with an equivalent or similar level of remuneration or (ii) expiration of the Initial Term of his EMA.

Mr. Lingelbach is not subject to the statutory provisions of the Austrian Corporate Staff and Self-Employment Provision Act.



# Franck GRIMAUD

## Management Board member

Holder of *Management Agreement* entered into with Valneva SE

- + **Removal of the Board Member for due cause** (in accordance with article L.225-61 of the French Commercial Code) :
  - o The MA of Mr. Grimaud will be **automatically canceled**.
  - o In such case Mr. Grimaud shall have **no further claims for future remuneration**.
- + **Removal of a Board Member solely by serving notice sent by Valneva SE:**
  - o A notice period for a **minimum of four weeks** (ending on the last day of the current calendar month).
  - o Mr. Grimaud shall be entitled (i) to payment of **remuneration until the end of the Initial Term** of his MA, or for three years as from May 28, 2013; and (ii) payment of his **pro rata bonus** (provided he has fulfilled the objectives defined by the Supervisory Board in accordance with article L.225-90-1 of the French Commercial Code), payment for his **life insurance/disability** insurance premiums, and reimbursement of **professional expenses and benefits in kind for the period until expiry of the notice period**.
- + **Resignation of a Management Board member solely by serving notice:**
  - o A notice period for a **minimum of four weeks** (ending on the last day of the current calendar month).
  - o **If Mr. Grimaud remains subject to a contractual non-compete clause** set within his MA, he will be entitled to **payment of his remuneration and pro rata bonus for the duration of the competition prohibition**, or for 12 months as from term of his MA provided he has fulfilled the objectives defined by the Supervisory Board in accordance with article L.225-90-1 of the French Commercial Code.
  - o **If Valneva SE releases Mr. Grimaud from the obligations of his contractual non-compete clause** set within his MA, he shall not be entitled to **any further remuneration after expiry of the notice period**.
- + **Termination of the MA by mutual consent with Valneva SE:**
  - o Mr. Grimaud shall be entitled to payment of his **remuneration and pro rata bonus** (provided he has fulfilled the objectives defined by the Supervisory Board in accordance with article L.225-90-1 of the French Commercial Code) **until expiration of the Initial Term** of his MA, or three years as from May 28, 2013.
  - o Mr. Grimaud will be entitled to these indemnities even if the proposal for termination was made by him.
- + **The case of the interlocking directorships and executive offices:**

The MA of Mr. Grimaud provides that he may be a member of the Management Board, or exercise any similar position (notably Chairman and CEO), within entities directly or indirectly controlling, controlled by or under joint control of Valneva SE (with such offices/functions hereafter referred to as a "**Group Management Position**").

Whereas, and **subject to the terms relating to the removal of Mr. Grimaud from the Management Board for cause** see above):

  - o it is understood that **if one of the Group Management Positions exercise by Mr. Grimaud is terminated:**
    - (i) **by resignation** of Mr. Grimaud; or
    - (ii) **by removal** at the initiative of the Group entity concerned by the Management Position in question,
  - and,
    - (i) before expiration of the Initial Term of the MA of Mr. Grimaud (or three years as from May 28, 2013);
    - (ii) and due to **circumstances involving a legal, functional or actual reduction** of Mr. Grimaud's responsibilities for such Group Management Position (including resulting from the law or the operating organization of the Group),
  - Mr. Grimaud shall be entitled to payment of his **remuneration and pro rata bonus** (provided he has fulfilled the objectives defined by the Supervisory Board in accordance with article L.225-90-1 of the French Commercial Code) **until expiration of the Initial Term of his MA**.
  - o Nevertheless, **in the absence of circumstances involving a concrete reduction in the responsibilities** of Mr. Grimaud for the Group Management Position in question he will then be entitled to his **remuneration and pro rata bonus**( provided he has fulfilled the objectives defined by the Supervisory Board in accordance with article L.225-90-1 of the French Commercial Code) **until the first of one of the following events:** (i) Mr. Franck Grimaud obtains an alternative (full-time) employment with an equivalent or similar level of remuneration or (ii) expiration of the Initial Term of his MA.

In general, **the contract and rights of Mr. Grimaud are subject to French company law**, and not French labor will, due to the fact that M. Franck Grimaud's rights are derived not from his status as an employee but rather his status as a corporate officer.



# Reinhard KANDERA

Management Board member  
Employee of Valneva Austria GmbH

Holder of an *Employment and Management Agreement* entered into with Valneva Austria GmbH

## + Removal of a Management Board member for cause :

- o The EMA of Mr. Kanderer will be **automatically terminated** (in particular if the reason for the removal constitutes a **good cause** within the meaning of Austrian law – See Sec 27 of the Austria White Collar Workers Act).
- o In such case Mr. Kanderer shall have **no further claims to future remuneration**.

## + Removal of a Board Member solely by serving notice sent by Valneva Austria GmbH:

- o A notice period for a **minimum of four weeks** (ending on the last day of the current calendar month).
- o Mr. Kanderer shall be entitled (i) to payment of **remuneration until the end of the Initial Term** of his EMA, or for three years as from May 28, 2013; and (ii) payment of a **pro rata of bonus**, payment for his **life insurance/disability insurance** premiums, and reimbursement of **professional expenses and benefits in kind for the period until expiry of the notice period**.

## + Resignation of a Board Member for cause (See. Sec 75 par 4 of the Austrian Stock Corporation Act):

- o If this resignation is made for a **good cause** (in particular within the meaning of Austrian law – See. Sec 26 of the Austria White Collar Workers Act), or **any other similar basis**, Mr. Kanderer will be entitled to **payment of his remuneration and pro rata bonus** until the end of the Initial Term of his EMA or for three years as from May 28, 2013.

## + Resignation of a Management Board member solely by serving notice:

- o A notice period for a **minimum of four weeks** (ending on the last day of the current calendar month).
- o **If Mr. Kanderer remains subject to a contractual non-compete clause** set within his EMA, he will be entitled to **payment of his remuneration and pro rata bonus for the duration of the competition prohibition**, or for 12 months as from term of his EMA.
- o **If Valneva Austria GmbH releases Mr. Kanderer from the obligations of his contractual non-compete clause** set within his EMA, he shall not be entitled to **any further remuneration after expiry of the notice period**.

## + Termination of the EMA by mutual consent with Valneva Austria GmbH:

- o Mr. Kanderer shall be entitled to his **remuneration and pro rata bonus until the end of the Initial Term** of his EMA or for three years as from May 28, 2013.
- o Mr. Kanderer will be entitled to these indemnities even if the proposal for termination was made by him.

## + The case of the interlocking directorships and executive offices:

The EMA of Mr. Kanderer provides that in addition to his status as salaried employee, Mr. Lingelbach may also be a Board Member, or exercise any similar position (notably Chairman and CEO), within entities directly or indirectly controlling, controlled by or under joint control of Valneva Austria GmbH (with such offices/functions hereafter referred to as a "**Group Management Position**").

Whereupon, and **subject to the terms relating to the removal of Mr. Kanderer from the Management Board for cause** see above):

- o it is understood that **if one of the Group Management Positions exercised by Mr. Kanderer is terminated:**
  - (i) **by resignation** of Mr. Kanderer; or
  - (ii) **by removal** at the initiative of the Group entity concerned by the Management Position in question,
- and,
  - (i) before expiration of the Initial Term of the EMA of Mr. Kanderer (or three years as from May 28, 2013);
  - (ii) and due to **circumstances involving a legal, functional or actual reduction** of Mr. Kanderer's responsibilities for such Group Management Position (including resulting from the law or the operating organization of the Group),
- Mr. Kanderer shall **be entitled to his remuneration and pro rata bonus until the end of the Initial Term of his EMA**.
- o Nevertheless, **in the absence of circumstances involving a concrete reduction in the responsibilities** of Mr. Kanderer for the Group Management Position in question, he will then be entitled to his **remuneration and pro rata bonus until the first of one of the following events**: (i) Mr. Kanderer obtains an alternative (full-time) employment with an equivalent or similar level of remuneration or (ii) expiration of the Initial Term of his EMA.

Mr. Kanderer is not subject to the statutory provisions of the Austrian Corporate Staff and Self-Employment Provision Act.



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## Additional provisions specifically linked with the non-compete commitments contained in the « *Management Agreement* » et « *Employment and Management Agreements* »

### Thomas LINGELBACH

Chairman of the Management Board of the Company - Employee of Valneva Austria GmbH

Holder of an *Employment and Management Agreement* entered into with Valneva Austria GmbH

- + In case the Supervisory Board of Valneva SE does not waive the following, the Board Member shall - for a period of one year following the termination of his *EMA* - not be gainfully employed with a competitor for whichever reason, especially in the fields of serums.
- + "Being gainfully employed" means in particular (but not limited to) that the Board Member:
  - enters into a contractual relationship with a competitor of Valneva Austria GmbH, be it as white-collar employee, consultant or in a similar position;
  - becomes direct or indirect owner or shareholder of a home or foreign competitor of Valneva Austria GmbH, except for the investment in listed stock corporations for investment reasons only;
  - becomes member of a legal (representative) body of a competitor of Valneva Austria GmbH, especially in the management board, the supervisory board or as counsel or consultant, even if the services are not remunerated.
- + In any case, this non-competition clause shall apply in the case of justified termination of the *EMA*/revocation of the board membership on cause by Valneva Austria GmbH (Sec 27. of the Austrian White Collar Workers Act) or unjustified premature termination on cause by the Board Member (Sec. 26 of the Austrian White Collar Workers Act).
- + In the case of any other termination mode, this non-competition clause shall only apply if the Board Member has served the Company and/or Valneva Austria GmbH as Board Member for at least three years on the whole, and provided that the entire remuneration is paid for the 12 months' non-compete period.
- + Furthermore, the Board Member shall not - for a period of 12 months following the termination of his *EMA* induce personnel, free-lancer, consultants or members of the Scientific Board, in whichever form, to terminate their employment contracts with Valneva Austria GmbH.
- + The Board Member is subject to the legal restraint on competition pursuant to Sec. 79 of the Austrian Stock Corporation Act.

### Franck Grimaud

Management Board member

Holder of *Management Agreement* entered into with Valneva SE

- + In case the Supervisory Board of Valneva SE does not waive the following, the Board Member shall - for a period of one year following the termination of his *MA* - not be gainfully employed with a competitor for whichever reason, especially in the fields of serums.
- + "Being gainfully employed" means in particular (but not limited to) that the Board Member:
  - enters into a contractual relationship with a competitor of Valneva SE/ Valneva Austria GmbH, be it as white-collar employee, consultant or in a similar position;
  - becomes direct or indirect owner or shareholder of a home or foreign competitor of Valneva SE/ Valneva Austria GmbH, except for the investment in listed stock corporations for investment reasons only;
  - becomes member of a legal (representative) body of a competitor of Valneva SE/ Valneva Austria GmbH, especially in the management board, the supervisory board or as counsel or consultant, even if the services are not remunerated.
- + In any case, this non-competition clause shall apply in the case of justified termination of the *MA*/revocation of the board membership on good cause by the Company, or for termination of the *MA* by the Board Member, except if this termination is due to circumstances involving legal, functional or actual diminution of the Board Member's responsibilities within his Management Board member function or similar position within the Valneva Group, such diminution not being itself due to circumstances likely to justify a revocation for good cause or any applicable similar ground of removal under the relevant jurisdiction.
- + In the case of any other termination mode, this non-competition clause shall only apply, if the Board Member has served the Company and/or Valneva Austria GmbH as Board Member for at least three years on the whole, and provided that the entire remuneration is paid for the 12 months' non-compete period.
- + Furthermore, the Board Member shall not - for a period of 12 months following the termination of his *MA* - induce personnel, free-lancer, consultants or members of the Scientific Board in whichever form to terminate their employment contracts with Valneva SE.



# Reinhard KANDERA

Management Board member  
Employee of Valneva Austria GmbH

Holder of an *Employment and Management Agreement* entered into with Valneva Austria GmbH

- + In case the Supervisory Board of Valneva SE does not waive the following, the Board Member shall - for a period of one year following the termination of his *EMA* - not be gainfully employed with a competitor for whichever reason, especially in the fields of serums.
- + "Being gainfully employed" means in particular (but not limited to) that the Board Member:
  - enters into a contractual relationship with a competitor of Valneva Austria GmbH, be it as white-collar employee, consultant or in a similar position;
  - becomes direct or indirect owner or shareholder of a home or foreign competitor of Valneva Austria GmbH, except for the investment in listed stock corporations for investment reasons only;
  - becomes member of a legal (representative) body of a competitor of Valneva Austria GmbH, especially in the management board, the supervisory board or as counsel or consultant, even if the services are not remunerated.
- + In any case, this non-competition clause shall apply in the case of justified termination of the *EMA*/revocation of the board membership on cause by Valneva Austria GmbH (Sec 27. of the Austrian White Collar Workers Act) or unjustified premature termination on cause by the Board Member (Sec. 26 of the Austrian White Collar Workers Act).
- + In the case of any other termination mode, this non-competition clause shall only apply if the Board Member has served the Company and/or Valneva Austria GmbH as Board Member for at least three years on the whole, and provided that the entire remuneration is paid for the 12 months' non-compete period.
- + Furthermore, the Board Member shall not - for a period of 12 months following the termination of his *EMA* induce personnel, free-lancer, consultants or members of the Scientific Board, in whichever form, to terminate their employment contracts with Valneva Austria GmbH.
- + The Board Member is subject to the legal restraint on competition pursuant to Sec. 79 of the Austrian Stock Corporation Act.



## 21.2. Remuneration of the Supervisory Board

### Attendance fees and other remuneration received by non-executive officers

		Amounts paid in 2014	Amounts paid from May 28, 2013 to December 31, 2013	Amounts paid until May 28, 2013
<b>Frédéric Grimaud, Chairman of the Supervisory Board</b>				
Attendance fees		EUR 50,000	EUR 25,000	EUR 0
Other remuneration		EUR 0	EUR 0	EUR 0
<b>Joseph Grimaud, former Vice-Chairman of the Supervisory Board (functions ended upon completion of the merger with Intercell AG)</b>				
Attendance fees		EUR 0	EUR 0	EUR 0
Other remuneration		EUR 0	EUR 0	EUR 0
<b>Groupe Grimaud La Corbière SA, former the Supervisory Board member (functions ended upon completion of the merger with Intercell AG)</b>				
Attendance fees		EUR 0	EUR 0	EUR 0
Other remuneration	- In connection with the group management agreement	EUR 0	EUR 0	EUR 111,726.36 (VAT included)
	- In connection with loan guarantees	EUR 0	EUR 0	EUR 36,528.77 (VAT included)
	- In connection with normal operations	EUR 0	EUR 0	EUR 108,347.30 (VAT included)
<b>Renée Grimaud, permanent representative of Grimaud La Corbière Group SA (functions ended upon completion of the merger with Intercell AG)</b>				
Attendance fees		EUR 0	EUR 0	EUR 0
Other remuneration		EUR 0	EUR 0	EUR 0
<b>Thomas Grimaud, Supervisory Board member (functions ended upon completion of the merger with Intercell AG)</b>				
Attendance fees		EUR 0	EUR 0	EUR 0
Other remuneration		EUR 0	EUR 0	EUR 0
<b>Alain Munoz, Supervisory Board member</b>				
Attendance fees		EUR 32,500	EUR 18,333	EUR 10,000
Other remuneration		EUR 0	EUR 0	EUR 0
<b>Michel Greco, Supervisory Board member</b>				
Attendance fees		EUR 30,000	EUR 18,333	EUR 10,000
Other remuneration		EUR 0	EUR 9,206.52 (Attendance fees paid with respect to his appointment as Supervisory Board member within Intercell AG, for the period between October 1, 2012 and December 16, 2012)	EUR 0
<b>Anne-Marie Graffin, Supervisory Board member</b>				
Attendance fees		EUR 30,000	EUR 15,000	EUR 0
Other remuneration		EUR 0	EUR 0	EUR 0
<b>James Sulat, Vice-Chairman of the Supervisory Board</b>				
Attendance fees		EUR 42,500	EUR 20,000	EUR 0
Other remuneration		EUR 0	EUR 28,574.28 (Attendance fees paid with respect to his appointment as Supervisory Board member within Intercell AG, for the period between October 1, 2012 and May 27, 2013)	EUR 0
<b>Hans Wigzell, Supervisory Board member</b>				
Attendance fees		EUR 30,000	EUR 15,000	EUR 0





<b>Other remuneration</b>		EUR 0	EUR 27,500 (Attendance fees paid with respect to his appointment as Supervisory Board member within Intercell AG, for the period between October 1, 2012 and May 27, 2013)	EUR 0
<b>Alexander Von Gabain, Supervisory Board member</b>				
<b>Attendance fees</b>		EUR 30,000	EUR 15,000	EUR 0
<b>Other remuneration</b>	(Attendance fees paid with respect to his appointment as Supervisory Board member within Intercell AG, for the period between October 1, 2012 and May 27, 2013)	EUR 0	EUR 26,666.67	EUR 0
	Consulting services between January 2013 to March 2013 – remuneration paid by Intercell Austria GmbH in August 2013	EUR 0	EUR 28,500	EUR 0
<b>TOTAL</b>		<b>EUR 245,000</b>	<b>EUR 247,113.47</b>	<b>EUR 276,602.43</b>



## 22. MANAGEMENT DEALINGS IN THE COMPANY'S SHARES

There were no dealings by management of the nature referred to in article L.621-18-2 of the French monetary and financial code to report in financial year 2014.

## 23. AGREEMENTS ENTERED INTO BETWEEN A DIRECTOR AND/OR OFFICER OR A SHAREHOLDER HOLDING MORE THAN 10% OF THE VOTING RIGHTS AND A SUBSIDIARY OF THE COMPANY (EXCLUDING ORDINARY AGREEMENTS)

Co-contracting party	Agreement	Purpose of the Agreement
Thomas LINGELBACH	<b>Employment and Management Agreement</b> entered into with Valneva Austria GmbH on December 16, 2012	<p>This agreement provides for the payment of remuneration and social benefits of Mr. Thomas LINGELBACH in his capacity as a Board Member, CEO and employee of Valneva Austria GmbH from the date of Valneva's registration in Lyon (<i>Registre du Commerce et des Sociétés de Lyon</i>) in the form of a European company (<i>société europaea</i>).</p> <p>Detailed information on selected conditions of this agreement is disclosed in this Annual Report (<a href="#">Sections 15.10</a> and <a href="#">22</a>).</p>
Reinhard KANDERA	<b>Employment and Management Agreement</b> entered into with Valneva Austria GmbH on December 16, 2012	<p>This agreement provides the payment of remuneration and social benefits of Mr. Reinhard KANDERA in his capacity as a Board Member, CFO and employee of Valneva Austria GmbH from the date of Valneva's registration in Lyon (<i>Registre du Commerce et des Sociétés de Lyon</i>) in the form of a European company (<i>société europaea</i>).</p> <p>Detailed information on selected conditions of this agreement is disclosed in this Annual Report (<a href="#">Sections 15.10</a> and <a href="#">22</a>).</p>



## 24. ENVIRONMENTAL, EMPLOYMENT-RELATED AND SOCIAL INFORMATION

### 2014 REPORT

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# VALNEVA GROUP CORPORATE SOCIAL RESPONSIBILITY



EMPLOYEES

ENVIRONMENT

SOCIETY

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## Introduction

### Corporate Social Responsibility – CSR

CSR is how companies apply sustainable business principles.

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

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

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

### Methodological framework for Valneva's CSR Report 2014

As Valneva's corporate social responsibility strategy has not yet been formally defined, the measures and good practices set out in this third CSR Report have been broken down into three themes:

COMMITMENT TO  
EMPLOYEES

COMMITMENT TO THE  
ENVIRONMENT

COMMITMENT TO  
SOCIETY

In the years to come, Valneva hopes to continue developing in line with a certain number of social and environmental responsibility principles.

**The CSR Report reporting boundary** in 2014 covers the Livingston, Vienna, Nantes and Lyon sites. The Japanese and US subsidiaries were excluded from this scope for the following reasons:

- Business in Japan has been reduced. In 2014, the only remaining activities were development and license and partnership management, with one person active for 20% of standard working hours.
- At December 31, 2014, there were only two employees working at the US site.

In France, employment data include the Lyon and Saint-Herblain sites. However, environmental data almost exclusively cover the Saint-Herblain site due to the lack of data available from the Lyon site.



## The frameworks used to draw up this report

- **Frances's New Economic Regulations (*Nouvelles Régulations Economiques* or NRE) Law and its implementing decree**

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

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

Article 225 of the law of July 12, 2010, or the Grenelle II Act, requires social, environmental and sustainability information to be included in the management report of companies and reviewed by third parties. This act is an extension of the 2001 NRE law and applies the provisions of the Grenelle Environmental legislation and the Grenelle I Act. The conditions for application are laid down in a decree passed following consultation and before review but approval by the Council of State (*Conseil d'Etat*).

- **Global Reporting Initiative (GRI)**

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

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

- **ISO 26000 international standard**

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

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





## Section 1 - Commitment to employees



### COMMITMENT TO EMPLOYEES

EMPLOYMENT AND LABOR  
RELATIONS  
OCCUPATIONAL HEALTH AND  
SAFETY  
TRAINING POLICY

Valneva's success stems from the work and expertise of its 278 employees working across its various subsidiaries. At Valneva, we are proud of our accomplishments and our challenges, past, present and future. Our achievements derive from our corporate culture based on respect for others, dedication and motivation.

Our employees are our primary resource for tackling the challenges to come. Their spirit of openness and tolerance and their individual qualities represent significant strengths for Valneva, giving the Group every chance to become a real European leader in the field of vaccines.

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

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

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

Some social data were standardized and consolidated at Group level following the first CSR Report for 2013. Valneva uses an internal human resource management software named HR Cube.



## EMPLOYMENT AND LABOR RELATIONS

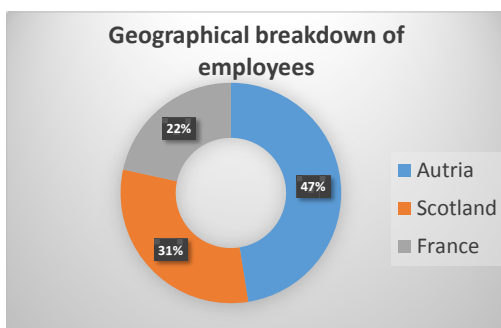
### INFORMATION AND ACHIEVEMENTS

Our objective is to create a working environment able to attract and retain over the long-term the most talented employees at Valneva. At the Group, employees must be able to enjoy a stimulating work, international experience, a clear ethical commitment, respect for others and integrity.

#### HEADCOUNT BY GEOGRAPHIC BREAKDOWN

At December 31, 2014, Valneva employed 278 people across its sites in Austria, Scotland and France\*.

**Group employees broke down as follows at the different sites:**

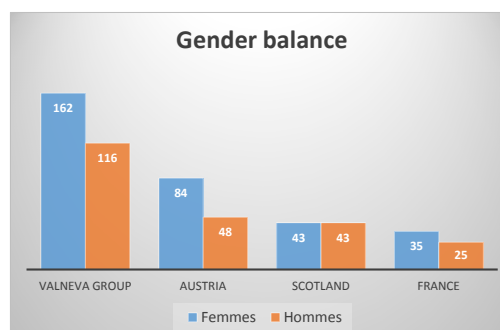


\* Excluding the Japan and US sites.

#### GENDER BREAKDOWN

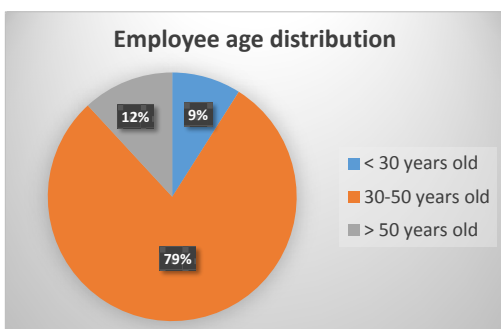
**Women are more highly represented than men at Valneva (58%).**

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



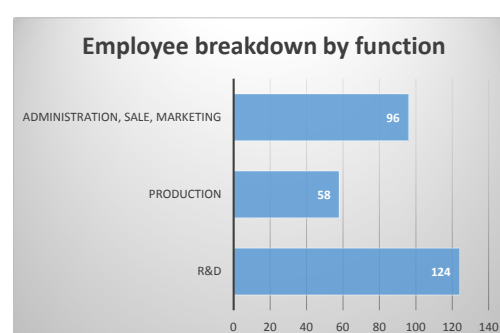
#### AVERAGE AGE AT VALNEVA

The average age of Valneva employees both overall (39) and in France (37) is relatively young.



#### EMPLOYEE BREAKDOWN BY FUNCTION

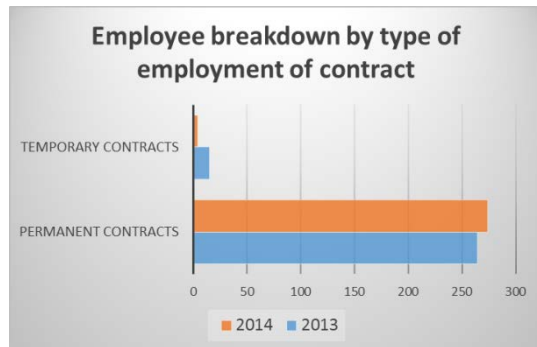
The majority of employees work in Research and Development. The support functions operate at the three sites and production is based in Livingston.



## HIGHLIGHTS

### Employment contracts

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



### Compensation policy

Valneva introduced a policy of annual pay increases defined for each country that factors in the inflation rate and market data.

In 2014, Valneva confirmed its goal of offering competitive compensation on the biotechnology market by implementing the first step in its program to align compensation year after year across its different sites.

### Conventions and collective agreements

Subsidiaries in each country have internal agreements on the organization of working hours for both full-time and part-time employment contracts.

Furthermore, all employees are covered by a collective agreement:

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

### International Works Council

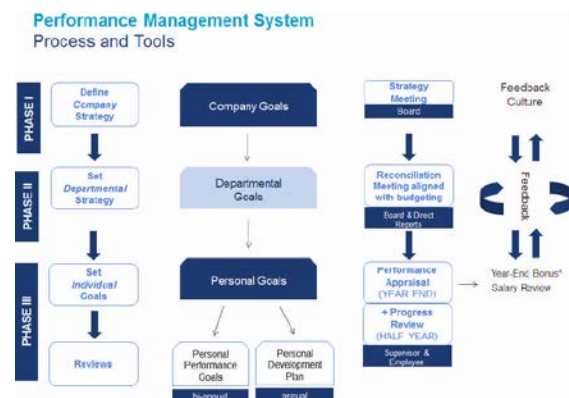
An International Works Council was set up on April 12, 2013 to support information, consultation and participation rights in the context of Valneva SE's cross-border operations. This International Works Council meets twice a year, in addition to meetings held by videoconference.

### Employee performance appraisals

Valneva has implemented a performance management policy based on key performance indicators used across the Group.

Progress on individual and collective objectives is assessed in order to carry out a Management Review and a personal development plan.

Employee meetings are held to improve communication, individual performance and employee satisfaction.



### Valneva's values for 2014

Our day-to-day work typically involves:

- Rapid decision-making
- Employee development and encouragement
- Ethical behavior and conduct
- Encouragement in teamwork
- An open and transparent work environment
- Trust in employees



## OCCUPATIONAL HEALTH AND SAFETY

### INFORMATION AND ACHIEVEMENTS

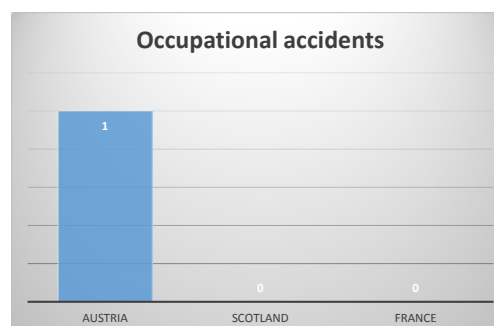
Prevention measures have been adopted at each site to eliminate or reduce health and safety risks faced by employees. Employee exposure to chemical, biological and physical risks is particularly high in a biotechnology business specialized in vaccines and antibodies. Laboratory procedures require the use of potentially hazardous equipment, products and reagents.

#### TYPES OF HEALTH AND SAFETY RISKS FACED BY EMPLOYEES

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

#### OCCUPATIONAL ACCIDENTS

The number of occupational accidents was more than halved between 2013 and 2014 for the entire Group.



#### TRAINING ON CHEMICAL RISKS

In September 2014, employees at the Lyon site received training on chemical risks specific to their activities.



#### HEALTH-SAFETY-ENVIRONMENT POLICY

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

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

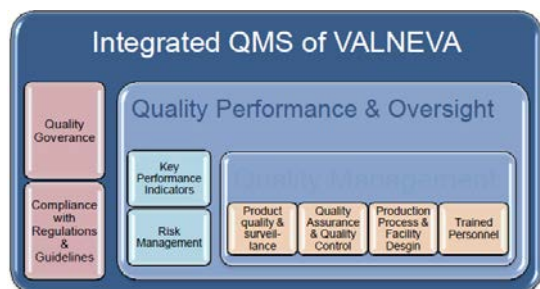
The Quality Manual lays down procedures to guarantee the health and safety of employees and visitors and to control the production, storage and use of hazardous substances.

## HIGHLIGHTS

### Quality Management System

A manual outlining the global quality management policy was published in March 2014. This policy covers Good Manufacturing Practices and Good Clinical Practices.

#### Integrated Quality Management System



### Occupational illnesses

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

#### Health and safety policy in Austria

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

- The **VIE-SOP-0054** procedure which outlines the provisions and objectives to:
  - ensure the health, safety and well-being of employees in the workplace;
  - protect non-employees from health risks;
  - control the production, storage and use of hazardous substances and prevent any accidental or deliberate contact with these products;
  - control the release of toxic substances into the atmosphere.
- and also in the **VIE-SOP-0074** protocol which describes the procedures for handling hazardous waste without risk to employees. This document lists the personal protective equipment to be worn when handling hazardous, infectious or potentially infectious chemicals.

### Health, Safety and Working Conditions Committee and HSE Manager in France

In France, the Health, Safety and Working Conditions Committee (CHSCT), an employee representative body within the Company, met four times in 2014. Safety policy was bolstered this year with the hire of the HSE (Health-Safety-Environment) Manager, who updated the Single Assessment Document and initiated consultations with specialized service providers to measure exposure to safety risks.

The safety booklet was updated again this year. Focus was also given to mandatory safety and environmental training (fire prevention teams, emergency first-aid at work, electrical standards, use of autoclaves).

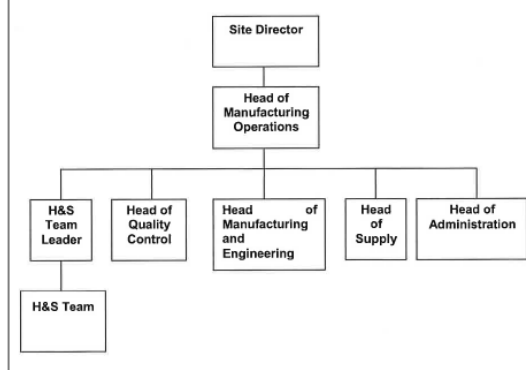
#### Health and safety in Scotland

The following documents govern health and safety rules applied in Scotland:

- Global EHS Policy (GQP-0008)
- OHS Local Policy (Health and safety policy and procedures)
- Permit from Scotland's Ministry of the Environment (elimination of waste and emissions) – Permit PPC/E/20022

Specified Animal Pathogens Orders (SAPO)/2011

#### Organization chart Health and safety management



## SKILLS DEVELOPMENT

### INFORMATION AND ACHIEVEMENTS

Developing employee skills plays a key role in Valneva's success. As such, Valneva works to provide an environment of continuous learning for employees to encourage their personal development. In exchange, employees must be willing to learn and take on new roles and responsibilities at the Company. The goal is to help employees boost their personal potential and advance their professional career.

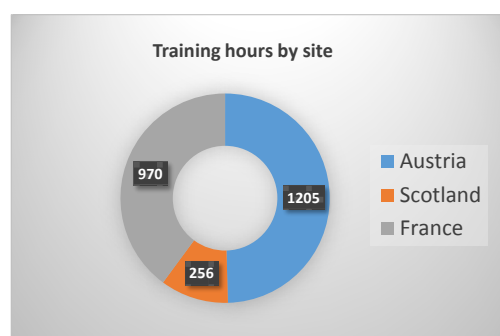
#### TRAINING POLICY

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

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

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

#### TRAINING HOURS



Training was relaunched in France in 2014. English language training courses remain a priority, in particular, to facilitate relations with Austria and Scotland.

Twenty-seven percent of French employees took a training program to become first-aid workers.

#### TRAINING INITIATIVES

- **Quality**

The GMP quality training plan has been implemented at the Austria and Scotland sites, where employees receive training on Good Manufacturing Practices to ensure compliance with regulations.

- **Occupational health and safety**

Employees at the Austria and Scotland sites are trained on the VIE-SOP-0054 procedure.

- **Environmental protection**

A campaign has been developed to raise the awareness of new hires about waste sorting, all the risks associated with Company activities, safety measures to be implemented, etc.

#### A PROGRESS AGREEMENT WITH THE PAYS DE LA LOIRE REGION

Valneva's establishment in Saint-Herblain, France, is involved in the Pays de la Loire Region to develop employment and professional training both quantitatively and qualitatively. The terms of this engagement in supporting economic and territorial stakeholders are defined within the framework of a "Progress Agreement".

The Company has defined indicators to measure its progress, and will report to the Region on its advancement.





## EQUALITY AND DIVERSITY

### INFORMATION AND ACHIEVEMENTS

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

#### CODE OF CONDUCT

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

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

#### A UNILATERAL PLAN FOR GENDER EQUALITY

Valneva France implemented a unilateral action plan to promote gender equality on June 26, 2013 which was valid for one year.

This report includes the comparison of the situation of men and women to eventually correct any differences in compensation and career advancement.

#### EMPLOYMENT AND INTEGRATION OF PEOPLE WITH DISABILITIES

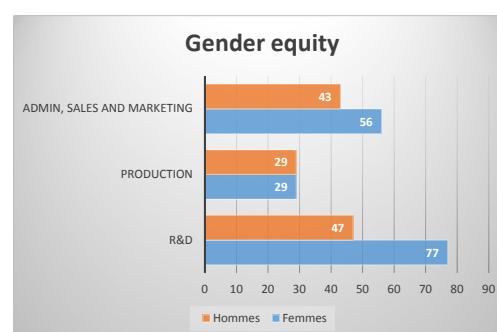
Valneva France employs one disabled worker and paid a contribution of €6,149 in 2014 to HandiEM, the sheltered work organization, through the Agefiph fund to promote the employment of the disabled.

In 2014, the Company works with three sheltered work organizations (landscaping, office supplies) and paid a total of €5,064 for their services

**HandiEM**  
Handicap Entreprises du Médicament

#### GENDER EQUALITY

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



## Section 2 - Commitment to the environment



### COMMITMENT TO THE ENVIRONMENT

ENVIRONMENTAL MANAGEMENT

POLLUTION PREVENTION AND WASTE MANAGEMENT

ENERGY AND CARBON FOOTPRINT

RESOURCES AND BIODIVERSITY

In connection with its research and development programs, Valneva uses hazardous materials and biological materials, solvents and other potentially genotoxic chemicals, Valneva employees handle recombinant genetic material, genetically modified organisms and viruses.

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

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

The Group believes that its safety procedures comply with applicable regulations, even though the risk of an accident or accidental contamination cannot be completely ruled out.

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

- A formal environmental management system based on strict procedures and compliance with regulations;
- Pollution prevention and waste management;
- Information and training programs on environmental protection, health and safety.



## Year 2013

### Environmental management

Vivalis and Intercell merged their activities in 2013. The environmental management policy was gradually implemented, based on the specific procedures of each site adapted to local legislation.

### Pollution prevention and waste management

the Group must comply with very strict waste management regulations.

At all sites, waste optimization techniques are negotiated with service providers to recycle waste, and efficient waste sorting programs have been implemented.

### Employee training on environmental protection, health and safety

All employees are trained on risk management procedures (booklet for new hires, etc.) and on chemical risks.

The Scottish entity adopted a declaration of the Company's commitments to its employees on November 28, 2011.

## Year 2014

### Environmental management

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

### Pollution prevention and waste management

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

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

### Employee training on environmental protection, health and safety

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



## ENVIRONMENTAL POLICY

### INFORMATION AND ACHIEVEMENTS

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

The manufacturing unit that produces the vaccine for Japanese encephalitis is located in Livingston, Scotland. Research laboratories are set up at the Nantes, Lyon and Vienna sites. Upstream vaccine testing is performed at the Vienna site.

The Group's manufacturing facility in Livingston, Scotland, is and will continue to be an important factor in driving revenue growth and controlling production costs.



Nantes Facility



Livingston Facility



Vienna Facility

#### FACILITY COMPLIANCE

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

The Livingston manufacturing facility has a permit granted by the Scottish Environment Protection Agency (SEPA) on May 7, 2007. This authorization is reviewed regularly. The results of the audit conducted in November 2014 demonstrated that the site was in compliance with regulations.

The Nantes facility is subject to ICPE regulations for its refrigeration and compression systems (flammable liquids and absorbed power of over 20 kW). Authorization was granted in March 2009.

#### STRENGTHENING INSPECTION PROCEDURES

The risk management procedures were strengthened at the Nantes site for 2014 with the recruitment of a safety and environment manager hired specifically to handle these issues.

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

#### TRAINING ON CHEMICAL AND BIOLOGICAL RISKS

At all of its sites, Valneva employees who handle viruses, class 1 and 2 genetically modified organisms, etc. are highly exposed to biotechnological risks.

Training programs on chemical and biological risks have been developed. The content of this training was updated in 2014 at the Nantes and Lyon sites and adapted to their activities.

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

#### CHAIN OF RESPONSIBILITY

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

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



## HIGHLIGHTS

### Emergency first-aid training

To guarantee the safety of people working at its sites, Valneva France has trained new **Emergency First-Aid at Work (EFAW)** volunteers to cover as many work scenarios as possible in which an accident might occur. The Nantes site now has 1 EFAW volunteer per 10 employees and the Lyon site 1 EFAW volunteer per 4 employees



### HSE manager hired

In March 2014, an HSE Manager was hired for the French sites, which have begun to update the **Single Assessment Document used to measure business risks**, develop a **prevention plan to manage external companies** and introduce **health and safety communication initiatives**.

DOCUMENT IDENTITE		DOCUMENT UNIQUE D'EVALUATION DES RISQUES										vvalneva	
Code du document		Méthode de création du danger										Date évaluation initiale	
Date de création		2014/2014											
Version		1											
Règles de calcul du coefficient de danger (C) à créer (C) = (P) x (S) et (C) par application de la table 1/100, 1/1000, 1/10000, 1/100000, 1/1000000, 1/10000000, 1/100000000, 1/1000000000, 1/10000000000, 1/100000000000, 1/1000000000000, 1/10000000000000, 1/100000000000000, 1/1000000000000000, 1/10000000000000000, 1/100000000000000000, 1/1000000000000000000, 1/10000000000000000000, 1/100000000000000000000, 1/1000000000000000000000, 1/10000000000000000000000, 1/100000000000000000000000, 1/1000000000000000000000000, 1/10000000000000000000000000, 1/100000000000000000000000000, 1/1000000000000000000000000000, 1/10000000000000000000000000000, 1/100000000000000000000000000000, 1/1000000000000000000000000000000, 1/10000000000000000000000000000000, 1/100000000000000000000000000000000, 1/1000000000000000000000000000000000, 1/10000000000000000000000000000000000, 1/100000000000000000000000000000000000, 1/1000000000000000000000000000000000000, 1/10000000000000000000000000000000000000, 1/100000000000000000000000000000000000000, 1/1000000000000000000000000000000000000000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/100, 1/1000, 1/1000, 1/1000, 1/100, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/100, 1/1000, 1/1000, 1/100, 1/1000, 1/100, 1/1000, 1/100, 1/100, 1/1000, 1/1000, 1/100, 1/1000													



## POLLUTION PREVENTION AND WASTE MANAGEMENT

### INFORMATION AND ACHIEVEMENTS

Since 2012, Valneva has made it a priority to reduce and recycle waste at all of its sites. The traceability of hazardous waste has been reinforced.

#### POLLUTION PREVENTION

To prevent pollution risks, the Group maintains and monitors various equipment and maintenance procedures, with tighter inspection of pressure equipment and monitoring of electrical systems. (ventilation system maintenance).

Valneva France also recruited a maintenance technician to monitor the technical aspects of non-compliance issues and correct them.



#### WASTE REDUCTION

**In 2013, Valneva Scotland introduced a waste management system which has reduced waste and increased the proportion of waste that can be recycled (following the 2012 audit).**

The proportion of hazardous waste that needs to be treated by autoclave before being destroyed was also scaled back, thus cutting electricity consumption.

The Nantes and Vienna sites have also implemented waste sorting and reduction systems.

#### WASTE RECYCLING

Waste sorting continued in 2014 based on the same system used in 2013.

Valneva continued to send its used pallets for reuse by another company in the region and its ink cartridges and photocopiers for recycling by the company Atmosph'aire.

The same focus is given to waste recycling at the Vienna and Livingston site.

#### REINFORCED TRACEABILITY

At the Nantes site, compliance with regulatory requirements is now more closely tracked through a monitoring register set up in partnership with our service providers (Veolia and SITA for the Saint Herblain site) for the sorting, storage and pick-up of chemical and biological waste (infectious medical waste).

At the Vienna and Livingston sites, hazardous waste is rigorously monitored and picked up by accredited companies in line with procedure (VIE-SOP-0054 [03]): Barcal and Schalkhammer in Vienna and Labwaste and Healthcare Environmental in Livingston.





## HIGHLIGHTS

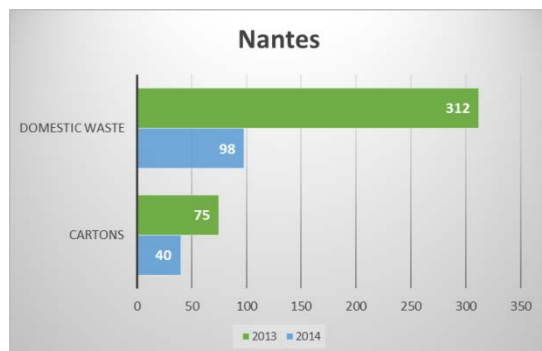
### Waste sorting optimized at Valneva France

The hazardous waste sorting information sheet was improved in 2014 by the HSE Manager in response to employee requests and to facilitate the sorting process.

TRI DES DECHETS				
	ACIDE	BASE	INFLAMMABLE	INFLAMMABLE TOXIQUE
<b>Déchets solides</b>	UN 3261 Solide organique corrosif, Acide 	UN 3263 Solide organique corrosif, Basique 	UN 3253 Solide organique inflammable 	UN 2826 Solide organique inflammable Toxique 
	Bouteilles vides d'acide chlorhydrique, acétique, etc... Produits portant uniquement les pictogrammes suivants et la mention "Acide" : 	Bouteilles vides de soude, hydroxyde de potassium, etc... Produits portant uniquement les pictogrammes suivants et la mention "Base" : 	Bouteilles vides d'éthanol, d'acétone, d'alcool, etc... Produits portant uniquement les pictogrammes suivants : 	Bouteilles vides de méthanol, de bleu de cochenille, bleu trypan, BET, etc... Produits portant les pictogrammes suivants : 
<b>Déchets liquides</b>	UN 3264 Liquide inorganique corrosif, Acide 	UN 3266 Liquide inorganique corrosif, Basique 	UN 3253 Liquide organique inflammable 	UN 2826 Liquide organique inflammable Toxique 
	Acide chlorhydrique, acide acétique, etc... Liquides identifiés uniquement par un des pictogrammes suivants et la mention "Acide" : 	Soude, hydroxyde de potassium, etc... Liquides identifiés uniquement par un des pictogrammes suivants et la mention "Base" : 	Éthanol, acétone, alcool, etc... Liquides identifiés uniquement par un des pictogrammes suivants : 	Méthanol, bleu de cochenille, bleu trypan, déchets Vicell, etc... Liquides identifiés avec 2 des pictogrammes suivants : 

The safety action plan was updated in 2014 to integrate more information sources.

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



The amount of non-hazardous waste produced at the facility decreased significantly between 2013 and 2014. The production plant (CMO business) at the Saint-Herblain site was sold in 2013, and the 2013 figures partly included this activity.

### Valneva Scotland

The amount of waste produced at the Livingston site fell considerably between 2012 and 2014, reflecting the effectiveness of the measures taken since 2011.



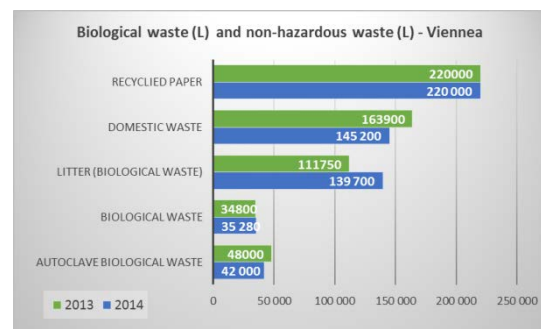
An Orwak 5030 compactor, a press and an Orwak 8015 baler were put into operation in 2011, which has also reduced the number of waste pick-ups.

Our supplier Sigma Aldrich has been collecting its plastic containers directly since 2013.

Extreme care is taken to protect the homes located near the facility. The acoustic measures taken every two years by IKM Consulting and submitted to the Scottish Environment Protection Agency confirm the compliance of the site.

### Waste management at Valneva Austria

The total amount of waste decreased slightly between 2013 and 2014, and the amount of recycled paper remains unchanged. One category of biological waste (mouse litter) rose slightly in 2014.



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



## ENERGY – CARBON FOOTPRINT

### INFORMATION AND ACHIEVEMENTS

Valneva Group applies a policy for monitoring and efficiently managing energy consumption at all its sites. These initiatives contribute to energy savings and lower emissions of CO<sub>2</sub> into the atmosphere.

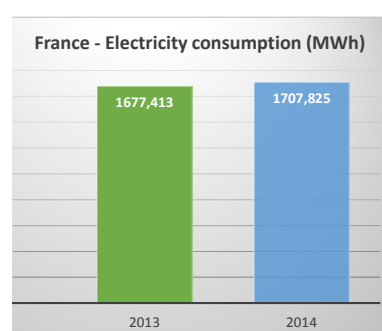
#### CONTROL SYSTEMS

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

- At the Nantes site, energy consumption saving measures were implemented (a central control system, movement detectors, the installation of blinds).
- In Austria, a system for detecting over-consumption of energy has been installed.
- In Scotland, pursuant to the 2012 audit, energy consumption has been analyzed for the last three years and optimized by the calibration of equipment.

#### IN FRANCE

In 2014, electricity consumption registered a marginal increase.



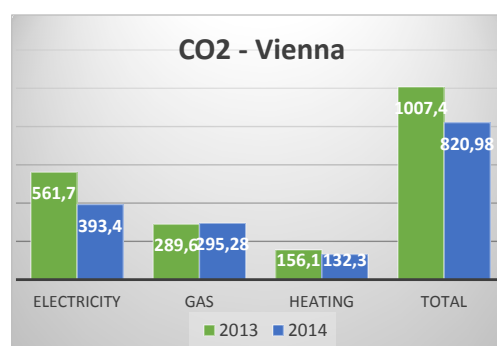
#### THE CARBON FOOTPRINT

CO<sub>2</sub> emissions are monitored for all sites on the basis of energy consumption.

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

In Nantes, travel, the largest source of CO<sub>2</sub> emissions, is subject to specific reduction measures (providing bicycles to employees, giving preference the train over air travel, group orders). CO<sub>2</sub> linked to energy consumption represents 22% of total emissions or 331t.

#### IN AUSTRIA



CO<sub>2</sub> emissions linked to energy declined in 2014 following the change in supplier (energy mix). This also applies to emissions linked to heating reflecting milder weather conditions in 2014.

In 2014, CO<sub>2</sub> emissions linked to energy for the Vienna site totaled 820.98t.



## HIGHLIGHTS

### Valneva Scotland

Energy consumption declined in 2014 from the prior year.



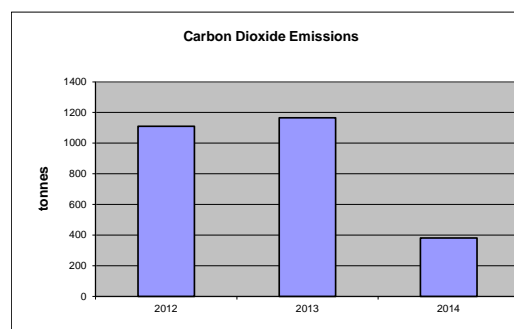
Electricity suppliers were selected according to criteria of the level of CO<sub>2</sub> emissions. For 2014, the supplier selected proposed electricity with a level of emissions of 136.38 g/kWh.

#### CO<sub>2</sub> emission control for the gas boiler at Livingston:

	CO <sub>2</sub>	Gas Flow (m <sup>3</sup> s <sup>-1</sup> )
%	5.3	0.17
PPM	53000	
mg Nm <sup>-3</sup>	70982.14	
Emission Rate Kg/Yr	380543.79	
Emission Rate T/Yr	380.54	
Emissions T per g of product	58.15	

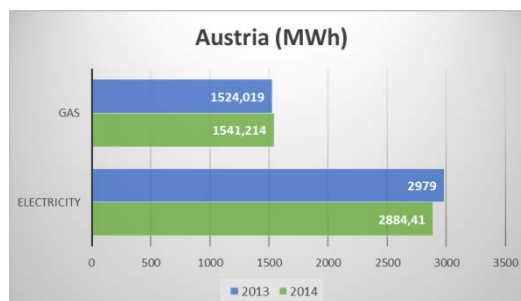
Emissions were controlled from January 1 to December 31, 2014 based on the average for two periods for tests conducted by the National Physics Laboratory.

Based on these tests, CO<sub>2</sub> emissions in 2014 declined sharply, following improvements in the functioning of the boiler.



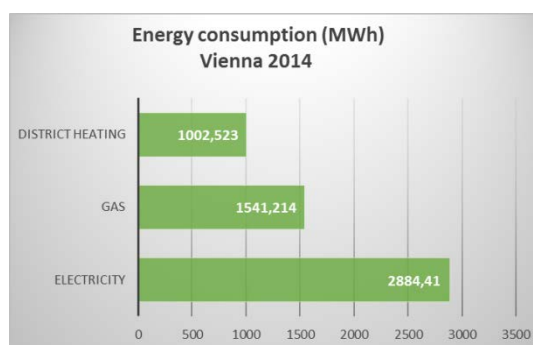
### Valneva Austria

Electricity consumption decreased in 2014 from the prior year.



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

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



In Austria, most electricity is produced by hydro power plants. The emission factor for this renewable energy is lower than for electricity produced from coal which makes it a cleaner source of energy. In addition, in 2014 the electricity supplier modified its production in favor of an energy mix.

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



## RESOURCES – BIODIVERSITY

### INFORMATION AND ACHIEVEMENTS

#### BIODIVERSITY

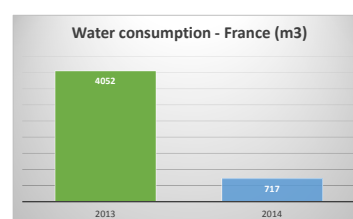
At the Nantes site, the artificialization of the grounds was taken into account for the construction of the new HEQ building in 2011 (green drainage ditches, water runoff collection, differentiated management of green space).

In Scotland, a production unit controls its emissions and waste to limit its environmental impact.

#### IN FRANCE

Measures to reduce resource consumption have been launched: bio-cleaning of laboratories and offices, infrared faucets, push button controlled showers.

Monthly tracking makes it possible to rapidly identify over-consumption or leaks (until November 2013, the CMO unit were included in consumption data).



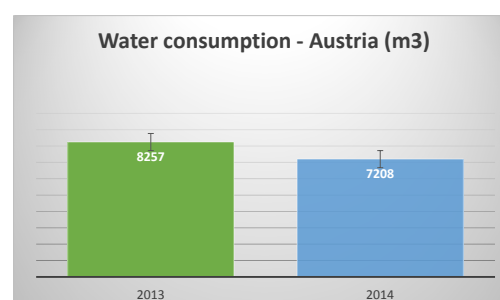
#### SUSTAINABLE USE OF RESOURCES IN SCOTLAND

	2013	2014
Raw Materials	Usage (Kg)	Usage (Kg)
Cleansed Water	24842	27911
Mammalian Cells	0.104	0.088
Bacterial Cells	0.00	0.00
Attenuated Japanese Encephalitis Vir	0.96	0.89
Acid	3.00	2.50
Alkali	156.00	132.00
Formaldehyde	12.50	13.00
Buffer Solution	5964	5218
Cell Culture Media	7449.1	7858
Ethanol	0	0
Total	30978.56	33277.28

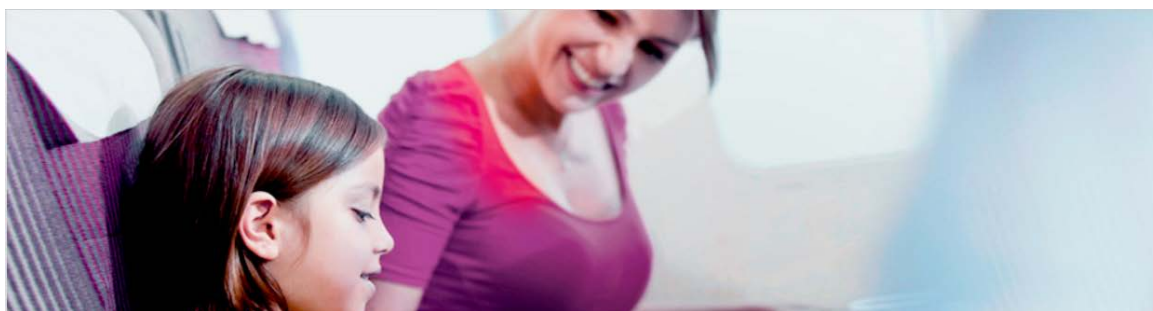
Fluctuations in the use of raw materials reflect changes in production or production processes.

#### IN AUSTRIA

Water production has been reduced between 2013 and 2014 by 1,049 m<sup>3</sup>.



## Section 3 - Commitment to society



### COMMITMENT TO SOCIETY

ETHICS AND R&D

PURCHASING POLICY

PARTNERSHIPS AND SPONSORING

Biotechnologies in the pharmaceutical industry sector address social priorities regarding health issues. While discoveries open up enormous possibilities and address public healthcare challenges, they also give rise to concerns and numerous questions on the part of civil society.

Implementing biotech innovations requires the raising of significant amounts of capital and introduces changes in the calculation for profitability. This has contributed to the multiplication of interactions and cooperation between different market players.

Public authorities pay particular attention to this sector which is highly sensitive in light of its impact on health and strategic significance in terms of its potential for creating value and jobs. Public authorities facilitate the granting of funds in the form of public subsidies for these sectors involving high medical, social and economic stakes.

Valneva Group applies a risk management policy with respect to the health of consumers and the future users of its products.

## ETHICS AND R&D

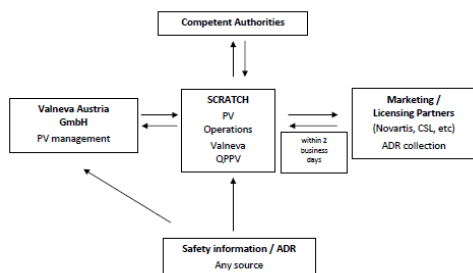
### INFORMATION AND ACHIEVEMENTS

Valneva products are distributed and sold primarily from the site in Vienna. Monitoring and evaluation procedures as well as a system for tracking and collecting information relating to the reliability and compliance of products have been put into place.

The quality approach relating to pharmacovigilance is set forth in the Quality Manual (GQP-0021).

#### PHARMACOVIGILANCE PROCEDURE

Valneva outsources operations to SCRATCH pharmacovigilance GmbH based in Butzbach and Doctor Renald Henning serves as the Qualified Person for Pharmacovigilance (QPPV). The VIE-SOP 0011 procedure describes the chain of responsibility and the processing of information flows.



#### DISTRIBUTION AGREEMENTS

Valneva has distribution agreements with pharmaceutical companies:

- *Novartis Vaccines and Diagnostics* Novartis Vaccines and Diagnostics for most countries;
- *CSL Limited* for Australia, New Zealand, Papua, New Guinea,, and the Pacific islands;
- *Novartis Pharma Schweiz* Novartis Pharma Schweiz for the IXIARO® vaccine in Switzerland;
- *Novartis Pharmaceuticals HK* Novartis Pharmaceuticals HK for the IXIARO® vaccine in Hong Kong.

#### PERIODIC SAFETY REPORT UPDATE- (PSUR No. 007)

Marketing authorizations have been granted by the European Medicines Agency (EMA) for all vaccines and products marketed by Valneva.

The IXIARO® vaccine was granted a marketing authorization in 2009 for patients older than 18 and extended to children over two months in February 2013.

In the period covered by this report, clinical trials carried out on different population categories (including children and elderly persons) confirmed the positive risk-benefit profile of the IXIARO® vaccine (PSUR No.°007).

#### FORMS FOR THE INFORMATION COLLECTION

Information recorded in form MSOP-0013 originates from many sources: patients, healthcare professionals, relevant authorities, partners, the media, etc..

Form MFS-0010(04) documents information collected as follows:

- Country
- Date
- Informant
- Patients
- Products
- Events
- Medical history
- Medication
- Author of the note



## PURCHASING POLICY

### INFORMATION AND ACHIEVEMENTS

#### PURCHASING POLICY

Valneva has formalized its purchasing policy by a document that establishes guidelines. All employees are required to be aware of the purchasing procedures.

The purchasing policy is supported by other procedures such as the quality system, the code of conduct and contracts with suppliers.

The impacts of purchasing on the Group are measured according to the nature of the purchases and recorded by category.

Internal purchasing requests are grouped in order to limit the number of orders placed with suppliers.

#### SUPPLIER RELATIONS

Valneva Group has implemented a procedure for evaluating its suppliers that includes mechanisms ensuring the traceability and quality of incoming products.

As defined in its Code of Conduct, Valneva's conducts business with suppliers in an ethical, legal and professional manner and maintains commercial relations on a long-term basis.

#### CHARTER OF GOOD CONDUCT

Valneva has drafted a Code of Conduct to ensure ethical business conduct and compliance with applicable laws and regulations by employees of the Group.

This Code of Conduct provides guidance to employees regarding all forms of corruption relating to business activities and informs them of the risk incurred.

#### SUBCONTRACTING WASTE MANAGEMENT

Cofely Ineo:  
recycling of electrical waste

Cofely Axima:  
recycling of waste and used filters.

Unity LabServices:  
recycling of used parts.





## PARTNERSHIPS AND SPONSORING

### INFORMATION AND ACHIEVEMENTS

#### VALNEVA AUSTRIA

Valneva Austria contributes to the development of science in Vienna.

The company is an active member in the biotech community, in particular within the *Campus Vienna Biocenter*, a structure for exchange and cooperation between biotech companies and universities. Valneva is recognized as a pioneer in this sector. The company also encourages the creation of new companies and supports employees who with projects to create their own biotech company.

#### A PROGRESS AGREEMENT IN PAYS DE LA LOIRE

Valneva France has undertaken through the Progress Agreement with the Pays de la Loire Region to contribute to the following areas:

- Qualitative and quantitative development of employment and professional training;
- Corporate responsibility in relations with stakeholders in its economic and territorial environment.



#### INTERNSHIPS

Valneva has not set up educational partnerships offering internship opportunities to students. However, the company opens its doors to young students in connection with the "Journée @ Work" initiative.

In 2014, we provided opportunities to two students to learn about different functions (S&GA, Lab, Facility Management, etc).

#### INTERNATIONAL COOPERATION

In addition, Valneva cooperates with international institutions for doctoral candidates and other students. In 2014, Valneva received a three-year grant from the European Union (FP7 Grant) to support an Indian student working on his master's thesis. In addition, a six-month cooperation program with the European Union allowed a Spanish student to participate in a six-month "Quercus" internship.



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## Indicators table

### Employment data table

	Document code	Definition	GRI	Law G.2	ISO 26000	P. Ref.	Unit of measure	Valneva Group 2013*	Valneva Group 2014*	Austria 2014	Scotland 2014	France 2014
Employment	S1	<b>Total headcount</b>	LA1	1.a	6.4.4	6	No.	279	278	132	86	60
		<b>Breakdown of personnel</b>										
	S1	<b>By gender</b>										
		- Women		1.a			No.	159	162	84	43	35
		- Men	LA1	1.a	6.4.4	6	No.	120	116	48	43	25
	S1	<b>By age</b>										
		- Less than 30		1.a			No.	37	25	9	6	10
		- 30 to 50 years	LA1	1.a		6	No.	212	220	111	48	61
		- More than 50 years		1.a	6.4.4		No.	30	33	12	6	15
	S1	<b>Average age</b>				6	yr.	38.29	39.54	39.41	41.8	37.19
		<b>Breakdown of personnel</b>										
	S1	<b>by type of employment contract</b>	LA1	1.a	6.4.4	7	No.	264	274	131	84	59
Work organization		- Permanent contracts	LA1	1.a			No.	15	4	1	2	1
	S1	<b>by function</b>										
		- R&D		1.a		6	No.	125	124	82	0	42
		- Production		1.a	6.4.4		No.	64	58	0	58	0
		- Administrative, sales, marketing		1.a			No.	90	96	50	18	28
	S1	<b>Recruitments and dismissals</b>										
	S36-S33-S34-S35	- Number of recruitments	LA2	1.a		7	No.	22	30	9	16	5
		- Number of dismissals	LA2	1.a	6.4.4		No.	1	6	1	4	1
	S3-S8-S28	<b>Remuneration and changes</b>		1.a					Compensation policy	Compensation policy	Compensation policy	Compensation policy
	S8-S5-S18-S20-S21-S22-S36	<b>Organization of working hours</b>	LA	1.b						Agreements on the organization of working hours	Agreements on the organization of working hours	Agreements on the organization of working hours
Labor relations	S1	Absenteeism										
	S1	Illness: average number of sick days per employee	LA7	1.b	6.4.4		No.	12.2	6.14	7.5	7.83	4.4
	S8-S25-S4-S15-S32	Organization of labor relations		1.c	6.4.3 and 6.4.5	7		IWC	IWC	WC	WC	WC
		Employees covered by a collective bargaining agreement	LA4				%		100%	100%	100%	100%

\* The Japan and US sites are excluded from the Valneva Group reporting boundary.

Headcount at 12/31/2014: 2 persons (2 FTE) in the United States with a permanent contract and 1 person in Japan (0.20% FTE) with a permanent contract.



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	S8	Report on collective bargaining agreements		1.c				100 %	Collective Bargaining Agreement (Austria)	Local Works Council Charter	Convention collective pharmaceutique (France)	
	S16	Code of conduct					Code of conduct	Code of conduct	Code of conduct	Code of conduct	Code of conduct	
Health and safety management	S5-S6-S7-S8-S13-S14-S29-S30-S31-S9-S10-S11-S15-S12	<b>Occupational health and safety</b>  % of total workforce represented in the joint management-worker occupational health and safety committee		1.d	6.4.6	8 9			VIE-SOP-0054 VIE-SOP-0074	EHS OHS policies	Single document Safety booklet for new employees  Health, Safety and Working Conditions Committee (CHSCT) report	
		Report on occupational health and safety agreements	LA9	1.d								
		Occupational accidents										
	S1-S9-S10-S11-S37-S38-S39-S40	Frequency and severity of occupational accidents	LA7	1.d			No. occupational accidents	36	1	1	0	0
		Occupational illnesses	LA7	1.d		9	No. occupational illnesses	0	0	0	0	0
Training	S5-S8-S32-S15-S25-S32	Policies adopted with respect to training		1.e	6.4.7	10		-	Quality Manual	None	None	None PdL Region Progress Agreement
	S1-S23	Total number of training hours	LA10	1.e			No. hours	2670.02	1205.02	256	970	
Workplace equality		<b>Measures adopted in favor of:</b>										
	S8 S24-S32 S15-S16-S25	- gender equality - the employment and integration of disabled persons - Combating discrimination		1.f 1.f 1.f	6.3.a and 6.3.7	11	No.	1	Code of conduct	Code of conduct	Code of conduct	Code of conduct
Promoting and complying with ILO conventions	S8	Upholding freedom of association and recognition of the right to collective bargaining	HR5 LA4						Legal Compliance	Legal Compliance	Legal Compliance	
	S8-S16	Elimination of discrimination in respect of employment and occupation			6.3.a and 6.3.7			Code of conduct	Code of conduct	Code of conduct	Code of conduct	
	S8	Elimination of all forms of forced and compulsory labor						Legal Compliance	Legal Compliance	Legal Compliance	Legal Compliance	
	S8	Abolition of child labor						Legal Compliance	Legal Compliance	Legal Compliance	Legal Compliance	

\* The Japan and US sites are excluded from the reporting boundary of the Valneva CSR report

Headcount at 12/31/2014: 2 persons (2 FTE) in the United States with a permanent contract and 1 person in Japan (20% FTE) with a permanent contract.



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## Environmental data table

	Document code	Definition	GRI	Law G.2	ISO 26000	P. Ref.	Unit of measure	Valneva Group 2013*	Valneva Group 2014*	Austria 2014	Scotland 2014	France 2014
General environmental policy	E1-E2-E3 E11-E13- E14-E15- E25E42-E27- E28-E29- E30-E31-E44	<b>Organization of the company for addressing environmental issues and, as applicable, environmental assessments or certification approaches</b>	Managerial approach			14 15		GQP-0008[02] VIE-SOP-0054[03]	GQP-0008[02] VIE-SOP-0054[03]	VIE-SOP-0054 [03-Manual EHS] Index Vonix: VIE-SOP-0074	EHS global policy OHS policy PPC/E/20022	Declaration ICPE - 2009- Safety Action Plan
	E2-E4-E11- E16-E17- E21-E23- E24-E25- E26-E42- E29-E31-	<b>Training and employee information actions relating to environmental protection</b>	Managerial approach	2.a		14 15				All employees receive training on the VIE-SOP-0054[03] procedure	Controlling document; LIV/SOP/0333 Waste Disposal and Spills Procedure	Training programs on chemical risks and OAA - EFAW - Information booklet for new employees
	E4-E11-E21- E22-E24- E25-E42- E30-E31-	<b>Resources devoted to preventing environmental risks and pollution</b>	EN30	2.a	6.5.1 & 6.5.2	14 15				VIE-SOP-0074 (02) - waste management	Controlling documents PPC/E/20022 LIV/SOP/0333	Declaration ICPE - 2009- Waste monitoring record Health, Safety and Working Conditions Committee (CHSCT) report No provision
	E11-E42- E31-E45	<b>Amount of provisions and guarantees for environmental risks</b>	EN30	2.a				No provision	No provision	No provision	No provision	No provision
		Total non-monetary sanctions for noncompliance with regulations	EN 28	2.a			0	0	0	0	0	0
Pollution and waste management	E11-E12- E42-E30-E31	<b>Measures for preventing, reducing and repairing discharges in the air, water and ground causing serious environmental impacts</b>		2.b		16 17				VIE-SOP-0074 (02) monitoring of energy media consumption	PPC/E/2002 Annual report PPC Nov. 2014	DASRI procedure for infectious medical waste management and miscellaneous equipment
		Total water discharge		2.b	6.5.3	16 17				VIE-SOP-0074 (02) Waste management	LIV/SOP/0333 Waste management	DASRI procedure for infectious medical waste management
	E4-E12-E41- E43-E18- E20-E42- E30-E31- E34-E35- E36-E37E38- E39-E40	<b>Measures for prevention, recycling and eliminating waste</b>		2.b		16 17				VIE-SOP-0074 (02)	Controlling document; LIV/SOP/0333	DASRI and Reach regulations - waste sorting table
		<b>Total hazardous waste (chemical or biological) - Recycled</b>		2.b		16 17				Biological waste inactivated then discharged in waste	Biological waste inactivated then discharged in waste	Biological waste inactivated then discharged in waste



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Climate change	E5-E11-E12-E42-E34-E31	Greenhouse gas emissions	EN16	2.d	6.5.5	18 19		820.98 Teq Co2	NC	331T (BC 2011)	Controlling document Environmental Monitoring Report of Emissions to Atmosphere.
		CO <sub>2</sub> emissions from energy consumption (gas, electricity, heating network)		2.d							
	E5-E11-E12-E42-E31-E34	Adapting to the consequences of climate change		2.d							
Protection of biodiversity	E11-E42-E31	Measures taken to preserve and/or develop biodiversity		2.e	6.5.6	20		No actions		HEQ building - 2011	Controlling document; Environmental Monitoring Report of Emissions to Atmosphere.

\* The Japan and US sites are excluded from the Valneva Group reporting boundary.

\*\* Figures for Valneva France concern only the St Herblain site



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## Social data table

	Document code	Definition	GRI	Law G.2	ISO 26000	P. Ref.	Unit of measure	Valneva Group 2013*	Valneva Group 2014*	Austria 2014	Scotland 2014	France 2014
Regional, economic and social impact of the company's activity	So12	In terms of employment and regional development	EC8 and EC9	3.a	6.8. and 6.8.5	24						PdL Region Progress Agreement
		On neighboring or local populations	EC6									
Relations with persons or organizations interested by the activity of the company, and in particular non-profit organizations for social and occupational insertion, educational establishments, not-for-profits in the defense of the environment, consumer interests and neighboring populations	So7			3.b	5 5.3.3				Communication s actions			
		Conditions of dialogue with these persons organizations				24						
		Partnership or sponsorship initiatives			6.8.9	24			European programs: FP7 Grant and Quercus	Campus Vienna Biocenter		
Subcontracting and suppliers	So8-So9 So10	Taking into account social and environmental issues in the purchasing policy	EC6 HR7	3.c	6.6.6				Purchasing policy	Purchasing policy	Purchasing policy	Purchasing policy
		Importance of subcontracting and taking into account social and environmental responsibility in relations with suppliers and subcontractors				23						
Fair practices		Actions taken to prevent corruption		3.d	6.6 6.6.3 6.7.4	23		Code of conduct	Code of conduct	Code of conduct	Code of conduct	Code of conduct
	So1-So2- So3-So4- So5-So6- So11	Measures taken in favor of consumer health and safety		3.e	6.3	22			MSOP-0013 Spontaneous Adverse Event Reporting VIE-SOP-0011 Pharmacovigilance System MFS-0010(04)	MSOP-0013 Spontaneous Adverse Event Reporting VIE-SOP-0011 Pharmacovigilance System MFS-0010(04)		
		Actions undertaken under item 3, in favor of Human Rights										

\* The Japan and US sites are excluded from the Valneva Group reporting boundary.

\* The Japan and US sites are excluded from the Valneva Group reporting boundary.





## METHODOLOGICAL NOTE

### Methodological note on Group CSR data reporting

Following the merger of Intercell and Vivalis in 2013, 2014 remained a period of transition for Valneva Group for the harmonization of their different practices and procedures.

The different entities forming the Group operate according to different models linked to business operations (R&D and production) as well as their respective cultural and legal environments.

The activities of the Vienna and Livingston sites are in large part organized according to written procedures whereas the Saint-Herblain and Lyon sites refer directly to applicable regulations.

The legal and regulatory context does not reflect the same requirements for compliance from one site to another.

The different priorities relating to the environment and also employment are reflected differently according to the sites, even common practices and shared values can be observed.

### Group structure of consolidated operations

A portion of the quantitative data in the employment area was consolidated at the Group level for the collection of information in 2014. This data is derived from the human resource management software, HR Cube.

As for the first CSR report for 2013, data was also consolidated where possible at the French level for the two sites of Saint-Herblain and Lyon.

Accordingly, employment data includes the Lyon and Saint Herblain sites. In contrast, environmental data is still limited for the Lyon site. In consequence, this data relates almost exclusively to the Saint Herblain site.

The content of this report accordingly still reflects and organization in the process of taking shape.

### CSR reporting boundary

The reporting boundary of the CSR Report in 2014 covers the Scottish site based in

Livingston, the Austrian site based in Vienna, and the French sites in Nantes and Lyon.

The reasons why Japanese and US subsidiaries were excluded from this scope of the 2014 CSR report are as follows:

- the only remaining activities in Japan are development and license and partnership management. Only one part-time employee is devoted to these activities (20% FTE) with a permanent contract;
- for the United States, only two people were working at 12/31/2014 on a full-time basis and with permanent contracts.

### Data collection method

Data collection has required application of a working method and different steps that are presented below:

1. Identification of resource persons to report quantitative and qualitative employment, social and environmental data for each site;
2. Sending to the resource persons a data collection spreadsheet for inputting required information;
3. Classifying the source documents received (codification) according to three fields: employment, environment, and social.

**S** followed by a number: for Employment,  
**E** followed by a number: for the Environment,  
**So** followed by a number: for Social.

In the summary tables for employment, environmental and social indicators, a new column was inserted to indicate the source document codes. These documents are then made available to the CSR assurance service firm.

In addition, for the construction of this CSR report, data collection is organized differently and obtained through new resource persons identified internally:



- 3 resource persons to coordinate where possible and transmit quantitative and qualitative data for employment-related information requirements;
- 3 other resource persons to coordinate where possible and transmit quantitative and qualitative data for the environmental information requirements
- 5 resource persons for quantitative and qualitative data for the social information requirements;
- 3 persons of Saint-Herblain in France to coordinate the data collection at the international level.

### Comparison of data between the 2013 and 2014 CSR reports

Comparing the data between these two reports it difficult as the information was not collected in the same manner and certain information has not yet been harmonized at the Group level.

This year, data has been marked by significant variances resulting from the fact that the collection process was more precise and detailed than the previous year.

Accordingly, excluding selected data, the comparison with data of the 2013 CSR report could not be used for the purpose of tracking changes.

### Valneva's social responsibility policy

As the merger is still recent, Valneva Group has not yet had sufficient time to implement a CSR policy organized around strategic priorities and broken down into a program and action plans. This in turn makes it difficult to get a picture of actions put into place.

This is also the reason why the report is organized along three lines: employment, environmental and social information.

### Time required for producing the report

The timeline for collecting and analyzing data and drafting the report is very short. In addition, the establishments are based in different countries, rendering it impossible to

conduct detailed interviews with the different parties.

For that reason, the report has been produced from information collected from written documents.

### Materiality test

The time requirements for producing these latter documents did not make it possible to produce a relevant materiality matrix capable of presenting the social responsibility stakes for Valneva with regards to its important stakeholders.

### Potential improvements for the next CSR report

Improvements can already be considered for the production of the Valneva's next CSR report including namely:

- Formalizing CSR priorities specific to Valneva Group and defined at the level of subsidiaries, in order to harmonize procedures and indicators;
- Improving coordination at the Group level for the collection and validation of data;
- Identifying resource persons to remain the same from one year to the next in order to optimize and harmonize the collection process;
- Sending a methodological note to each coordinator and collector;
- Longer data collection deadlines (starting at the beginning of January);
- A materiality test adapted to the Group to identify those issues that are most important in relation to expectations of Valneva's critical and external stakeholders.



## DEFINITIONS

### EMPLOYMENT INDICATORS

#### Relevance

Employment indicators provide an understanding, through quantitative and qualitative data, conditions with respect to human rights, employability, working conditions, training policies impacts on employee health and safety, diversity and equal opportunity employment.

#### Total headcount

Employees included in the headcount are those with an employment contract (permanent or fixed-term) with a Valneva Group company. Management Board members are also included in the headcount. Workforce is expressed based on headcount, regardless of the amount of working hours or the starting date in 2014. Furthermore, measures were adopted to consolidate and reinforce the reliability of employee data.

#### Recruitments and dismissals

Recruitments and dismissals exclude movements within the Group such as international transfers or transfers between companies and sites.

Figures relating to changes cover 99% of the reporting boundary and do not include companies acquired in the period.

#### New recruits

This includes employees recruited in the year under a permanent or fixed-term contract. Switching from a permanent contract to a fixed-term contract during the year is not considered as a new recruitment.

#### Number of dismissals

The number of dismissals corresponds to the number of forced departures and as such excludes resignations and the termination of contracts by mutual consent.

#### Absenteeism rate

This corresponds to the relation between the total number of days of absence during the year and the average number of active employees.

#### Conventions and collective bargaining agreements

A collective bargaining agreement is concluded between the employer and labor unions for the purpose of setting rules governing working conditions, employment and social guarantees for employees.

#### Frequency and severity of occupational accidents

This concerns accidents reported to, and recognized as such by, official bodies (excluding near misses, minor accidents and commuting accidents)

### ENVIRONMENTAL INDICATORS

#### Relevance

Environmental indicators report inputs (energy, water and raw materials) and outputs (emissions, effluents, waste) and the types of impacts of the organization on the environment

#### Materials

This item corresponds to materials used in the production cycle.

#### Energy

Only direct energy consumption (originating from a primary energy source) is taken into account. Energy savings linked to mechanism for monitoring consumption and optimizing equipment are reported in qualitative terms.

#### Water

Water consumption concerns solely withdrawn water volume.

#### Biodiversity

This refers to a qualitative description of impacts linked to activities, products and services.



**Emissions, effluents and waste**

Direct emissions of GHG are taken into account. Waste is taken into account by category, with a focus on hazardous waste.

Transport (employees, suppliers, customers) is not taken into account in this report due to the absence of data.

**SOCIAL INDICATORS****Relevance**

Social indicators cover impacts of the business on the territory, impacts of products on consumer health and safety, practices with respect to suppliers and subcontractors, the purchasing policy, and more generally, stakeholder expectations.

All impacts are derived from qualitative data (procedures and the assessments of practices).



## 25. APPOINTMENTS OF AUDITORS AND DEPUTY AUDITORS

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

The mandates of the Joint Statutory Auditor, Deloitte et Associés, and of the deputy Joint Auditor Beas and Associates, currently in office, will only end at the end of the Ordinary General Meeting to be held in 2019 to approve the accounts for the year ending December 31, 2018.

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

Vienna, March 18, 2015

**THE MANAGEMENT BOARD**

