# Statutory financial Statements

# VALNEVA SE, Lyon

*FY ended December 31, 2014*

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# *VALNEVA SE STATUTORY FINANCIAL STATEMENTS*

## 1. BALANCE SHEET

### *1.1. Assets*

| HEADINGS (IN EUR THOUSANDS) | NOTE | GROSS VALUE | DEPRECIATION, AMORTIZATION & PROVISIONS | DECEMBER 31, | |
|---|---|---|---|---|---|
| | | | | *2014* | *2013* |
| **INTANGIBLE FIXED ASSETS** | 4.3.1 | | | | |
| *Research and development expenses* | | 8.604 | 5.007 | 3.597 | 4.110 |
| *Concessions, patents and similar rights* | | 8.264 | 6.405 | 1.860 | 4.940 |
| *Goodwill* | | 8.124 | 4.017 | 4.107 | 8.117 |
| *Other intangible assets in process* | | 105 | | 105 | 1 |
| **PROPERTY, PLANT AND EQUIPMENT** | 4.3.2 | | | | |
| *Land* | | 677 | 123 | 554 | 582 |
| *Constructions* | | 6.174 | 1.917 | 4.257 | 4.585 |
| *Plan, machinery and equipment* | | 4.323 | 2.855 | 1.469 | 1.539 |
| *Other PPE* | | 682 | 481 | 201 | 225 |
| *Tangible fixed assets under construction* | | | | 0 | 9 |
| *Prepayments* | | 0 | | 0 | 0 |
| **LONG-TERM INVESTMENTS** | 4.3.3 | | | | |
| *Non-consolidated investments* | | 137.928 | 0 | 137.928 | 127.923 |
| *Receivables on non-consolidated investments* | | | | 0 | 0 |
| *Loans* | | 130 | | 130 | 117 |
| *Other financial assets* | | 1.293 | 413 | 881 | 841 |
| **TOTAL NON-CURRENT ASSETS** | | **176.305** | **21.217** | **155.088** | **152.988** |

| HEADINGS (IN EUR THOUSANDS) | NOTE | GROSS VALUE | DEPRECIATION, AMORTIZATION & PROVISIONS | DECEMBER 31, | |
|---|---|---|---|---|---|
| | | | | *2014* | *2013* |
| **INVENTORIES AND WORK IN PROGRESS** | 4.3.4 | | | | |
| *Raw materials and supplies* | | 737 | 52 | 685 | 360 |
| *Work-in-progress* | | | | 0 | 0 |
| **RECEIVABLES** | | | | | |
| *Trade receivables and related accounts* | 4.3.5 | 404 | | 404 | 384 |
| *Other receivables* | 4.3.6 | 33.482 | 129 | 33.352 | 41.345 |
| *Called up capital* | | 0 | | 0 | 0 |
| **OTHER CURRENT ASSETS** | | | | | |
| *Marketable securities* | 4.3.7.b | | | 0 | 1.390 |
| *Cash at bank and in hand* | 4.3.7.a | 9.314 | | 9.314 | 12.677 |
| **ACCRUAL ACCOUNTS** | | | | | |
| *Prepaid expenses* | 4.3.8 | 250 | | 250 | 205 |
| **TOTAL CURRENT ASSETS** | | **44.186** | **182** | **44.005** | **56.361** |
| *Unrealized losses on foreign exchange* | | 4 | | 4 | 211 |
| **TOTAL ASSETS** | | **220.495** | **21.398** | **199.097** | **209.560** |

### *1.2. Shareholders' equity & liabilities*

| HEADINGS (IN EUR THOUSANDS) | NOTE | DECEMBER 31, | |
|---|---|---|---|
| | | *2014* | *2013* |
| *Share capital or individual share (of which paid up: 3,168)* | | 8.631 | 8.385 |
| *Additional paid-in capital* | | 175.041 | 166.656 |
| *Tax-driven reserves (of which provision for exchange rate fluctuations)* | | 52.832 | 52.832 |
| *Retained earnings/(accumulated deficit)* | | -43.832 | -33.880 |
| **NET INCOME (LOSS) FOR THE YEAR** | | **-14.883** | **-9.952** |
| *Investment grants* | 4.3.11 | 418 | 458 |
| *Tax-driven provisions* | | 659 | 815 |
| **SHAREHOLDERS' EQUITY** | **4.3.10** | **178.866** | **185.314** |
| *Subordinated grants* | | 3.951 | 4.201 |
| **OTHER EQUITY** | **4.3.12** | **3.951** | **4.201** |
| *Provisions for contingencies* | | 129 | 223 |
| *Provisions for losses* | | 163 | 23 |
| **PROVISIONS FOR CONTINGENCIES AND LOSSES** | **4.3.13** | **292** | **246** |
| **BORROWINGS** | | | |
| *Bank borrowings* | 4.3.14 | 9.614 | 10.981 |
| **OPERATING PAYABLES** | | | |
| *Trade payables and related accounts* | 4.3.15 | 1.833 | 1.579 |
| *Tax and employee-related liabilities* | 4.3.16 | 1.137 | 1.111 |
| **OTHER PAYABLES** | | | |
| *Payables on fixed assets and equivalent* | 4.3.17 | 1.578 | 4.505 |
| *Other payables* | 4.3.17 | 1.822 | 41 |
| **ACCRUAL ACCOUNTS** | | | |
| *Deferred income* | 4.3.18 | 0 | 1.583 |
| **TOTAL LIABILITIES** | | **15.984** | **19.800** |
| *Unrealized losses on foreign exchange* | | 3 | |
| **TOTAL EQUITY AND LIABILITIES** | | **199.097** | **209.560** |

## 2. INCOME STATEMENT

| INCOME STATEMENT (MULTIPLE-STEP) HEADINGS (IN EUR THOUSANDS) | FRANCE | EXPORT | NOTE | DECEMBER 31, 2014 | DECEMBER 31, 2013 |
|---|---|---|---|---|---|
| *Sale of trade goods* | | | | | 2 |
| *Sales of services* | 135 | 1.267 | 4.4.1 | 1.402 | 1.688 |
| **NET SALES** | **135** | **1.267** | | **1.402** | **1.691** |
| *Change in inventory of own production of goods and services* | | | | 0 | 0 |
| *Own production of goods and services capitalized* | | | 4.4.2 | 152 | 284 |
| *Grants* | | | 4.4.3 | 278 | 1.190 |
| *Reversals of depreciation, amortization and provisions, expense reclassifications* | | | 4.4.5 | 291 | 145 |
| *Other income* | | | 4.4.4 | 1.090 | 465 |
| **OPERATING INCOME** | | | | **3.212** | **3.775** |
| *Purchase of trade goods* | | | | 0 | 2 |
| *Purchases of raw materials and other supplies (including customs duties)* | | | | 1.226 | 1.071 |
| *Change in inventory (raw materials and supplies)* | | | | -377 | 254 |
| *Other purchases and external expenses* | | | 4.4.6 | 8.265 | 5.767 |
| *Taxes other than on income and related payments* | | | 4.4.7 | 196 | 231 |
| *Wages and salaries* | | | 4.4.8.b | 3.261 | 4.268 |
| *Social charges* | | | 4.4.8.b | 1.428 | 1.933 |
| **ALLOWANCES FOR DEPRECIATION AND AMORTISATION, PROVISIONS** | | | | | |
| *For fixed assets* | | | 4.4.9 | 1.971 | 2.760 |
| *For current assets* | | | 4.4.9 | 52 | 0 |
| *For contingencies and losses* | | | 4.4.9 | 254 | 0 |
| *Other expenses* | | | | 318 | 214 |
| **OPERATING EXPENSES** | | | | **16.593** | **16.501** |
| **INCOME (LOSS) FROM ORDINARY ACTIVITIES** | | | | **-13.381** | **-12.726** |
| **JOINT VENTURE OPERATIONS** | | | | | |
| **FINANCIAL INCOME** | | | | | |
| *Financial income from non-consolidated investments* | | | | 533 | 168 |
| *Income from other marketable securities and receivables capitalized* | | | | 0 | 0 |
| *Other interests and similar income* | | | | 157 | 183 |
| *Reversals of provisions and expense reclassifications* | | | 4.4.9 | 270 | 2 |
| *Foreign exchange gains* | | | | 14 | 56 |
| *Net proceeds from the disposal of marketable securities* | | | | 0 | 17.615 |
| **FINANCIAL INCOME** | | | | **973** | **18.024** |

| INCOME STATEMENT (MULTIPLE-STEP) HEADINGS (IN EUR THOUSANDS) | FRANCE | EXPORT | NOTE | DECEMBER 31, 2014 | 2013 |
|---|---|---|---|---|---|
| *Amortization and charges to provisions for financial items* | | | 4.4.9 | 0 | 655 |
| *Interest and similar expenses* | | | | 210 | 605 |
| *Foreign exchange losses* | | | | 223 | 1 |
| *Net charges on disposals of marketable securities* | | | | 0 | 17.576 |
| **FINANCIAL EXPENSES** | | | | **434** | **18.837** |
| **NET FINANCIAL INCOME (EXPENSE)** | | | **4.4.10** | **540** | **-814** |
| **INCOME (LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX AND EXCEPTIONAL ITEMS** | | | | **-12.841** | **-13.540** |
| *Exceptional income from non-capital transactions* | | | | 2.500 | 2 |
| *Exceptional income from capital transactions* | | | | 40 | 5.129 |
| *Reversals of provisions and expense reclassifications* | | | 4.4.9 | 157 | 185 |
| **EXCEPTIONAL INCOME** | | | | **2.697** | **5.317** |
| *Exceptional expenses on non-capital transactions* | | | | 0 | |
| *Exceptional expenses on capital transactions* | | | | 3 | 3.736 |
| *Exceptional depreciation, amortization and provisions* | | | 4.4.9 | 6.702 | 33 |
| **EXCEPTIONAL EXPENSES** | | | | **6.705** | **3.768** |
| **NET EXCEPTIONAL ITEMS** | | | **4.4.11** | **-4.008** | **1.548** |
| *Corporate income tax* | | | 4.4.12.a | -1.965 | -2.039 |
| **TOTAL INCOME** | | | | **6.883** | **27.115** |
| **TOTAL EXPENSES** | | | | **21.766** | **37.068** |
| **PROFIT OR LOSS** | | | | **-14.883** | **-9.952** |
| *Basic net earnings per share (in euros)* | | | 4.4.13 | -0,26 | -0,18 |
| *Diluted net earnings per share (in euros)* | | | 4.4.13 | -0,26 | -0,18 |

## 3. CASH FLOW STATEMENT

| CASH FLOW STATEMENT (IN EUR THOUSANDS) | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *Cash flow from operating activities:* | | |
| *Net income/(loss)* | -14.883 | -9.952 |
| Income and expenses with no impact on cash or unrelated to operating activities | | |
| › Operating depreciation and amortization expenses | 2.277 | 2.760 |
| › Reversals of operating depreciation and amortization expenses | -21 | -106 |
| › Financial depreciation and amortization expenses | -270 | 654 |
| › Exceptional depreciation and amortization | 6.702 | 33 |
| › Reversals of exceptional provisions | -157 | -185 |
| › Expense reclassifications on capitalized assets | -152 | -284 |
| › Amount of grants recognized under income | -40 | -129 |
| › (Gains)/losses on disposal of assets | 3 | -1.264 |
| › Cancellation of operating/exceptional receivables | 0 | 0 |
| **Operating cash flows** | **-6.540** | **-8.475** |
| Change in other current assets and liabilities: | | |
| › Inventories | -377 | 254 |
| › Trade receivables and related accounts | 1 | 663 |
| › Trade payables and related accounts | 254 | -2.158 |
| › Other receivables | 8.017 | -30.063 |
| › Prepayments and accrued income | 162 | 1.189 |
| › Tax and employee-related liabilities | 25 | -550 |
| › Other accruals and deferred income | 1.784 | 899 |
| › Accruals and deferred income | -1.583 | 5 |
| **Net cash from (used in) operating activities** | 1.743 | -38.235 |
| Cash flow from investing activities | | |
| › Purchase of intangible fixed assets: | -163 | -14 |
| › Purchase of property, plant and equipment | -402 | -570 |
| › Purchase of long-term investments | -10.019 | -671 |
| › Net capital expenditure | 0 | 5.000 |
| › Change in working capital requirements with regard to assets | -2.927 | -2.244 |
| **Net cash used in investing activities** | **-13.510** | **1.501** |

| CASH FLOW STATEMENT (IN EUR THOUSANDS) | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| Cash flow from financing activities | | |
| › New borrowings | 1.835 | 6.264 |
| › Repayment of borrowings | -3.197 | -20.454 |
| › Subordinated grants received/repaid | -250 | -178 |
| › Investment grants received | 0 | 0 |
| › Capital increase | 9.137 | 40.747 |
| › Transaction costs charged to merger premium | -505 | -8.868 |
| **Net cash from financing activities** | **7.019** | **17.511** |
| **Net change in cash and cash equivalents** | **-4.748** | **-19.222** |
| *Opening cash, cash equivalents and marketable securities* | 14.062 | 11.979 |
| *Cash contribution - Smol simplified merger (TUP) + Intercell AG merger* | 0 | 21.305 |
| *Closing cash, cash equivalents and marketable securities* | 9.314 | 14.062 |
| **Net change in cash and cash equivalents** | **-4.748** | **-19.222** |

## 4. NOTES TO THE FINANCIAL STATEMENTS

### *4.1. Key events of the year*

Annual highlights of the year included:

+ The equity line set up in May 2014 resulted in a capital increase of EUR 240,000 and share premium of EUR 8,716,000.

+ Take up of the capital increase of the subsidiary Valneva Austria GMBH amounted to EUR 10 million.

+ The renegotiation of the SC World debt relating to the ISAAC technology acquired in March 2011 generated exceptional income of EUR 2.5 million.

+ The launch, in partnership with Blink Therapeutics Ltd., of a new biotech company: On December 11, 2014, Valneva 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 named BliNK Biomedical SA and to which Valneva SE will contribute assets relating to the VIVA|Screen® technology.

+ The contribution agreement between Valneva SE and BliNK SAS was executed on December 23, 2014. On that basis, BliNK Biomedical SAS will be held by Valneva (by approximately 48.2 percent), Kurma Biofund I (by approximately 30.6 percent - the historic investor of BliNK Therapeutics), different funds managed by Idinvest (for approximately 6.8 percent), the Cancer Research Technology (approximately 10.5 percent) and the founders of BliNK Therapeutics Ltd (with approximately 3.7 percent).

+ The provision for the impairment of intangible assets relating to the VIVA|Screen® technology for EUR 6.7 million following the valuation of this technology in the contribution agreement executed with BliNK Biomedical SAS.

### *4.2. Accounting Policies and Methods*

+ *4.2.1. Basis of presentation and compliance statement*

  The financial statements have been drawn up in accordance with French generally accepted accounting principles in line with the requirements of Regulation 99-03 of the French Accounting Regulation Committee relating to the official chart of accounts for 1999, and in accordance with the fundamental accounting principles of prudence, going concern, consistency and accruals, the time period concept and general financial statements preparation and presentation rules.

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

  The financial information is expressed in thousands of euros and was approved by the Executive Board on 19 March 2015.

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

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

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

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

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

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

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

### + *4.2.4. Intangible fixed assets*

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

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

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

### + *4.2.5. Research and development expenses*

Research expenditure is expensed as and when incurred.

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

The technical feasibility of completing the intangible asset so that it will be available for use or sale;

- The intention to complete the intangible asset and use or sell it;
- Its ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- The ability to measure reliably expenditures attributable to the intangible asset during its development

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

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

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

### + *4.2.6. Goodwill - concessions, patents and similar rights*

Goodwill was generated from the merger premium resulting from the simplified merger (Transmission Universelle de Patrimoine) of Humalys carried out in 2010.

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

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

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

### + *4.2.7. Property, plant and equipment*

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

The estimated useful lives are as follows:

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

### + *4.2.8. Impairment of assets*

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

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

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

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

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

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

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

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

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

### + *4.2.9. Borrowing costs*

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

### + *4.2.10. Financial assets*

Non-consolidated investments consist of the acquisition cost of Valneva Toyama Japan and Valneva Austria GMBH securities tendered in connection with the merger of 28 May 2013 in addition to securities of the Swedish company, Vaccines Holdings Sweden AB acquired in December 2014.

The securities of Valneva Austria GMBH were increased by EUR 10 million in December 2014 for the purpose of the subsidiary's recapitalization.

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

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

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

The other long-term investments include deposits and bonds paid to the lessors for the leasing of premises, a liquidity agreement concluded in connection with the Company's listing for the purpose of ensuring the liquidity and orderly trading of its shares. A provision for impairment is recognized for financial assets where their carrying amount exceeds their recoverable amount at the balance sheet date, or in respect to the liquidity agreement, for the difference between the carrying value and the estimated recoverable value calculated on the basis of the average share price for the month preceding the end of the reporting period.

Furthermore, pursuant to the merger with Intercell AG, Valneva SE had recorded 124,322 shares in treasury for a value of EUR 646,350, corresponding to financial compensation paid by the company to former Intercell shareholders who exercised their exit right.

### + *4.2.11. Inventories*

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

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

Receivables are stated at nominal value. A provision for impairment is recognized where the carrying amount exceeds the recoverable amount.

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

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

### + *4.2.14. Marketable securities*

Marketable securities include mutual funds, time deposits and medium-term notes that can be assigned or sold at very short notice and present no significant risk of impairment.

A provision for impairment is recognized where the carrying amount exceeds the recoverable amount.

### + *4.2.15. Employee commitments*

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

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

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

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

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

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

### + *4.2.16. Grant income*

Operating grants are recognized upon the signature of the contracts.

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

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

### + *4.2.17. Subordinated grants*

Subordinated grants are recognized in liabilities under "Subordinated grants". In the event of a failure to complete work, the debt waiver is recognized in "Other exceptional income" for grants used to finance projects recognized under "Development expenditure", and in "Operating grants" for grants used for research or development projects not capitalized in the balance sheet.

### + *4.2.18. Provisions for contingencies and losses*

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

### + *4.2.19. Payables*

Payables are stated at nominal amount.

### + *4.2.20. Revenues*

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

- (i) The manufacture of vaccines. Valneva offers research and commercial licenses for its EBx® cell lines to biotechnology companies and the pharmaceutical industry for the production of viral vaccines;
- (ii) The perfection of systems for producing ("expressing") recombinant therapeutic proteins and monoclonal antibodies. Valneva works with biotechnology companies and offers them research licenses for its EBx® embryonic stem cell lines for the production of recombinant proteins;

Sales generated by Valneva originate from:

- Research services performed on behalf of customers under the commercial agreements mentioned above;
- The sale of rights to use biological "material", particularly for testing by customers before license agreements are signed.
- When services are re-invoiced to the subsidiary Valneva Austria GMBH.

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

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

### + *4.2.21. Operating grants*

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

### + *4.2.22. Other income*

Other income includes mainly:

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

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

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

### + *4.2.23. Staff costs*

#### CICE wage tax credit

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

The CICE 2014 resulted in a reduction in social security charges in the income statement by EUR 69,000.

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

Receivables relating to Research Tax Credits (RTC) for 2013 (EUR 71,000) and 2014 (EUR 69,000) will be paid back in 2017 and 2018 and for that reason have not yet been allocated to expenses.

### + *4.2.24. Net exceptional items*

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

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

### + *4.2.25. Income tax*

Corporate income tax includes the current taxes for the period less any tax credits, particularly research tax credits.

#### a. Current tax

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

#### b. Research tax credit

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

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

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

Receivables relating to Research Tax Credits (RTC) for 2010, 2011 and 2012 were collateralized with BPI in April 2013 and June 2014 for the 2013 RTC; the 2010 RTC was repaid in June 2014.

### + *4.2.26. Earnings per share/diluted earnings per share*

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

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

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

### *4.3. Notes to the balance sheet*

#### + *4.3.1 - Net intangible fixed assets*

##### a. Change from January 1, 2014 to December 31, 2014

| IN THOUSANDS OF EUROS | AT JANUARY 1, 2014 | CHANGES IN THE PERIOD INCREASE | DE-CREASE | OTHER CHANGES | AT DECEMBER 31, 2014 |
|---|---|---|---|---|---|
| *Preliminary expenses* | 0 | 0 | 0 | 0 | 0 |
| *Development expenditure* | 8.453 | 152 | 0 | 0 | 8.604 |
| *Goodwill* | 8.117 | 7 | 0 | 0 | 8.124 |
| *Concessions, patents and rights* | 8.082 | 2 | 0 | 0 | 8.084 |
| *Software* | 130 | 50 | 0 | 0 | 180 |
| *In progress* | 1 | 105 | -1 | 0 | 105 |
| *Other* | 0 | 0 | 0 | 0 | 0 |
| **Gross intangible fixed assets** | **24.783** | **315** | **-1** | **0** | **25.097** |
| *Preliminary expenses* | 0 | 0 | 0 | 0 | 0 |
| *Development expenditure*[1] | 5.572 | 665 | 0 | 0 | 6.237 |
| *Goodwill*[2] | 0 | 4.017 | 0 | 0 | 4.017 |
| *Concessions, patents and rights*[3] | 1.919 | 3.121 | 0 | 0 | 5.041 |
| *Software* | 124 | 11 | 0 | 0 | 135 |
| **Total amortization and impairment** | **7.615** | **7.814** | **0** | **0** | **15.429** |
| **Net intangible fixed assets** | **17.167** | **-7.499** | **-1** | **0** | **9.668** |
| *Development expenditure* | 778 | 0 | -156 | 0 | 623 |
| *Concessions, patents and rights* | 0 | 0 | 0 | 0 | 0 |
| *Software* | 2 | 1 | 0 | 0 | 2 |
| **Total accelerated tax depreciation or amortization** | **780** | **1** | **-156** | **0** | **625** |
| **Net tax value of intangible fixed assets** | **16.387** | **-7.500** | **155** | **0** | **9.042** |
| [1] Of which exceptional impairment | 1.229 | | | | 1.229 |
| [2] Of which exceptional impairment | | 4.017 | | | 4.017 |
| [3] Of which exceptional impairment | | 2.683 | | | 2.683 |

### Development expenditure

In 2014, a new development expenditure of EUR 152,000 was capitalized in accordance with the accounting policy described in Note 4.2.5.

### Commercial goodwill

Goodwill corresponding to the difference between the book value of the holding in the receiving company and the transfer value of the net assets received (mali de confusion) arising from the simplified merger (TUP) with Humalys in 2010 was written down by EUR 4,017,000 following the valuation of the VIVA Screen technology in the contribution agreement providing for the transfer to BliNK Biomedical SAS.

### Concessions, patents and rights

An impairment expense of EUR 2,683,000 was recorded for SC World's technology. This impairment follows the valuation of the VIVA Screen technology and the contribution agreement providing for the transfer to BliNK Biomedical SAS.

## b. Change from January 1, 2013 to December 31, 2013

| IN THOUSANDS OF EUROS | AT JANUARY 1, 2013 | CHANGES IN THE PERIOD<br>INCREASE | DE-CREASE | OTHER CHANGES | AT DECEMBER 31, 2013 |
|---|---|---|---|---|---|
| *Preliminary expenses* | 0 | 0 | 0 | 0 | 0 |
| *Development expenditure* | 8.169 | 284 | 0 | 0 | 8.453 |
| *Goodwill* | 8.111 | 6 | 0 | 0 | 8.117 |
| *Concessions, patents and rights* | 8.082 | 0 | 0 | 0 | 8.082 |
| *Software* | 313 | 7 | -190 | 0 | 130 |
| *In progress* | 0 | 1 | 0 | 0 | 1 |
| *Other* | 0 | 0 | 0 | 0 | 0 |
| **Gross intangible fixed assets** | **24.675** | **297** | **-190** | **0** | **24.783** |
| *Preliminary expenses* | 0 | 0 | 0 | 0 | 0 |
| *Development expenditure*[1] | 4.900 | 672 | 0 | 0 | 5.572 |
| *Concessions, patents and rights* | 1.473 | 446 | 0 | 0 | 1.919 |
| *Software* | 284 | 29 | -190 | 0 | 124 |
| **Total accelerated amortization and impairment** | **6.657** | **1.148** | **-190** | **0** | **7.615** |
| **Net intangible fixed assets** | **18.018** | **-850** | **-0** | **0** | **17.167** |
| *Development expenditure* | 934 | 0 | -156 | 0 | 778 |
| *Concessions, patents and rights* | 0 | 0 | 0 | 0 | 0 |
| *Software* | 28 | 1 | -28 | 0 | 2 |
| **Total accelerated tax deprecia-tion or amortization** | **962** | **1** | **-183** | **0** | **780** |
| **Net tax value of intangible fixed assets** | **17.056** | **-852** | **183** | **0** | **16.387** |
| [1]Of which exceptional impairment | 1.226 | 3 | 0 | 0 | 1.229 |

### Development expenditure

In 2013, a new development expenditure of EUR 284,000 was capitalized in accordance with the accounting policy described in Note 4.2.5.

### Concessions, patents and rights

The derecognition of software was linked both to the sale of selected equipment to BE Vaccines SAS for EUR 91,000 and the derecognition of obsolete software for EUR 99,000.

### + *4.3.2 - Net property, plant and equipment*

#### a. Change from January 1, 2014 to December 31, 2014

| IN THOUSANDS OF EUROS | AT JANUARY 1, 2014 | CHANGES IN THE PERIOD<br>INCREASE | DE-CREASE | OTHER CHANGES | AT DECEMBER 31, 2014 |
|---|---|---|---|---|---|
| *Land* | 677 | 0 | 0 | 0 | 677 |
| *Buildings on own land* | 3.025 | 0 | 0 | 0 | 3.025 |
| *Buildings on land of third parties* | 553 | 4 | 0 | 0 | 557 |
| *Building installations and improvements* | 2.561 | 32 | -1 | 0 | 2.591 |
| *Plant, machinery and equipment.* | 3.991 | 350 | -17 | 0 | 4.323 |
| *General installations and improvements* | 42 | 0 | 0 | 0 | 42 |
| *Vehicles* | 18 | 0 | 0 | 0 | 18 |
| *Office, IT equipment, furniture* | 605 | 25 | -10 | 0 | 620 |
| *Recoverable packaging* | 2 | 0 | 0 | 0 | 2 |
| *Tangible fixed assets under construction* | 9 | -9 | 0 | 0 | -0 |
| *Prepayments* | 0 | 0 | 0 | 0 | 0 |
| **Gross intangible fixed assets** | **11.483** | **402** | **-29** | **0** | **11.856** |
| *Land* | 95 | 28 | 0 | 0 | 123 |
| *Buildings on own land* | 472 | 133 | 0 | 0 | 605 |
| *Buildings on land of third parties* | 129 | 62 | 0 | 0 | 191 |
| *Building installations and improvements* | 954 | 168 | -1 | 0 | 1.121 |
| *Plant, machinery and equipment.* | 2.418 | 417 | -14 | 0 | 2.821 |
| *General installations and improvements* | 13 | 3 | 0 | 0 | 16 |
| *Vehicles* | 18 | 0 | 0 | 0 | 18 |
| *Office, IT equipment, furniture* | 409 | 46 | -10 | 0 | 445 |
| *Recoverable packaging* | 2 | 0 | 0 | 0 | 2 |
| **Total depreciation** | **4.509** | **858** | **-26** | **0** | **5.341** |
| *Impairment* | 0 | 0 | 0 | 0 | 0 |
| *Plant, machinery and equipment* | 34 | 0 | 0 | 0 | 34 |
| **Net intangible fixed assets** | **6.940** | **-456** | **-3** | **0** | **6.481** |
| *Plant, machinery and equipment.* | 35 | 0 | -1 | 0 | 34 |
| **Total accelerated tax depreciation or amortization** | **35** | **0** | **-1** | **0** | **34** |
| **Net tax value of intangible fixed assets** | **6.905** | **-456** | **-2** | **0** | **6.447** |

EUR 106,000 in capital expenditures were incurred for fixtures and laboratory equipment for the Lyon site and EUR 244,000 for Saint-Herblain.

b. Change from January 1, 2013 to December 31, 2013

| IN THOUSANDS OF EUROS | AT JANUARY 1, 2013 | CHANGES IN THE PERIOD INCREASE | DE-CREASE | OTHER CHANGES | AT DECEMBER 31, 2013 |
|---|---|---|---|---|---|
| *Land* | 1.010 | 4 | -337 | 0 | 677 |
| *Buildings on own land* | 4.703 | 0 | -1.678 | 0 | 3.025 |
| *Buildings on land of third parties* | 572 | 9 | -28 | 0 | 553 |
| *Building installations and improvements* | 3.908 | 135 | -1.483 | 0 | 2.561 |
| *Plant, machinery and equipment.* | 8.195 | 363 | -4.567 | 0 | 3.991 |
| *General installations and improvements* | 580 | 18 | -556 | 0 | 42 |
| *Vehicles* | 37 | 0 | -20 | 0 | 17 |
| *Office, IT equipment, furniture* | 908 | 32 | -335 | 0 | 605 |
| *Recoverable packaging* | 5 | 0 | -2 | 0 | 3 |
| *Tangible fixed assets under construction* | 23 | 9 | -23 | 0 | 9 |
| *Prepayments* | 0 | 0 | 0 | 0 | 0 |
| **Gross intangible fixed assets** | **19.941** | **569** | **-9.027** | **0** | **11.483** |
| *Land* | 123 | 34 | -62 | 0 | 95 |
| *Buildings on own land* | 877 | 197 | -603 | 0 | 471 |
| *Buildings on land of third parties* | 88 | 64 | -23 | 0 | 129 |
| *Building installations and improvements* | 1.668 | 307 | -1.019 | 0 | 955 |
| *Plant, machinery and equipment.* | 4.639 | 865 | -3.086 | 0 | 2.418 |
| *General installations and improvements* | 169 | 38 | -194 | 0 | 13 |
| *Vehicles* | 37 | 0 | -20 | 0 | 17 |
| *Office, IT equipment, furniture* | 560 | 110 | -261 | 0 | 409 |
| *Recoverable packaging* | 5 | 0 | -2 | 0 | 3 |
| **Total depreciation** | **8.166** | **1.615** | **-5.272** | **0** | **4.509** |
| *Impairment* | 0 | 0 | 0 | 0 | 0 |
| *Plant, machinery and equipment* | 7 | 27 | 0 | 0 | 34 |
| **Net intangible fixed assets** | **11.768** | **-1.073** | **-3.756** | **0** | **6.940** |
| *Plant, machinery and equipment.* | 36 | 0 | -0 | 0 | 35 |
| **Total accelerated tax depreciation or amortization** | **36** | **0** | **-0** | **0** | **35** |
| **Net tax value of intangible fixed assets** | **11.732** | **-1.073** | **-3.755** | **0** | **6.904** |

EUR 48,000 in capital expenditures were incurred for fixtures and laboratory equipment for the Lyon site and EUR 521,000 for Saint-Herblain.

Derecognition of tangible fixed assets concerned exclusively the sale of the building and various equipment to BE Vaccines SAS.

### + *4.3.3 - Long-term investments*

#### a. Change from January 1, 2014 to December 31, 2014

| | | CHANGES IN THE PERIOD | | |
|---|---|---|---|---|
| IN THOUSANDS OF EUROS | AT JANUARY 1, 2014 | ACQUISITIONS / MERGER CONTRIBUTION | DISPOSALS | AT DECEMBER 31, 2014 |
| *Non-consolidated investments* | 127.923 | 10.005 | 0 | 137.928 |
| *Receivables on non-consolidated investments* | 0 | 0 | 0 | 0 |
| *Loans*[1] | 117 | 13 | 0 | 130 |
| *Deposits and bonds* | 47 | 0 | 0 | 47 |
| *Treasury shares* | 646 | 0 | 0 | 646 |
| *Liquidity agreement* | 600 | 0 | 0 | 600 |
| **Gross value** | **129.333** | **10.019** | **0** | **139.352** |
| *Non-consolidated investments* | 0 | 0 | 0 | 0 |
| *Depreciation of deposits and bonds* | 8 | 0 | 0 | 8 |
| *Treasury shares impairment* | 123 | -26 | 0 | 97 |
| *Liquidity agreement impairment* | 321 | -14 | 0 | 307 |
| **Total depreciation** | **453** | **-40** | **0** | **413** |
| **Total net long-term investments** | **128.880** | **10.059** | **0** | **138.939** |
| *Non-consolidated investments* | 0 | 0 | 0 | 0 |
| **Total accelerated tax depreciation or amortization** | **0** | **0** | **0** | **0** |
| **Net tax value** | **128.880** | **10.059** | **0** | **138.939** |

[1]Long-term loans in connection with social housing levies

The increase in non-consolidated investments reflects on the one hand, the injection of EUR 10 million on December 12, 2014 into Valneva Austria GMBH for the recapitalization of this subsidiary, and on the other hand, the acquisition of securities of Goldcup (renamed Vaccines Holdings Sweden AB) for SEK 50,000 (EUR 5 thousand) in December 2014 in preparation for the proposed acquisition.

124,322 treasury shares represent EUR 646,350 and correspond to financial compensation the company paid to former Intercell shareholders having exercised their exit right account for the increase in treasury shares.

The liquidity agreement concluded in July 2007 amounted to EUR 600,000 at December 31, 2014. Assets held under this liquidity agreement included cash plus 26,722 shares at December 31, 2014. The portion in shares has been valued on the basis of the average trading price for December 2014 resulted in the reversal of an allowance for impairment for EUR 14,000. On that basis, the impairment at December 31, 2014 was EUR 307,000.

A reversal of an allowance for impairment of EUR 26,000 for treasury shares was recorded according to this same principle of measurement at December 31, 2014. At December 31, 2014, the remaining amount of this provision amounted to EUR 97,000.

### Portfolio of shares held in treasury

| | NUMBER OF SHARES AT 12/31/2014 | GROSS | PROVISION | NET |
|---|---|---|---|---|
| *Liquidity agreement* | 26.722 | 425 | 307 | 118 |
| *Financial compensation* | 124.322 | 646 | 97 | 549 |

### b. Change from January 1, 2013 to December 31, 2013

| IN THOUSANDS OF EUROS | AT JANUARY 1, 2013 | ACQUISITIONS | DISPOSALS | AT DECEMBER 31, 2013 |
|---|---|---|---|---|
| *Non-consolidated investments* | 47 | 127.876 | -1 | 127.922 |
| *Receivables on non-consolidated investments* | 0 | 0 | 0 | 0 |
| *Loans*[1] | 98 | 19 | 0 | 117 |
| *Deposits and bonds* | 40 | 8 | -1 | 47 |
| *Treasury shares* | 0 | 646 | 0 | 646 |
| *Liquidity agreement* | 601 | 0 | -1 | 600 |
| **Gross value** | **786** | **128.549** | **-3** | **129.332** |
| *Non-consolidated investments* | 1 | 0 | -1 | 0 |
| *Depreciation of deposits and bonds* | 8 | 0 | 0 | 8 |
| *Treasury shares impairment* | 0 | 123 | 0 | 123 |
| *Liquidity agreement impairment* | 107 | 214 | 0 | 321 |
| **Total depreciation** | **116** | **338** | **-1** | **453** |
| **Total net long-term investments** | **670** | **128.211** | **-2** | **128.880** |
| *Non-consolidated investments* | 0 | 0 | 0 | 0 |
| **Total accelerated tax depreciation or amortization** | **0** | **0** | **0** | **0** |
| **Net tax value** | **670** | **128.211** | **-2** | **128.880** |

[1]Long-term loans in connection with social housing levies

The increase in non-consolidated investments reflects the contribution of the total amount of Intercell Austria AG shares in connection with the merger of May 28, 2013.

Also in connection with this merger, 124,322 treasury shares representing EUR 646,350 and corresponding to financial compensation the company paid to former Intercell shareholders having exercised their exit right account for the increase in treasury shares.

The liquidity agreement concluded in July 2007 amounted to EUR 600,000 at December 31, 2013. Assets held under this liquidity agreement included cash plus 41,216 shares at 12/31/2013. The portion in shares has been valued on the basis of the average trading price for December 2013 requiring an additional allowance for impairment for EUR 214,000. On that basis, the impairment at December 31, 2013 was EUR 321,000.

A provision for impairment of EUR 123,000 for treasury shares was recorded according to this same principle of valuation at December 31, 2013.

Portfolio of shares held in treasury

| | NUMBER OF SHARES AT 31/12/2013 | GROSS | PROVISION | NET |
|---|---|---|---|---|
| *Liquidity agreement* | 41.216 | 495 | 321 | 173 |
| *Financial compensation* | 124.322 | 646 | 123 | 523 |

### + *4.3.4 Inventories and work-in-progress*

a. Change from January 1, 2014 to December 31, 2014

| IN THOUSANDS OF EUROS | AT JANUARY 1, 2014 | INCREASE | DECREASE | AT DECEMBER 31, 2014 |
|---|---|---|---|---|
| *Raw materials and supplies* | 360 | 377 | 0 | 737 |
| *Impairment* | 0 | -52 | 0 | -52 |
| **Total** | **360** | **325** | **0** | **685** |

A provision for impairment of EUR 52,000 was recorded at December 31, 2014 relating to small laboratory consumables no longer adapted to current processes.

b. Change from January 1, 2013 to December 31, 2013

| IN THOUSANDS OF EUROS | AT JANUARY 1, 2013 | INCREASE | DECREASE | AT DECEMBER 31, 2013 |
|---|---|---|---|---|
| *Raw materials and supplies* | 614 | 0 | 254 | 360 |
| **Total** | **614** | **0** | **254** | **360** |

## + *4.3.5 – Trade receivables and related accounts*

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
| --- | --- | --- |
| | *2014* | *2013* |
| *Customers* | 404 | 380 |
| *Doubtful trade receivables* | 0 | 25 |
| **Gross value** | **404** | **405** |
| *Prov. for impairment of trade receivables* | 0 | -21 |
| **Total trade receivables(net value)** | **404** | **384** |

### a. Change from January 1, 2014 to December 31, 2014

| IN THOUSANDS OF EUROS | GROSS | UP TO 1 YEAR | MORE THAN 1 YEAR |
| --- | --- | --- | --- |
| *Customers* | 362 | 362 | 0 |
| *Doubtful trade receivables* | 0 | 0 | 0 |
| *Trade receivables – sales invoice accruals* | 42 | 42 | 0 |
| **Total** | **404** | **404** | **0** |

### b. Change from January 1, 2013 to December 31, 2013

| IN THOUSANDS OF EUROS | GROSS | UP TO 1 YEAR | MORE THAN 1 YEAR |
| --- | --- | --- | --- |
| *Customers* | 132 | 132 | 0 |
| *Doubtful trade receivables* | 25 | 0 | 25 |
| *Trade receivables – sales invoice accruals* | 248 | 248 | 0 |
| **Total** | **405** | **380** | **25** |

### + *4.3.6 Other receivables*

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *Income tax* | 8.955 | 9.064 |
| *VAT* | 379 | 311 |
| *Grant income* | 1.299 | 2.598 |
| *Vivalis Japan treasury advances* | 129 | 607 |
| *Provision for impairment of Vivalis Japan treasury advances* | -129 | -153 |
| *Treasury advances to Valneva GMBH* | 21.985 | 26.965 |
| *Other operating receivables* | 735 | 254 |
| *Amounts receivable on disposal of assets* | 0 | 1.700 |
| **Total other receivables (net value)** | **33.352** | **41.345** |

Other operating receivables include costs relating to the rights issue carried out to finance the Crucell Sweden AB acquisition in 2015 in the amount of EUR 493,000.

The corporate income tax receivables virtually all concern the Research Tax Credit (RTC) and the CICE (crédit d'impôt compétitivité emploi) wage tax credit.

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *2014 RTC* | 1.965 | 0 |
| *2013 RTC* | 2.039 | 2.039 |
| *2012 RTC* | 2.759 | 2.759 |
| *2011 RTC* | 2.046 | 2.046 |
| *2010 RTC* | 0 | 2.144 |
| *CICE 2014 tax credit* | 70 | 0 |
| *CICE 2013 tax credit* | 71 | 71 |
| *Miscellaneous tax reductions* | 5 | 5 |
| **Total corporate income tax receivables (net value)** | **8.955** | **9.064** |

At December 31, 2014, receivables in respect of grants and advances break down as follows:

| IN THOUSANDS OF EUROS | ALLOCA-TED | REVERSED | PAID | BALANCE |
|---|---|---|---|---|
| *DIACT (2008)* | 550 | 460 | 220 | -130 |
| *OSEO (2009)* | 6.016 | 164 | 4.742 | 1.110 |
| *NANTES (2009)* | 894 | | 894 | 0 |
| *ANR (2010)* | 541 | 76 | 465 | 0 |
| *FEDER* | 1.500 | 298 | 752 | 450 |
| *FUI RHONES ALPES* | 374 | 276 | 112 | -15 |
| *FUI PAYS DE LOIRE* | 628 | 430 | 314 | -116 |
| **Total grants and advances** | **10.503** | **1.705** | **7.499** | **1.299** |

## a. At December 31, 2014

| IN THOUSANDS OF EUROS | GROSS | UP TO 1 YEAR | MORE THAN 1 YEAR |
|---|---|---|---|
| *Income tax* | 8.955 | 2.046 | 6.909 |
| *VAT* | 379 | 379 | 0 |
| *Grant income* | 1.299 | 1.299 | 0 |
| *Vivalis Japan treasury advances* | 129 | 129 | 0 |
| *Provision for impairment of Vivalis Japan treasury advances* | -129 | -129 | 0 |
| *Treasury advances to Valneva GMBH* | 21.985 | 21.985 | 0 |
| *Other operating receivables* | 735 | 735 | 0 |
| *Amounts receivable on disposal of assets* | 0 | 0 | 0 |
| **Total** | **33.352** | **26.443** | **6.909** |

### b. At December 31, 2013

| IN THOUSANDS OF EUROS | GROSS | UP TO 1 YEAR | MORE THAN 1 YEAR |
|---|---|---|---|
| *Income tax* | 9.064 | 2.144 | 6.920 |
| *VAT* | 311 | 311 | 0 |
| *Grant income* | 2.598 | 478 | 2.120 |
| *Vivalis Japan treasury advances* | 607 | 607 | 0 |
| *Provision for impairment of Vivalis Japan treasury advances* | -153 | -153 | 0 |
| *Treasury advances to Valneva GMBH* | 26.965 | 26.965 | 0 |
| *Other operating receivables* | 254 | 250 | 4 |
| *Amounts receivable on disposal of assets* | 1.700 | 1.700 | 0 |
| **Total** | **41.345** | **32.301** | **9.044** |

## + *4.3.7. Net cash flow*

### a. Cash flow items

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *Cash at bank and in hand*[1] | 9.314 | 10.317 |
| *Fixed term deposits* | 0 | 2.360 |
| *Marketable securities*[2] | 0 | 1.390 |
| **Cash assets** | **9.314** | **14.067** |
| *Bank facilities* | 0 | 5 |
| **Cash liabilities** | **0** | **5** |
| **Net cash flow** | **9.314** | **14.062** |
| [1]of which notes sent for collection or discounting | 0 | 0 |
| [2]of which accrued income on certain assets | 0 | 0 |

### b. Marketable securities and term deposits

The Company applies a conservative and prudent strategy of financial management. The company's assets are allocated among several French banking institutions and several different investment vehicles. All marketable securities were sold in early 2014 while time deposits reached maturity on December 31, 2014.

#### Change from January 1, 2014 to December 31, 2014

| IN THOUSANDS OF EUROS | AT JANUARY 1, 2014 | ACQUISITIONS | DISPOSALS | AT DECEMBER 31, 2014 |
|---|---|---|---|---|
| *Open-ended investment fund (SICAV)* | 390 | | -390 | 0 |
| *Mutual funds* | 0 | | 0 | 0 |
| *Medium-term notes / Certificates of deposit* | 1.000 | | -1.000 | 0 |
| **Total** | **1.390** | **0** | **-1.390** | **0** |

#### Position at December 31, 2014

| IN THOUSANDS OF EUROS | HISTORIC VALUE | MARKET PRICE | ACCRUED INTEREST |
|---|---|---|---|
| *Open-ended investment fund (SICAV)* | 0 | 0 | 0 |
| *Mutual funds* | 0 | 0 | 0 |
| *Certificates of deposit* | 0 | 0 | 0 |
| **Total** | **0** | **0** | **0** |

#### Change from January 1, 2013 to December 31, 2013

| IN THOUSANDS OF EUROS | AT JANUARY 1, 2013 | ACQUISITIONS | DISPOSALS | AT DECEMBER 31, 2013 |
|---|---|---|---|---|
| *Open-ended investment fund (SICAV)* | 747 | 39.565 | -39.923 | 390 |
| *Mutual funds* | 1 | 0 | | 0 |
| *Medium-term notes / Certificates of deposit* | 1.000 | 0 | 0 | 1.000 |
| **Total** | **1.748** | **39.565** | **-39.924** | **1.390** |

Position at December 31, 2013

| IN THOUSANDS OF EUROS | HISTORIC VALUE | MARKET PRICE | ACCRUED INTEREST |
|---|---|---|---|
| *Open-ended investment fund (SICAV)* | 390 | 390 | 0 |
| *Mutual funds* | 0 | 0 | 0 |
| *Certificates of deposit* | 1.000 | 1.000 | 98 |
| **Total** | **1.390** | **1.390** | **98** |

## + *4.3.8 Prepaid expenses*

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *Office supplies* | 1 | 3 |
| *Maintenance and repairs* | 25 | 24 |
| *Leasing expenses* | 9 | 1 |
| *Rent and service charges* | 32 | 0 |
| *Insurance premiums* | 118 | 134 |
| *Documentation* | 11 | 5 |
| *Conventions* | 2 | 16 |
| *Fees* | 17 | 0 |
| *Advertising* | 3 | 0 |
| *Bank services* | 7 | 7 |
| *Site security services* | 2 | 2 |
| *Social charges* | 0 | 6 |
| *Royalties for licenses, patents* | 22 | 7 |
| **Total** | **250** | **205** |

## + *4.3.9. Accrued income*

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *Receivables on non-consolidated investments* | 0 | 0 |
| *Accrued interest on liquid assets under the equity agreement* | 0 | 0 |
| *Trade receivables and related accounts* | 42 | 248 |
| *Other receivables* | 55 | 55 |
| *Marketable securities (certificates of deposit)* | 0 | 0 |
| *Bank – accrued interest on time deposits* | 19 | 298 |
| **Total accrued income[1]** | **116** | **601** |

[1]for 2013: amount up to one year: €601,000
[1]for 2014: amount up to one year: €116,000

## + *4.3.10 - Shareholders' equity*

### a. Change from January 1, 2014 to December 31, 2014

| IN THOUSANDS OF EUROS | AT JANUARY 1, 2014 | CHANGES IN THE PERIOD | | | AT DECEMBER 31, 2014 |
|---|---|---|---|---|---|
| | | INCREASE | DECREASE | OTHER CHANGES | |
| *Share capital* | 8.384 | 246 | 0 | 0 | 8.631 |
| *Share premiums* | 166.656 | 8.385 | 0 | 0 | 175.041 |
| *Regulated reserves* | 52.832 | 0 | 0 | 0 | 52.832 |
| *Retained earnings/(accumulated deficit)* | -33.880 | 0 | 0 | -9.952 | -43.832 |
| **Net income/(loss) for the year** | **-9.952** | **0** | **-14.883** | **9.952** | **-14.883** |
| *Net investment grants* | 458 | 0 | -40 | 0 | 418 |
| *Tax-driven provisions* | 816 | 0 | 2 | -157 | 660 |
| **Total shareholders' equity** | **185.314** | **8.631** | **-14.922** | **-157** | **178.866** |

## Share capital

At December 31, 2014, the share capital in the amount of EUR 8,631,000 was comprised of 57,540,948 shares including 56,351,833 ordinary shares each with a par value of EUR 0.15 and 17,836,719 preferred shares with a par value of EUR 0.01.

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

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

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

These three issues resulted in an increase in the share capital of EUR 240,000 and share premium of EUR 8,716,000.

Restricted shares were granted for no consideration (bonus shares) in the amount of EUR 6,000.

At December 31, 2014, 20.58 percent (rounded off) of the share capital was mainly held by the "Groupe Grimaud La Corbière S.A." holding company, 9.56 percent by BPI and 64.50 percent by the free float. The remaining capital is primarily held by financial investors, employees and management.

## Other equity

EUR 325,000 relating to transaction costs for the equity line were charged against additional paid-in capital.

No dividend was paid in 2014.

### b. Change from January 1, 2013 to December 31, 2013

| IN THOUSANDS OF EUROS | AT JANUARY 1, 2013 | CHANGES IN THE PERIOD INCREASE | DE-CREASE | OTHER CHANGES | AT DECEM-BER 31, 2013 |
|---|---|---|---|---|---|
| *Share capital* | 3.219 | 5.165 | 0 | 0 | 8.384 |
| *Share premiums* | 62.414 | 104.242 | 0 | 0 | 166.656 |
| *Regulated reserves* | 12 | 52.820 | 0 | 0 | 52.832 |
| *Retained earnings/(accumulated deficit)* | -21.922 | 0 | 0 | -11.958 | -33.880 |
| **Net income/(loss) for the year** | **-11.958** | **0** | **-9.952** | **11.958** | **-9.952** |
| *Net investment grants* | 587 | 0 | -129 | 0 | 458 |
| *Tax-driven provisions* | 998 | 0 | 3 | -185 | 816 |
| **Total shareholders' equity** | **33.350** | **162.228** | **-10.079** | **-185** | **185.313** |

### Share capital

At December 31, 2013, the share capital in the amount of EUR 8,384,000 was comprised of 55,898,115 shares including 54,709,000 ordinary shares each with a par value of EUR 0.15 and 17,836,719 preferred shares with a par value of EUR 0.01.

In connection with the merger with Intercell AG resulting in the formation of Valneva SE, the Company issued 17,836,719 new ordinary shares and 17,836,719 new preferred shares, resulting in a capital increase by the Company of 2,676,004 for ordinary shares and EUR 178,000 for preferred shares

The new ordinary shares carry the same rights as existing ordinary shares, including entitlement to dividends as from 1 January, 2013. Each preferred share will be converted into 0.4810 new ordinary shares upon the issuance of a market authorization in the United States or Europe for the Group vaccine against the Pseudomonas aeruginosa, and within a period of seven years from the merger completion date (subject to fulfillment of certain financial conditions). If this above-mentioned condition is not fulfilled within this seven-year period, the preferred shares will be canceled and repaid at their nominal value of EUR 0.01 per share.

On 4 July 2013, Valneva SE finalized a capital increase launched in June 2013 by the issuance of pre-emptive subscription rights. This financing transaction generated proceeds of EUR 40,188,000 (including EUR 2,274,000 from the capital increase and EUR 37,913,000 in issue premium) and resulted in the issuance of 15,165,215 new ordinary shares with an offering price of EUR 2.65 per share. These new ordinary shares have a settlement date and were listed on 5 July, 2013. The new ordinary shares carry all rights attaching to share ownership ("immediate dividend rights" or dividends rights as from their issue date).

Furthermore, the Company issued 244,537 new ordinary shares (345,086 in 2012) pursuant to the exercise of stock options in progress resulting in a capital increase of EUR 37,000 (EUR 358,000 in 2012) and an increase in issue premium of EUR 306,000.

At December 31, 2013, 21.19 percent (rounded off) of the share capital was mainly held by the "Groupe Grimaud La Corbière S.A." holding company, 9.84 percent by BPI and 62.88 percent by the free float. The remaining capital is primarily held by financial investors, employees and management.

### Other equity

At the time of the merger, the difference between the net assets contributed by the transferor (EUR 135 million) and the nominal value of the capital increase of the transferee (EUR 2,854,000) was recorded as a merger premium for the amount of EUR 127,711,000. From this premium, EUR 52,820,000 were transferred to a restricted reserve account to prevent a capital payment effect.

Furthermore, EUR 8,868,000 relating to the merger and capital increase costs were charged to additional paid-in capital.

No dividend was paid in 2013.

## + *4.3.11 - Investment grants*

| IN THOUSANDS OF EUROS | MENRT 04G608 | REGION NANTES | MINEFI 6075 | REGION EPF | REGION EPF |
|---|---|---|---|---|---|
| *Amount granted* | 441 | 500 | 954 | 111 | 137 |
| *Grant date* | 01/05 2005 | 09/13 2005 | 08/11 2006 | 10/12 2006 | 10/12 2006 |
| **Net amount at 01/01/2011** | **75** | **162** | **23** | **50** | **81** |
| *Grant for 2011* | 0 | 0 | 0 | 0 | 0 |
| *Reclassifications into operating grants* | 0 | 0 | 0 | 0 | 0 |
| *Grant transferred to 2011 net income* | 14 | 63 | 22 | 7 | 10 |
| **Net amount at 12/31/2011** | **61** | **99** | **1** | **43** | **71** |
| *Grant for 2012* | 0 | 0 | 0 | 0 | 0 |
| *Reclassifications into operating grants* | 0 | 0 | 0 | 0 | 0 |
| *Grant transferred to 2012 net income* | 15 | 55 | 1 | 6 | 10 |
| **Net amount at 12/31/2012** | **46** | **44** | **0** | **37** | **61** |
| *Grant transferred to 2013 net income* | 13 | 42 | 0 | 6 | 10 |
| **Net amount at 12/31/2013** | **33** | **2** | **0** | **31** | **51** |
| *Grant transferred to 2014 net income* | 7 | 2 | 0 | 6 | 10 |
| **Net amount at 12/31/2014** | **26** | **0** | **0** | **25** | **41** |

| IN THOUSANDS OF EUROS | REGION EPF | REGION ENERGIE | OSEO VIVABIO | DEPT 44 NVX LABO | TOTAL |
|---|---|---|---|---|---|
| *Amount granted* | 115 | 15 | 556 | 87 | |
| *Grant date* | 10/12 2006 | 12/15 2008 | 06/26 2009 | 10/13 2009 | |
| **Net amount at 01/01/2011** | **83** | **13** | **422** | **85** | **994** |
| *Grant for 2011* | 0 | 0 | 0 | 0 | 0 |
| *Reclassifications into operating grants* | 0 | 0 | -116 | 0 | -116 |
| *Grant transferred to 2011 net income* | 10 | 3 | 14 | 3 | 146 |
| **Net amount at 12/31/2011** | **73** | **10** | **292** | **82** | **732** |
| *Grant for 2012* | 0 | 0 | 0 | 0 | 0 |
| *Reclassifications into operating grants* | 0 | 0 | 0 | 0 | 0 |
| *Grant transferred to 2012 net income* | 11 | 2 | 41 | 4 | 145 |
| **Net amount at 12/31/2012** | **62** | **8** | **251** | **78** | **587** |
| *Grant transferred to 2013 net income* | 11 | 2 | 42 | 3 | 129 |
| **Net amount at 12/31/2013** | **51** | **6** | **209** | **75** | **458** |
| *Grant transferred to 2014 net income* | 10 | 1 | 0 | 3 | 40 |
| **Net amount at 12/31/2014** | **41** | **5** | **209** | **71** | **418** |

## + *4.3.12 - Subordinated grants*

| IN THOUSANDS OF EUROS | REGION PDL | OSEO VIVABIO | NANTES METROP. | TOTAL |
|---|---|---|---|---|
| *Amount granted* | 894 | 2.770 | 894 | 4.558 |
| *Grant date* | 05/22 2009 | 06/26 2009 | 11/16 2009 | |
| **Net amount at 01/01/2011** | **894** | **2.770** | **894** | **4.558** |
| *Grant for 2011* | 0 | 0 | 0 | 0 |
| *Repayment during 2011* | 0 | 0 | 0 | 0 |
| **Net amount at 12/31/2011** | **894** | **2.770** | **894** | **4.558** |
| *Grant for 2012* | 0 | 0 | 0 | 0 |
| *Repayment during 2012* | -178 | 0 | 0 | -178 |
| **Net amount at 12/31/2012** | **716** | **2.770** | **894** | **4.380** |
| *Grant for 2013* | 0 | 0 | 0 | 0 |
| *Repayment during 2013* | -179 | 0 | 0 | -179 |
| **Net amount at 12/31/2013** | **537** | **2.770** | **894** | **4.201** |
| *Repayment during 2014* | -179 | 0 | -72 | -250 |
| **Net amount at 12/31/2014** | **358** | **2.770** | **822** | **3.951** |

### + *4.3.13. Provisions for contingencies and losses*

#### a. Change from January 1, 2014 to December 31, 2014

| | | CHANGES IN THE PERIOD | | | |
|---|---|---|---|---|---|
| | | | REVERSALS | | |
| IN THOUSANDS OF EUROS | AT JANUARY 1, 2014 | CHARGE | USED | NOT USED | AT DECEMBER 31, 2014 |
| *Disputes* | 12 | 0 | 0 | 0 | 12 |
| *Foreign exchange risk* | 211 | 0 | -207 | 0 | 4 |
| *Retirement severance benefits* | 23 | 141 | 0 | 0 | 164 |
| *Miscellaneous risks* | 0 | 113 | 0 | 0 | 113 |
| *Minimum annual CIT charge* | 0 | 0 | 0 | 0 | 0 |
| **Total provisions for contingencies and losses** | **245** | **254** | **-207** | **0** | **292** |
| *- of which operating* | 35 | 254 | 0 | 0 | 289 |
| *- of which financial* | 210 | 0 | -207 | 0 | 3 |
| *- of which exceptional* | 0 | 0 | 0 | 0 | 0 |

A provision for contingencies and expenses was recorded for EUR 113,000. This concerns the evaluation of an unjustified amount (EUR 443,000) by BPI France in connection with the renegotiation of a grant for the Vivabio project.

The risk is valued at EUR 322,000. This amount is based on the best possible estimate from information available at the end of the reporting period.

The provision for EUR 113,000 results from the measurement of the risk (EUR 322,000) less the amount of the investment grant not yet written back to income (EUR 209,000).

b. Change from January 1, 2013 to December 31, 2013

| IN THOUSANDS OF EUROS | AT JANUARY 1, 2013 | CHANGES IN THE PERIOD<br>CHARGE | REVERSALS<br>USED | NOT USED | AT DECEMBER 31, 2013 |
|---|---|---|---|---|---|
| *Disputes* | 12 | 0 | 0 | 0 | 12 |
| *Foreign exchange risk* | 46 | 164 | 0 | 0 | 210 |
| *Retirement severance benefits* | 129 | | 0 | -106 | 23 |
| *Minimum annual CIT charge* | 0 | 0 | 0 | 0 | 0 |
| **Total provisions for contingencies and losses** | **187** | **164** | **0** | **-106** | **245** |
| *- of which operating* | 141 | | 0 | -106 | 35 |
| *- of which financial* | 46 | 164 | 0 | 0 | 210 |
| *- of which exceptional* | 0 | 0 | 0 | 0 | 0 |

## + *4.3.14. Borrowings*

| IN THOUSANDS OF EUROS | | DECEMBER 31, | |
|---|---|---|---|
| | | *2014* | *2013* |
| *CA €800,000 loan of 12/31/2009*[1] | 3-month Euribor floating rate + 1.10% | 400 | 480 |
| *CA €500,000 loan of 16/07/2012*[1] | 3-month Euribor floating rate + 1.40% | 276 | 376 |
| *CM €1.2 million loan of 8/10/2007*[1] | 3-month Euribor floating rate + 0.70% | 0 | 43 |
| *CM €1.2 million loan of 08/08/08*[1] | 5.45% fixed rate | 152 | 347 |
| *CM €600,000 loan of 23/12/2009*[1] | 3-month Euribor floating rate + 1.25% | 300 | 360 |
| *CM €1,030,000 loan of 18/06/2010*[1] | 2.70% fixed rate | 369 | 516 |
| *CM €1.2 million loan of 5/5/2011*[1] | 3-month Euribor floating rate + 0.70% | 601 | 772 |
| *CM €500;000 loan of 05/07/2012*[1] | 3-month Euribor floating rate + 1.40% | 276 | 376 |
| *CE €400,000 loan of 10/08/2007*[1] | 3-month Euribor floating rate + 0.70% | 0 | 50 |
| *CE €300,000 loan of 25/07/08*[1] | 5.40% fixed rate | 51 | 100 |
| *CE €600,000 loan of 23/12/2009*[1] | 1-month Euribor floating rate + 1.20% | 300 | 360 |
| *CE €500,000 loan of 31/07/2012*[1] | 1-month Euribor floating rate + 1.30% | 281 | 379 |
| *LCL €500,000 loan of 23/12/2009*[1] | 1-month Euribor floating rate + 1.25% | 250 | 301 |
| *LCL €470,000 loan of 30/07/2010*[1] | 3-month Euribor floating rate + 0.80% | 185 | 252 |
| *RTC credit mobilization* | 1-month Euribor floating rate + 1.7% | 6.168 | 6.264 |
| *Current bank facilities, bank credit balances* | | 5 | 5 |
| **Total** | | **9.613** | **10.981** |

[1]of which accrued interest €15,000
The dates indicated are those for the beginning of the repayment schedule.

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

Since 2010, through Groupe Grimaud (GLC), the company has been covered by several interest rate hedging contracts.

In 2011, an interest rate hedging contract was set up for EUR 1,500,000 and increased to EUR 2,300,000 at December 31, 2013. This contract was terminated on December 31, 2014.

This second contract was implemented on September 1, 2011 for a four-year period.

This interest rate swap agreement provided for payment to GLC each quarter of 3-month Euribor plus a fixed-rate amount of 1.82 percent.

In 2012, a third interest rate hedging contract was set up for EUR 385,000 and reduced to EUR 325,400 at December 31, 2013 and EUR 270,400 at December 31, 2014.

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

This interest rate swap agreement provides for a payment to GLC each month at 1-month Euribor plus a fixed-rate amount of 0.58 percent.

The fair value of this last contract in progress represented a loss of EUR 3,000 at December 31, 2014.

### a. At December 31, 2014

| IN THOUSANDS OF EUROS | | GROSS | UP TO 1 YEAR | MORE THAN 1 YEAR | MORE THAN 5 YEARS |
|---|---|---|---|---|---|
| *Total financial debt* | | 9.613 | 7.317 | 2.296 | 0 |
| *of which loans secured during the year* | 6.159 | | | | |
| *of which loans repaid during the year* | 3.202 | | | | |

### b. At December 31, 2013

| IN THOUSANDS OF EUROS | | GROSS | UP TO 1 YEAR | MORE THAN 1 YEAR | MORE THAN 5 YEARS |
|---|---|---|---|---|---|
| *Total financial debt* | | 10.981 | 7.547 | 3.184 | 250 |
| *of which loans secured during the year* | 6.264 | | | | |
| *of which loans repaid during the year* | 1.994 | | | | |

Loans obtained in the period correspond for 2013 and 2014 to the Research Tax Credits (RTC) collateralized with BPI.

### + *4.3.15. Trade payables and related accounts*

#### a. At December 31, 2014

| IN THOUSANDS OF EUROS | GROSS | UP TO 1 YEAR | MORE THAN 1 YEAR | MORE THAN 5 YEARS |
|---|---|---|---|---|
| *Operating payables* | 660 | 660 | 0 | 0 |
| *Notes payable* | 0 | 0 | 0 | 0 |
| *Operating payables – purchase invoice accruals* | 1.173 | 1.173 | 0 | 0 |
| **Total** | **1.833** | **1.833** | **0** | **0** |

#### b. At December 31, 2013

| IN THOUSANDS OF EUROS | GROSS | UP TO 1 YEAR | MORE THAN 1 YEAR | MORE THAN 5 YEARS |
|---|---|---|---|---|
| *Operating payables* | 1.032 | 1.032 | 0 | 0 |
| *Notes payable* | 0 | 0 | 0 | 0 |
| *Operating payables – purchase invoice accruals* | 547 | 547 | 0 | 0 |
| **Total** | **1.579** | **1.579** | **0** | **0** |

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

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *VAT due* | 28 | 51 |
| *Other taxes* | 26 | 0 |
| *Wages and salaries* | 624 | 412 |
| *Social charges* | 458 | 648 |
| *Other employee-related liabilities* | 0 | 0 |
| **Total tax and employee-related liabilities[1]** | **1.137** | **1.111** |
| [1]up to 1 year | 1.137 | 1.111 |
| more than 1 and less than 5 years | 0 | 0 |
| more than 5 years | 0 | 0 |

### + *4.3.17. Other payables*

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *Payables on non-consolidated investments* | 6 | 1 |
| *Amounts due in respect of fixed asset purchases* | 1.572 | 4.503 |
| *Other trade payables* | 14 | 41 |
| **Total other payables** | **1.592** | **4.545** |

Payables on non-consolidated investments correspond to the earnout payment in connection with Humalys shares for EUR 6,000.

Amounts due with respect to fixed asset purchases include both estimated future royalties to be paid for license concessions (See note 4.2.6) and debt incurred from the technology acquired in 2011 from SC World. This latter amount stood at EUR 3,900,000 at December 31, 2013.

A payment of EUR 400,000 was made on April 26, 2014 and a renegotiation with SC World on November 4, 2014 resulted in a new agreement for the terms of payment. The debt was reduced to EUR 1 million compared to EUR 3.5 million initially owed.

#### a. At December 31, 2014

| IN THOUSANDS OF EUROS | GROSS | UP TO 1 YEAR | MORE THAN 1 YEAR | MORE THAN 5 YEARS |
|---|---|---|---|---|
| *Payables on non-consolidated investments* | 6 | 6 | | |
| *Payables to fixed asset suppliers* | 1.479 | 440 | 1.040 | 0 |
| *Payables to fixed asset suppliers – purchase invoice accruals* | 93 | 93 | | |
| *Other payables* | 14 | 14 | | |
| **Total** | **1.592** | **553** | **1.040** | **0** |

b. At December 31, 2013

| IN THOUSANDS OF EUROS | GROSS | UP TO 1 YEAR | MORE THAN 1 YEAR | MORE THAN 5 YEARS |
|---|---|---|---|---|
| *Payables on non-consolidated investments* | 1 | 1 | | |
| *Payables to fixed asset suppliers* | 4.410 | 545 | 3.865 | 0 |
| *Fourn. Amounts due in respect of fixed asset purchases – purchase invoice accruals* | 93 | 93 | | |
| *Other payables* | 41 | 41 | | |
| **Total** | **4.545** | **680** | **3.865** | **0** |

## + 4.3.18. Deferred income

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *Operating grants* | 0 | 1.577 |
| *Research services and royalties* | 0 | 5 |
| **Total deferred income** | **0** | **1.582** |

a. At December 31, 2014

| IN THOUSANDS OF EUROS | GROSS | UP TO 1 YEAR | MORE THAN 1 YEAR | MORE THAN 5 YEARS |
|---|---|---|---|---|
| *Operating grants* | 0 | 0 | 0 | 0 |
| *Research services and royalties* | 0 | 0 | 0 | 0 |
| **Total** | **0** | **0** | **0** | **0** |

b. At December 31, 2013

| IN THOUSANDS OF EUROS | GROSS | UP TO 1 YEAR | MORE THAN 1 YEAR | MORE THAN 5 YEARS |
|---|---|---|---|---|
| *Operating grants* | 1.577 | 702 | 876 | 0 |
| *Research services and royalties* | 5 | 5 | 0 | 0 |
| **Total** | **1.583** | **707** | **876** | **0** |

At December 31, 2014, no deferred income remained, with all income relating to grants having been granted recognized on December 31, 2014.

At December 31, 2013, deferred income included on the one hand operating grants:

- an outstanding amount of EUR 130,000 from a grant of EUR 220,000 (with EUR 550,000 initially planned in December 2008); EUR 30,000 was transferred to income for 2009, EUR 160,000 for 2010 and EUR 40,000 for 2011. In 2012, a charge to income of EUR 110,000 was recognized as a consequence of headcount reduction of employees on permanent contracts in Nantes constituting the basis for the grant. This trend continued in 2013 with this grant reduced to EUR 90,000 with the charge of EUR 30,000 to the income statement.

- EUR 419,000 outstanding from a grant obtained in March 2013 for a total amount of EUR 1,500,000. Only EUR 1,081,000 were recognized under income in 2013,

- EUR 327,000 outstanding from a grant obtained in June 2013 for a total of EUR 374,000. The share of income relating to fiscal 2013 amounted to EUR 47,000,

- EUR 537,000 outstanding from the grant issued in December 2013 for a total amount of EUR 628,000. Expenses incurred in the period relating to this grant made it possible to generate EUR 91,000 in income for 2013,

- EUR 164,000 outstanding from a grant obtained in June 2009 for a total amount of EUR 2,690,000. In 2011, EUR 116,000 of this grant initially classified as an investment grant were reclassified as an operating grant. The amount transferred to income was EUR 1,569,000 in 2009, EUR 718,000 in 2010 and EUR 355,000 in 2011. No income was recognized in 2012 and 2013.

And on the other hand, EUR 5,000 for research services representing amounts invoiced to customers at the beginning of the period and corresponding to work to be completed by Valneva during the following year.

## + *4.3.19. Accured expenses*

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *Trade payables and related accounts* | 1.173 | 547 |
| *Tax and employee-related liabilities* | 948 | 735 |
| *Payables on fixed assets and equivalent* | 93 | 93 |
| *Borrowings and financial liabilities* | 20 | 23 |
| *Other payables* | 14 | 41 |
| **Total accrued expenses[1]** | **2.248** | **1.438** |

[1]payables up to 1 year

### *4.4. Notes to the income statement*

#### + *4.4.1. Net sales*

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *Sale of trade goods* | 0 | 2 |
| *Research services* | 309 | 1.273 |
| *Other services* | 1.093 | 416 |
| **Total** | **1.402** | **1.691** |

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *Sales in France* | 135 | 591 |
| *Export sales* | 1.267 | 1.100 |
| **Total** | **1.402** | **1.691** |

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

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *Development expenditure* | 152 | 284 |
| *Long-term investments* | 0 | 0 |
| *Property, plant and equipment* | 0 | 0 |
| **Total** | **152** | **284** |

#### + *4.4.3. Grants*

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *ANRT* | 0 | -2 |
| *DIACT* | 0 | -30 |
| *FEDER* | 121 | 1.081 |
| *FUI RHONE ALPES* | 51 | 47 |
| *FUI PAYS DE LOIRE* | 106 | 91 |
| *OSEO* | 0 | 0 |
| *Other* | 0 | 3 |
| **Total** | **278** | **1.190** |

Valneva SE was a recipient of three new grants in the 2013:

+ FEDER provided a grant for EUR 1,500,000 in March 2013 for the 2009-2014 period; EUR 1,081,000 were recognized under income in 2013 whereas most of the expenses related to prior periods. EUR 121,000 corresponding to expenses of the period were recognized under income in 2014.

+ The Rhône Alpes FUI provided a grant for EUR 374,000 in October 2013, with EUR 47,000 recognized under income in 2013 and EUR 51,000 in 2014.

+ The Pays de Loire FUI provided a grant for EUR 628,000 in December 2013, with EUR 91,000 recognized under income in 2013 and EUR 106,000 in 2014.

In 2009, OSEO provided a "VIVABIO" grant totaling EUR 2,806,000. Pursuant to the suspension of research programs, no income was recognized in 2013 and 2014.

### + *4.4.4. Other income*

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *Upfront fees and milestone payments* | 1.090 | 465 |
| *Other* | 1 | 0 |
| **Total** | **1.090** | **465** |

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

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *Reversal of provisions for retirement severance benefits* | 0 | 106 |
| *Reversals of provisions for trade receivables* | 21 | 0 |
| *Reversals of provisions for contingencies and losses* | 0 | 0 |
| *Operating expense reclassifications* | 270 | 39 |
| **Total** | **291** | **145** |

## + *4.4.6. Purchases and external expenses*

| MAIN EXPENSE ITEMS (IN THOUSANDS OF EUROS) | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *Work by various third parties* | 1.523 | 1.463 |
| *Fees* | 2.673 | 1.576 |
| *Maintenance and repairs* | 366 | 549 |
| *Administrative services* | 2.155 | 327 |
| *Temporary personnel* | 60 | 36 |
| *Travel expenses* | 309 | 340 |
| *Electricity* | 173 | 161 |
| *Symposiums, seminars, conferences* | 76 | 125 |
| *Post and telephone expenses* | 109 | 172 |
| *Entertainment expenses* | 86 | 158 |
| *Property leasing* | 135 | 70 |
| *Sundry transport expenses* | 53 | 79 |
| *Advertising, publications, public relations* | 28 | 105 |
| *Insurance premiums* | 272 | 225 |
| *Waste management* | 36 | 52 |
| *Training fees* | 15 | 41 |
| *Analyses* | 0 | 45 |
| *Bank services* | 58 | 51 |
| *Natural gas* | 27 | 42 |
| *Leasing expenses* | 55 | 62 |
| *Water* | 2 | 12 |
| *Other* | 55 | 76 |
| **Total** | **8.265** | **5.767** |

The administrative services line item (EUR 2,155,000) includes amounts re-invoiced for services by the subsidiary Valneva Austria GMBH for EUR 2,111,000 for 2013 and 2014.

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

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| **Taxes on remuneration** | **84** | **100** |
| *Training* | 48 | 73 |
| *Apprentices tax* | 21 | 28 |
| *Other taxes / remuneration (FNAL)* | 15 | 0 |
| **Other taxes** | **112** | **131** |
| *Local taxes* | 51 | 82 |
| *Local business tax* | 0 | 0 |
| *CFE - CVAE regional business tax* | 7 | -3 |
| *Company vehicle tax* | 4 | 5 |
| *Corporate Social Solidarity Contribution C3S tax* | 3 | 4 |
| *Minimum annual CIT charge* | 0 | 0 |
| *Employer contribution for handicapped workers* | 3 | 11 |
| *Withholding taxes* | 37 | 4 |
| *Stamp and registration duties* | 3 | 3 |
| *Other taxes* | 4 | 26 |
| **Total** | **196** | **231** |

### + *4.4.8. Personnel*

#### a. Employees

| AVERAGE NUMBER OF EMPLOYEES | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *Executives and higher intellectual professions* | 51 | 56 |
| *Intermediate professions* | 5 | 25 |
| *Employees* | 3 | 2 |
| *Workers* | 0 | 0 |
| *Seconded personnel* | 0 | 0 |
| **Total** | **59** | **84** |

Employees present at December 31, 2014: 58 employees of which 57 on permanent contracts and 1 on fixed term contract.
Employees present at December 31, 2013: 66 employees of which 62 on permanent contracts and 4 on fixed term contract

### b. Personnel costs

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *Wages and salaries* | 3.261 | 4.267 |
| *Social charges* | 1.394 | 1.853 |
| *CICE wage tax credit* | -70 | -71 |
| *Other personnel expenses* | 104 | 151 |
| **Total** | **4.689** | **6.200** |

### c. Remuneration paid to Executive Board and Supervisory Board members

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *Fixed compensation* | | 348 |
| *Variable compensation* | | 116 |
| *Fringe benefits* | | 8 |
| **All Executive Board members** | **0** | **472** |
| *Attendance fees* | 243 | 157 |
| **All Supervisory Board members** | **243** | **157** |
| **TOTAL** | **243** | **629** |
| **Bonus share grants** | | |
| *Executive Board members* | none | 33.333 |
| *Supervisory Board members* | none | none |
| **Stock options (number of shares subscribed)** | **0** | **209.952** |
| *Executive Board members* | none | 209.952 |
| *Supervisory Board members* | 0 | 0 |
| **Equity warrants (number of shares subscribed)** | **0** | **0** |
| *Executive Board members* | 0 | 0 |
| *Supervisory Board members* | 0 | 0 |

Valneva SE was managed in 2014 by a Chairman. Because indicating the remuneration of management bodies would lead to the disclosure of individual compensation, this amount is accordingly not communicated.

### d. Individual training rights

| | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *Rights vested in hours during the year* | 1.028 | 1.177 |
| *Training hours accumulated but unclaimed* | 4.616 | 4.599 |

Pursuant to the position of the French National Accounting Council, provisions are not recorded for individual rights to training.

### e. Employee benefits

### Assumptions used for the valuation of pension benefits

| | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *Discount rate* | 1,80% | 3,17% |
| *Salary increase rate* | 2,00% | 2,50% |
| *Social security charge rate* | 45,00% | 47,99% |
| *Employee turnover rate by age* | Detailed | 12,45% |

| 2014 DATA | SUPERVISORY STAFF | MANAGE-MENT EM-PLOYEES | OFFICE EM-PLOYEES & WORKERS |
|---|---|---|---|
| *20-29 years* | 39.00 % | 45.90 % | 18.00 % |
| *30-29 years* | 19.40 % | 23.00 % | 9.00 % |
| *40-29 years* | 6.80 % | 7.60 % | 3.06 % |
| *50-29 years* | 0.00 % | 0.00 % | 0.00 % |
| *60 years and older* | 0.00 % | 0.00 % | 0.00 % |

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

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| **Commitment at the beginning of period** | **23** | **129** |
| **Commitment at the end of period** | **163** | **23** |
| **Provision at the beginning of period** | **23** | **129** |
| *Humalys TUP merger contribution* | 0 | 0 |
| *Charge for the period* | 141 | 0 |
| *Reversal of the period* | 0 | -106 |
| **Provision at the end of period** | **163** | **23** |

The commitment for 2014 increased whereas headcount declined on the one hand in light of the turnover rate by age brackets in 2014 compared to a single rate in 2013 and on the other hand by a change in the discount rate.

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

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *Intangible fixed assets* | 1.114 | 1.144 |
| *Property, plant and equipment* | 858 | 1.616 |
| **Total fixed assets (A)** | **1.971** | **2.760** |
| *Employee commitments* | 141 | 0 |
| *Provisions for operating contingencies and losses* | 113 | 0 |
| **Total provisions (B)** | **254** | **0** |
| **Total net charges excluding current assets (C=A+B)** | **2.225** | **2.760** |
| *Trade receivables and other current assets* | 52 | 0 |
| **Total assets (D)** | **52** | **0** |
| **Exceptional amortization (E=C+D)*** ** | **2.277** | **2.760** |
| *Provisions for unrealized foreign exchange losses* | 0 | 164 |
| *Provision for current account advances* | 0 | 152 |
| *Provisions for impairment of long-term investments* | 0 | 337 |
| **Total financial assets (F)** | **0** | **654** |
| *Exceptional amortization of fixed assets (G)* | 0 | 0 |
| *Provisions for impairment of fixed assets (H)* | 6.701 | 30 |
| *Accelerated tax depreciation or amortization of fixed assets (I)* | -156 | -182 |
| *Other provisions (J)* | 0 | 0 |
| **Total exceptional items (K=G+H+I+J)** | **6.545** | **-153** |

The provision for the impairment of property, plant and equipment (EUR 6,704,000) relates to the VIVA Screen technology contributed to BliNK Biomedical SAS.

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

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *Revenue from marketable securities and deposits* | 157 | 198 |
| *Interest on borrowings* | -185 | -180 |
| *Interest on convertible bond debt* | 0 | -382 |
| *Interest on current accounts* | 533 | 193 |
| *Translation adjustments* | -3 | -110 |
| *Impairment of financial assets /reversals* | 63 | -489 |
| *Other* | -25 | -43 |
| **Net financial income/(expense)** | **540** | **-813** |

### + *4.4.11. Net exceptional items*

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *Net income on disposals* | -3 | 1.264 |
| *Amortization and provisions, net of reversals on tangible fixed assets* | 0 | -27 |
| *Amortization and provisions, net of reversals on intangible fixed assets* | -6.701 | -3 |
| *Accelerated tax depreciation and amortization charges and reversals* | 156 | 182 |
| *Share of grant transferred to income* | 40 | 129 |
| *2010 Humalys income tax allocated to prior period losses* | 0 | 0 |
| *Misc. / renegotiation of debt on fixed assets* | 2.500 | 2 |
| **Net exceptional items** | **-4.008** | **1.548** |

In 2014, the renegotiation of SC World generated exceptional income of EUR 2.5 million while the impairment of assets relating to VIVA Screen generated an exceptional expense of EUR 6.7 million.

## + *4.4.12. Income tax*

### a. Income tax charges

#### Effective tax rate

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *Net income/(loss)* | -14.883 | -9.952 |
| *Income tax* | -1.965 | -2.039 |
| **Net loss before tax** | **-16.849** | **-11.991** |
| **Effective tax rate** | **0** | **0** |

### b. Tax losses carried forward

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *Losses carried forward at the beginning of the period* | 67.421 | 47.806 |
| *Losses generated during period* | 13.749 | 19.615 |
| *Losses utilized during period* | 0 | 0 |
| *Prior losses used* | | |
| *Losses expired during period* | | |
| **Losses carried forward at the end of the period** | **81.169** | **67.421** |

### c. Deferred tax assets and deferred tax liabilities

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *Deferred tax assets (investment grants and accelerated tax depreciation or amortization)* | 359 | 424 |
| **Deferred tax liabilities** | | |
| *- Corporate Social Solidarity Contribution (C3S)* | 1 | 1 |
| *- Capital grants taxable at time of allotment* | 0 | 0 |
| *- Operating grants taxable at time of allotment* | 0 | 526 |
| *- Unrealised gains from UCITS* | 0 | 0 |
| *- Employee profit-sharing* | 0 | 0 |
| **Total deferred tax assets/deferred tax liabilities** | **358** | **-103** |

### + *4.4.13. Earnings per share*

| | | DECEMBER 31, | |
|---|---|---|---|
| | | *2014* | *2013* |
| *Basic net loss (in euros)* | (a) | -8.346.327 | -9.952.449 |
| *Average number of shares outstanding:* | (b) | 56.846.809 | 40.328.234 |
| *Total number of potential shares* | (c) | 69.923.691 | 58.483.614 |
| *Basic net earnings per share (in euros)* | (a) / (b) | -0,15 | -0,25 |

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

## 5. OTHER INFORMATION

### *5.1. Commitments and contingent liabilities*

#### + *5.1.1. - Debt guarantee by collateral*

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| *- Equipment pledge* | 600 | 771 |
| *- pledges on non-consolidated investments*[1] | 137.876 | 127.876 |

[1]Valneva Austria GMBH securities in connection with the financing transaction with Pharmakon.

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

| IN THOUSANDS OF EUROS | DECEMBER 31, | |
|---|---|---|
| | *2014* | *2013* |
| **Commitments given** | | |
| *- Commitment on Pharmakon Advisors Valneva Austria GMBH loan*[1] | 37.768 | 34.979 |
| *- potential earn out payment on investment securities*[2] | 4.954 | 4.961 |
| *- sourcing commitment with a supplier* | 619 | 490 |
| *- commitment with a service provider* | | |
| *- property lease commitment* | 680 | 810 |
| *- comfort letter in favor of Valneva GMBH*[4] | 8.662 | 9.968 |
| *- equipment financing lease* | 47 | 1 |
| *- financial returns on OSEO reimbursable loans*[3] | 6.230 | 6.230 |
| *- financial returns and repayment of subordinated grants* | 220 | 220 |
| *- mortgage on loans* | 1.250 | 1.500 |
| *- interest payable on loans* | 91 | 175 |
| **Total commitments given** | **60.521** | **59.334** |
| **Commitments received** | | |
| *- grant from Dept 44 - Laennec construction* | 45 | 45 |
| *- bonds received from the Grimaud Group parent company* | | |
| *CRCA 10-year loan* | 0 | 0 |
| *CM 10-year loan* | 0 | 0 |
| *CM 7-year loan* | 519 | 947 |
| *CEP 10-year loan* | 0 | 0 |
| *CEP 7-year loan* | 0 | 50 |
| *CEP 5-year loan* | 281 | 391 |
| *LCL 7-year loan* | 185 | 257 |
| *- guarantee received from CRCA* | | |
| *payables on non-consolidated investments* | | |
| *- credit line granted by CRCA* | 50 | 50 |
| *- Credit line granted by LCL* | | 50 |
| *- Credit line granted by CEP* | | 50 |
| *- Credit line granted by CM* | 50 | 50 |
| **Total commitments received** | **1.130** | **1.890** |

[1]Principal and interest until maturity for the Pharmakon loan guaranteed by Valneva SE
[2]The maximum earn out is EUR 5.5 million over a 15 year period (2025) less EUR 539,000 for the amount owed from 2010 to 2014 (See 4.3.3).
[3]The maximum amount repayable of reimbursable loans under the Vivabio program is EUR 9 million over a maximum period of nine years from the obligating event for repayment of the financing for EUR 2,771,000 (See note 4.3.12).
[4]on lease installments payable until the end of the property lease in 2023.

### + *5.1.3. Contingent liabilities*

There are no significant cases of litigation in progress.

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

### + *5.1.4. Auditors' fees*

| | PWC IN € (EXCL. TAX) | | DELOITTE IN € (EXCL. TAX) | |
|---|---|---|---|---|
| | *2014* | *2013* | *2014* | *2013* |
| *Audit* | | | | |
| *Statutory auditing* | 110.730 | 44.000 | 113.954 | 46.657 |
| *Capital increase* | 78.150 | | 66.000 | 95.460 |
| *Merger* | | 77.731 | | 40.738 |
| *Accessory missions* | | | 4.180 | 2.060 |
| **Subtotal** | **188.880** | **121.731** | **184.134** | **184.914** |
| *Other services* | | | | |
| *Legal, tax, labor issues* | | | | |
| *Other directly related procedures* | | | | |
| *Accessory missions* | | | | |
| **Subtotal** | **0** | **0** | **0** | **0** |
| **Total** | **188.880** | **121.731** | **184.134** | **184.914** |

### *5.2. Information concerning related parties*

Related parties concerned relations with Grimaud Group and companies of the Grimaud Group[1], relations with the subsidiary Valnevas Toyama Japan[(2)], and since the merger of May 28, 2013, relations with the subsidiary Valneva Austria GMBH[(3)].

+ (1) For the Grimaud Group and Grimaud Group companies, services rendered related to either normal operating activities (interest rate swap allocation agreement) or regulated activities (guarantees). For fiscal 2014 EUR 35,000 excluding tax were invoiced for these services including EUR 10,000 for trade payables at December 31, 2014

+ (2) Valneva Toyama Japan invoiced Valneva EUR 411,000 for supplies and EUR 154,000 for operating expenses with EUR 48,000 under trade payables at December 31, 2014.

+ (3) In December 2013, Valneva SE guaranteed a EUR 30 million dollar loan to Pharmakon (Biopharma ) for Valneva Austria GmbH. The purpose of this loan is to support growth in sales of the Japanese encephalitis vaccine of Valneva, IXIARO/JESPECT and to promote the company's portfolio of vaccine candidates. In February 2014, an agreement was signed between the two parties whereby Valneva SE charges interest to Valneva Austria for this guarantee of 0.77 percent applied to the remaining loan amount outstanding. For 2014, interest thus invoiced amounted to EUR 196,000.

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

In 2014, Valneva SE re-invoiced EUR 1,089,000 (with EUR 367,000 for 2013).

In 2014, Valneva Austria GMBH re-invoiced EUR 3,093,000 (with EUR 1,163,000 for 2013).

These invoices were recognized in the current account balance (showing a credit balance for the net amount of EUR 1,808,000 at December 31, 2014).

In October 2013, a loan agreement was executed between Valneva SE and Valneva Austria GMBH for EUR 30 million subject to a rate of interest of 3-month Euribor plus 1 percent.

EUR 15 million are payable on December 31, 2015 (EUR 8,015,000 was repaid on December 31, 2014).

EUR 15 million will be repaid after Valneva Austria GMBH has repaid the Pharmakon debt (Biopharma).

| IN THOUSANDS OF EUROS | DECEMBER 31, 2014 | 2013 |
|---|---|---|
| **Financial assets** | | |
| *- Non-consolidated investments* | 137.928 | 127.923 |
| *- Receivables on non-consolidated investments* | | |
| **Receivables** | | |
| *Trade receivables and related accounts* | | |
| *Other receivables* | 21.985 | 27.419 |
| **Payables** | | |
| *- Borrowings and miscellaneous debt* | | |
| *- Trade payables and related accounts* | 58 | 193 |
| *Payables on fixed assets and equivalent* | | |
| *Other payables* | 2.004 | |
| **Revenues** | **1.089** | |
| **Financial income** | **533** | **168** |
| **Exceptional income** | | |
| **Reclassification of operating expenses** | | |
| **Operating expenses** | | |
| *- Purchase of raw materials and other supplies* | | |
| *Other purchases and external expenses* | 3.668 | 1.192 |
| *- Other operating purchases* | | |
| **Financial expense** | | |
| *- Interest and similar expense* | 25 | 38 |

### *5.3. Dilutive instruments*

Valneva SE's share capital after the exercise of different dilutive instruments at December 31, 2014 - Statutory accounting presentation

| | | SHARES HELD | %[a] | DILUTIVE INSTRUMENTS | BREAKDOWN OF SHARE CAPITAL AFTER THE EXERCISE OF DILUTIVE INSTRUMENTS | % |
|---|---|---|---|---|---|---|
| **Groupe Grimaud La Corbière[b]** | | 11.843.327 | 20,58 | 0 | 11.843.327 | 16,94 |
| **BPI France Participations SA** | | 5.499.863 | 9,56 | 0 | 5.499.863 | 7,87 |
| **Management Board Members** | **Total Board Members** | **524.746** | **0,91** | **414.552** | **938.432** | **1,34** |
| | *Franck Grimaud* | 375.140 | 0,65 | 208.300 | 583.440 | 0,83 |
| | *Thomas Lingelbach* | 98.978 | 0,17 | 101.719 | 200.459 | 0,29 |
| | *Reinhard Kandera* | 50.628 | 0,09 | 104.533 | 154.533 | 0,22 |
| **Non-officer employees** | | 133.685 | 0,23 | 692.560 | 826.245 | 1,18 |
| **Other private individual share holders** | | 1.455.922 | 2,53 | 27.743 | 1.482.164 | 2,12 |
| *Of which private individual shareholders of the Grimaud family and Financière Grand Champ SAS[bc]* | | 834.542 | 1,45 | 0 | 834.542 | 1,19 |
| *Of which investors* | | 172.266 | 0,30 | 0 | 172.266 | 0,25 |
| *Of which independent members of the Supervisory Board* | *Alain Munoz* | 41.800 | 0,07 | 1.968 | 43.768 | 0,06 |
| | *Michel Greco* | 618 | 0,00 | 4.170 | 4.756 | 0,01 |
| | *James Sulat* | 13.500 | 0,02 | 0 | 13.500 | 0,02 |
| | *Alexander Von Gabain (c)* | 23.517 | 0,04 | 10.605 | 32.653 | 0,05 |
| *Other private individual investors with shares in registered form* | | 369.679 | 0,64 | 11.000 | 380.679 | 0,54 |
| **Other bearer shares** | | 36.896.657 | 64,12 | 0 | 36.896.657 | 52,77 |
| **Other preferred shares** | | 1.186.748 | 2,06 | 8.562.369 | 8.562.369 | 12,25 |
| **Warrants not yet exercised** | | n.a. | n.a. | 3.874.633 | 3.874.633 | 5,54 |
| **TOTAL** | | **57.540.948** | **100,00** | **13.571.857** | **69.923.690** | **100,00** |

[a]This rate is calculated in reference to a share capital totaling 57.540.948 Vanleva shares, divided into 56.351.833 ordinary shares and 17.843.719 preferred shares with a nominal value of €0.01 written down.
[b]The "Grimaud Family Shareholders Group" is comprised of the private shareholders of the Grimaud Group 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 €0.15, as applicable.

### *5.4. Subdiaries and associates*

| NAME | SHARE CAPITAL / EQUITY[1] | OWNERSHIP INTEREST[2] / DIVIDENDS[3] | GROSS CARRYING VALUE OF SHARES / NET CARRYING VALUE OF SHARES | LOANS, ADVANCES[4] / GUARANTEES[5] | NET SALES[6] / PROFIT OR LOSS[7] |
|---|---|---|---|---|---|
| **SUBSIDIARIES (>50%-held)** | | | | | |
| *Valneva Toyama Japan* | ¥ 5,660,000 | 100,00 % | 46.471 € | 129.469 € | ¥ 89,394,000 |
| | | | | ¥ 18,803,000 | |
| | ¥ 1,913,000 | 0 € | 46.471 € | 0 € | ¥ (3 045 000) |
| *Valneva Austria GMBH* | 10.070.000 € | 100,00 % | 137.876.224 € | 21.984.919 € | 34.366.000 € |
| | 276.770.237 € | 0 € | 137.876.224 € | 0 | (11.511.800) € |
| *Vaccines Holdings Sweden AB* | SEK 50000 | 100,00 % | 5.268 € | 0 € | 0 € |
| | SEK 0 | 0 € | 5.268 € | 0 € | 0 € |

[1]Equity = equity other than earnings and share capital
[2]Ownership interest = percentage held by Valneva at 31/12/2013
[3]Dividends = dividends received by Valneva in 2013
[4]Loans, advances = loans, financial advances, current account advances
[5]Guarantees = outstanding balance of guarantees given by Valneva
[6]Net sales = sales excluding tax
[7]Profit or loss = reported net income or loss of the last financial period
[8]2014 IFRS figures

### *5.5. Market risks*

+ *5.5.1 Interest rate risks*

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

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

The Company has also obtained loans to finance its investments. At December 31, 2014, borrowings totaled EUR 9,613,000 including fixed rate debt of EUR 570,000 (See note 4.3.14). Floating rates are based on the 3-month and 1-month Euribor benchmarks.

At December 31, 2014, the Company was covered by an interest rate hedging contract through its parent company. In consequence, its exposure to risks relating to variable-rate debt is limited.

+ *5.5.2 Exchange rate risks*

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

### *5.6. Subsequent events*

Valneva SE and BliNK Therapeutics confirmed on January 20, 2015 the completion of the creation of BliNK Biomedical SAS as announced on December 11, 2014 (with retroactive effect on January 1, 2015)

On February 4, 2015 Valneva SE announced the success of the EUR 45 million rights issue intended to finance a portion of the Dukoral® vaccine acquisition.

On February 10, 2015, Valneva SE announced the finalization of the acquisition of Crucell Sweden AB and all assets, licenses and privileges related to Dukoral® as well as the Nordics vaccine distribution business of the seller and its affiliates.

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