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2020 Consolidated Financial Statements

IFRS
Audited

CONSOLIDATED FINANCIAL STATEMENTS 2020

VALNEVA

A European Company (*Societas Europaea*) with a Management and a Supervisory Board
Registered offices:
6 rue Alain Bombard, 44800 SAINT-HERBLAIN - France
Nantes Companies Register (RCS) No. 422 497 560

Consolidated financial statements

at December 31, 2020

TABLE OF CONTENTS

1 CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

1.1 Consolidated Statements of Income (Loss)

€ in thousand (except per share amounts)	**Note**	**Year ended December 31,**	
		2020	**2019**
Product sales	5.4/5.5	65,938	129,511
Revenues from collaboration, licensing and services	5.4/5.5	44,383	(3,315)
Revenues		**110,321**	**126,196**
Cost of goods and services	5.4	(54,302)	(52,781)
Research and development expenses	5.4	(84,454)	(38,022)
Marketing and distribution expenses	5.4	(18,264)	(24,145)
General and administrative expenses	5.4	(27,539)	(18,398)
Other income and expenses, net	5.8	19,117	6,338
OPERATING PROFIT/(LOSS)		**(55,120)**	**(811)**
Finance income	5.9	689	1,449
Finance expenses	5.9	(10,738)	(3,082)
Result from investments in associates	5.15	(133)	1,574
PROFIT/(LOSS) BEFORE INCOME TAX		**(65,302)**	**(870)**
Income tax income/(expense)	5.10	909	(874)
PROFIT/(LOSS) FOR THE PERIOD		**(64,393)**	**(1,744)**
Earnings/(Losses) per share for profit/loss for the period attributable to the equity holders of the Company, expressed in € per share	5.11		
- **basic**		**(0.71)**	**(0.02)**
- **diluted**		**(0.71)**	**(0.02)**

The accompanying notes form an integral part of these financial statements

1.2 Comprehensive Income (Loss)

€ in thousand	Note	Year ended December 31,	
		2020	**2019**
Profit/(Loss) for the period		**(64,393)**	**(1,744)**
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Currency translation differences	5.21.1	2,438	656
Items that will not be reclassified to profit or loss			
Defined benefit plan actuarial gains/(losses)	5.29.1	(78)	(13)
Other comprehensive income/(loss) for the year, net of tax		**2,360**	**644**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		**(62,033)**	**(1,100)**

The accompanying notes form an integral part of these financial statements.

2 CONSOLIDATED BALANCE SHEETS

€ in thousand	Note	At December 31,	
		2020	2019
ASSETS			
Non-current assets		**140,737**	**135,561**
Intangible assets	5.12	35,409	41,813
Right of use assets	5.13	43,374	49,334
Property, plant and equipment	5.14	34,779	20,003
Equity-accounted investees	5.15	2,130	2,263
Deferred tax assets	5.10.2	5,570	4,988
Other non-current assets	5.19	19,476	17,161
Current assets		**308,427**	**129,162**
Inventories	5.17	26,933	25,772
Trade receivables	5.18	19,232	24,030
Other current assets	5.19	57,828	14,921
Cash and cash equivalents	5.20	204,435	64,439
TOTAL ASSETS		**449,164**	**264,723**
EQUITY			
Capital and reserves attributable to the Company's equity holders		**77,422**	**135,153**
Share capital	5.21	13,646	13,642
Share premium	5.21	244,984	244,912
Other reserves	5.21	52,342	45,756
Retained earnings/(Accumulated deficit)	5.21	(169,156)	(167,412)
Profit/(loss) for the period		(64,393)	(1,744)
LIABILITIES			
Non-current liabilities		**195,872**	**88,269**
Borrowings	5.23	46,375	24,317
Lease liabilities	5.13/5.26	49,392	56,592
Contract liabilities	5.27	58	732
Refund liabilities	5.28	97,205	6,105
Provisions	5.27	2,358	426
Deferred tax liabilities	5.10.2	412	-
Other liabilities	5.30	72	97
Current liabilities		**175,870**	**41,300**
Borrowings	5.23	6,988	1,999
Trade payables and accruals	5.24	36,212	16,567
Income tax liability	5.10	-	2,458
Tax and Employee-related liabilities	5.25	13,165	10,624
Lease liabilities	5.13/5.26	2,696	2,308
Contract liabilities	5.27	89,578	694
Refund liabilities	5.28	14,222	448
Provisions	5.29	10,169	2,315
Other liabilities	5.30	2,841	3,886
TOTAL LIABILITIES		**371,742**	**129,569**
TOTAL EQUITY AND LIABILITIES		**449,164**	**264,723**

The accompanying notes form an integral part of these financial statements.

3 CONSOLIDATED STATEMENTS OF CASH FLOWS

€ in thousand	Note	Year ended December 31,	
		2020	2019
Cash flows from operating activities			
Profit/(Loss) for the year		(64,393)	(1,744)
Adjustments for non-cash transactions	5.31	37,941	12,704
Changes in non-current operating assets and liabilities	5.31	88,472	3,597
Changes in working capital	5.31	77,740	(6,682)
Cash generated from operations	5.31	**139,759**	**7,875**
Income tax paid		(2,021)	(2,346)
Net cash generated from operating activities		**137,738**	**5,529**
Cash flows from investing activities			
Purchases of property, plant and equipment	5.14	(18,936)	(10,502)
Purchases of intangible assets	5.12	(535)	(382)
Proceeds from sale of intangible assets		24	-
Interest received		107	199
Net cash used in investing activities		**(19,340)**	**(10,685)**
Cash flows from financing activities			
Proceeds from issuance of common stock, net of costs of equity transactions	5.22	75	(2,484)
Disposal/(Purchase) of treasury shares	5.22	215	21
Proceeds from borrowings, net of transaction costs	5.23/5.31.2	50,266	11,781
Repayment of borrowings	5.23/5.31.2	(21,995)	(11,684)
Payment of lease liabilities	5.13/5.26	(2,111)	(2,709)
Interest paid		(4,711)	(2,621)
Net cash generated from/(used in) financing activities		**21,740**	**(7,696)**
Net change in cash and cash equivalents		**140,138**	**(12,852)**
Cash and cash equivalents at beginning of the year		64,439	77,084
Exchange gains/(losses) on cash		(183)	207
Restricted cash	5.20	41	-
Cash and cash equivalents at end of the year		**204,435**	**64,439**

The accompanying notes form an integral part of these financial statements

4 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

€ in thousand ***(except number of shares)***	**Note**	***Number of shares issued***	**Share capital**	**Share premium**	**Other reserves**	**Retained earnings/ (Accumulated deficit)**	**Profit/ (loss) for the period**	**Total equity**
Balance as at January 1, 2019 before IFRS 16 adoption		***90,917,837***	**13,638**	**244,900**	**52,060**	**(170,676)**	**3,264**	**143,186**
Changes in Accounting Policy –Initial Application of IFRS 16		-	-	-	(9,474)	-	-	(9,474)
Balance as at January 1, 2019		***90,917,837***	**13,638**	**244,900**	**42,587**	**(170,676)**	**3,264**	**133,712**
Total comprehensive loss		-	-	-	644	-	(1,744)	(1,100)
Income appropriation		-	-	-	-	3,264	(3,264)	-
Share-based compensation expense:	5.21							
- value of services		-	-	-	2,504	-	-	2,504
- exercises		*25,975*	4	12	-	-	-	16
Treasury shares	5.21	-	-	-	21	-	-	21
Balance as at December 31, 2019		***90,943,812***	**13,642**	**244,912**	**45,756**	**(167,412)**	**(1,744)**	**135,153**
Balance as at January 1, 2020		***90,943,812***	**13,642**	**244,912**	**45,756**	**(167,412)**	**(1,744)**	**135,153**
Total comprehensive loss		-	-	-	2,360	-	(64,393)	(62,033)
Income appropriation		-	-	-	-	(1,744)	1,744	-
Share-based compensation expense:	5.21							
- value of services		-	-	-	4,012	-	-	4,012
- exercises		*26,750*	4	71	-	-	-	75
Treasury shares	5.21	-	-	-	215	-	-	215
Balance as at December 31, 2020		***90,970,562***	**13,646**	**244,984**	**52,342**	**(169,156)**	**(64,393)**	**77,422**

The accompanying notes form an integral part of these financial statements.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 General information and significant events of the period

Valneva SE ("the Company") together with its subsidiaries ("Group" or "Valneva") is a specialty vaccine company focused on prevention against diseases with major unmet needs.

The Group's portfolio includes two commercial vaccines for travelers: IXIARO (also marketed as JESPECT) indicated for the prevention of Japanese encephalitis and DUKORAL indicated for the prevention of cholera and, in some countries, prevention of diarrhea caused by enterotoxigenic Escherichia coli. The Group has several vaccines in development including a unique vaccine against Lyme disease, COVID-19 and chikungunya. Valneva has operations in Austria, Sweden, the United Kingdom, France, Canada and the United States with over 500 employees.

List of direct or indirect interests held by the Company:

Name	Country of incorporation	Consolidation method	Interest held at December 31,	
			2020	2019
BliNK Biomedical SAS[1]	FR	Equity method	48.9%	48.9%
Vaccines Holdings Sweden AB	SE	Consolidation	100%	100%
Valneva Austria GmbH	AT	Consolidation	100%	100%
Valneva Canada Inc.	CA	Consolidation	100%	100%
Valneva France SAS	FR	Consolidation	100%	100%
Valneva Scotland Ltd.	UK	Consolidation	100%	100%
Valneva Sweden AB	SE	Consolidation	100%	100%
Valneva UK Ltd.	UK	Consolidation	100%	100%
Valneva USA, Inc.	US	Consolidation	100%	100%

The closing date for the consolidated financial statements is December 31 of each year.

The Company is registered at 6 rue Alain Bombard, 44800 Saint-Herblain, France.

The Valneva SE site in Saint-Herblain (Nantes, France) includes general and administrative functions and R&D facilities. The Valneva SE site in Lyon operates commercial activities.

Vaccines Holdings Sweden AB is the holding company of Valneva Sweden AB.

Valneva Austria GmbH (Vienna, Austria) focuses on pre-clinical and clinical development activities of vaccines. The facilities accommodate departments for pre-clinical R&D, (technical/clinical) product development, quality and regulatory affairs, general and administrative as well as commercial functions. Valneva Austria GmH commercializes IXIARO, DUKORAL and third party products such as Flucelvax, Fluad, Moskito Guard, Rabipur and Encepur.

Valneva Canada Inc. (Montreal, Quebec) commercializes IXIARO, DUKORAL and third party products as KamRAB in 2020 and Vivotif in 2019.

Valneva France SAS (Lyon, France) was founded in February 2019 and commercializes IXIARO and DUKORAL since 2020.

Valneva Scotland Ltd. (Livingston, United Kingdom) is primarily involved in the production of Valneva's Japanese encephalitis vaccine, IXIARO, as well as in the production of chikungunya and COVID-19 vaccine, which are currently in the development phase.

[1] see Note 5.15

Valneva Sweden AB (Solna, Sweden) manufactures the DUKORAL vaccine and commercializes DUKORAL, IXIARO and third party products such as Moskito Guard and Vivotif in the Nordic countries. In addition Valneva Sweden AB provides R&D services.

Valneva UK Ltd. (based nearby London, United Kingdom) commercializes DUKORAL, IXIARO and third party products such as Moskito Guard in the United Kingdom.

Valneva USA, Inc. focuses on the commercialization of IXIARO to the US military and the US private market.

SIGNIFICANT EVENTS OF THE PERIOD

COVID-19

The group has been and could continue to be materially adversely affected by the current COVID-19 pandemic, in regions where Valneva has significant manufacturing facilities, concentrations of clinical trial sites or other business operations. COVID-19 has adversely impacted sales of travel vaccines to the general public, with travel to endemic areas significantly reduced compared to 2019. DUKORAL and IXIARO are aimed at diseases that largely threaten travelers to particular regions. As a result, sales of these vaccines have decreased significantly, adversely impacting the company's financial results. The Group expects the future to continue to be impacted due to the significant reduction in international travel following the onset of the global COVID-19 pandemic. In its December 2020 report, the United Nations World Tourism Organization, or UNWTO, predicted that international travel, as measured by international arrivals, would rebound in 2021, based on the assumptions of a gradual reversal of the pandemic, the rollout of a COVID-19 vaccine, significant improvement in traveler confidence and major lifting of travel restrictions by the middle of 2021, as well as a large pent-up demand after months of closed borders and travel bans. Recovery of international travel is forecasted by leading international travel organizations, such as the International Air Transport Association and the UNWTO, to begin in 2021 and to recover to 2019 demand levels by mid-2023 to end of 2024. If international travel does not resume as quickly or as much as planned, the company's revenues will continue to be severely affected, and Valneva may not be able to complete the development of its vaccine candidates without additional financing. Site initiation and subject enrollment have been and may be further delayed due to prioritization of hospital resources toward the COVID-19 pandemic, and some subjects may not be able or willing to comply with clinical trial protocols if quarantines impede subject movement or interrupt healthcare services. The initiation of the Phase 3 clinical trial for VLA 1553 (chikungunya) was delayed due to the impact of COVID-19. Valneva continues to closely monitor how the pandemic and related response measures are affecting the company's business. At the end of December 2020, Valneva reported cash and cash equivalents of €204.4 million. Valneva is prepared to take further cost management measures if required and has implemented a cost reduction of non-mission critical projects and expenses. Although it is difficult to predict future liquidity requirements, the Group believes that the existing cash and cash equivalents as of December 31, 2020 will be sufficient to fund the operations for at least the next 12 months from the authorization for issuance date of these consolidated financial statements. For details on liquidity risk see Note 5.2.5.

Impact from Covid-19 is described in following notes as of December 31, 2020 and for the year ended on December 31, 2020:

Impact from COVID-19	Note	
COVID-19 R&D program	5.1/5.27/5.28	Agreement with the UK government to provide up to 190 million doses of its SARS-CoV-2 vaccine candidate - €19.0 million expenses for research and development included in 2020. €87.0 million included in contract liabilities and €20.9 million in refund liabilities, as of December 31, 2020.
Revenues from contracts with customers	5.5	Decline of revenues of Commercialized products for non-military market from Q2 2020 onward and therefore reduced Cash-inflows.
Impairment testing	5.12.2	Impairment test for IXIARO Cash Generating Unit "CGU" IXIARO and CGU DUKORAL CGU performed after triggering events – no impairment in 2020
Inventories	5.17	€7.4 million of the write-down included in income statement due to lower sales expectations and limited shelf life of the finished goods; stop of manufacturing of IXIARO and DUKORAL in Q3 2020: idle capacity costs not capitalized
Trade receivables	5.18	Update of expected credit loss assessed - only minor impact in Group´s figures
Expenses		In H2 2020 a cost reduction of non-mission critical projects and expenses was introduced.

Brexit

The Group is of the opinion that Brexit will increase its costs and adversely affect some of the main risks to which the Company is exposed, e.g. by increasing risks related to currency exchange fluctuations, manufacturing & supply, customs duties and tax. The flow of goods between Great Britain and Europe may also be affected. Future performance of the business may also be impacted, as the manufacturing of bulk material for the IXIARO product is conducted in the United Kingdom. The manufacturing for the bulk material for Valneva's SARS-CoV-2 vaccine candidate (see below for details on the agreement with the UK Government) will be also conducted in the United Kingdom, while filling and packaging of this vaccine will take place in the EU. Furthermore, Valneva has commercial operations in the UK, distributing its own vaccines and some third party products in the local market. Valneva UK Ltd reported a revenue of €1.8 million in 2020.

Significant agreements signed in the periods

In January 2019, Valneva and the U.S. Government Department of Defense (DoD) signed a new contract for the supply of its Japanese encephalitis vaccine IXIARO through 2019 and the beginning of 2020 with a value of $59 million guaranteed and potentially worth up to $70 million.

In June 2019, Valneva and GSK announced mutual agreement to terminate the Strategic Alliance Agreement ("SAA"), originally agreed between Novartis and Intercell (predecessor companies of GSK and Valneva, respectively). Valneva paid €9.0 million to GSK immediately and will pay up to a further €7.0 million when milestones of marketing approvals of its Lyme vaccine are fulfilled. As a result, Valneva regained control of its main research and development assets, including its Lyme vaccine candidate (VLA15). In 2019, the effect was €10.7 million negative revenues from collaboration and licensing reflecting both the current and future payment obligations (see Note 5.5).

In July 2019, Valneva and Coalition for Epidemic Preparedness Innovations ("CEPI") announced a new partnering agreement. CEPI will provide Valneva up to $23.4 million for vaccine manufacturing and late-

stage clinical development of a single-dose, live-attenuated vaccine (VLA1553) against chikungunya, see Notes 5.8, 5.22.5 and 5.30.

In February 2020, the Group signed a debt financing agreement with US Healthcare Funds Deerfield and OrbiMed. The transaction amount is up to $85 million. Amortization payments will start in 3 years, while the loan will mature in 6 years. The intended use of proceeds was to repay existing borrowings from the European Investment Bank ("EIB") and allow the Group to continue to advance its leading Lyme and chikungunya development programs in the short term.

In April 2020, a new collaboration to co-develop and commercialize the Group's Lyme disease vaccine (Lyme VLA15) was signed with Pfizer Inc. (NYSE: PFE). This agreement was entered into with a customer as defined by IFRS 15 guidance on revenue contracts with customers, it included a $130 million (€116.9 million) upfront payment, which was received in June 2020. Valneva will refund 30% of all development costs through completion of the development program, which is planned for 2025. Therefore, as of December 31, 2020 €81.9 million has been recognized as discounted refund liabilities. The transaction price was determined taking into account the refund obligation of Valneva. The agreement includes R&D and service performance obligations for which revenue is recognized over time as well as a license performance obligation for which revenue is recognized at a point in time when Pfizer can benefit and use the license without further involvement of Valneva. The transaction has been allocated to the various performance obligations in proportion of their standalone selling price. In 2020, €31.6 million were recognized as Revenues from collaboration, licensing and services. €2.8 million costs to obtain a contract are included in other assets as of December 31, 2020. For more details see Notes 5.5 and 5.28.

In June 2020, Valneva and Bavarian Nordic A/S (OMX: BAVA) announced a marketing and distribution partnership for the marketing and distribution of their commercial products. Valneva will commercialize Bavarian Nordic's marketed vaccines leveraging its commercial infrastructure in Canada, UK, France and Austria. Valneva will also take responsibility for Belgium and the Netherlands. The partnership includes vaccines that protect against rabies, Japanese encephalitis, tick-borne encephalitis and cholera. This agreement had no material financial impact on the consolidated financial statement as of and for the year ended December 31, 2020. Revenues are recognized at a point in time when products are delivered to the customer.

In September 2020, DLA awarded Valneva a new contract for the supply of IXIARO. The terms of the agreement contemplate an initial base year followed by two option years, each with a range of minimum and maximum potential dose orders. The current base year has a minimum value of approximately $54 million for 370,000 doses, and the option years have minimum values of $46 million for 320,000 doses and $36 million for 250,000 doses, respectively, if DLA exercises those options.

In September 2020, Valneva announced a vaccine partnership with the UK government for its inactivated COVID-19 vaccine, VLA2001. Under the agreement, if the vaccine development is successful, Valneva will provide the UK government with 60 million doses of VLA2001 in the second half of 2021. The UK Government then has options over 40 million additional doses in 2022 and a further 90 million doses, in aggregate, from 2023 to 2025. If VLA2001 is approved and the options are exercised in full, the contract has the potential to generate aggregate revenue of up to €1.4 billion. The UK government is also investing up-front in the scale up and development of the vaccine, with the investment being recouped against the vaccine supply under the collaboration. The COVID-19 vaccine candidate will be manufactured at Valneva's facilities in Livingston, Scotland. As part of broader COVID-19 response, Valneva plan to futher invest in the manufacturing facilities in Livingston, Scotland and Solna, Sweden. The UK Government is obligated to provide Valneva advance payments to fund certain manufacturing-related expenses (related to the expansion of Valneva's Livingston, Scoltland facility) over the life of the project, subject to Valneva's continued supply of product in accordance with the terms of the UK Supply Agreement. According to IFRS 15, this agreement includes two performance obligations: First is the delivery of 60 million doses, second is an option to sell an additional 40 million doses at a lower price than the expected market price and furthermore an option to sell an additional 90

million doses at the expected market price. In 2020, none of these performance obligations were satisfied, therefore no revenue was recognized in this period. In December 2020 the option period to order 40 million doses was extended from December 31, 2020 to January 31, 2021. In January 2021 the UK Government has exercised its option to order 40 million doses. As of December 31, 2020, €87.0 million are included in contract liabilities, and €20.9 million are included in refund liabilities and represented the royalty obligation part of Valneva to the UK-Government. Total expenses for research and development for the COVID-19 vaccine were €19.0 million in 2020.

In April 2020, Valneva and Dynavax announced a collaboration to advance vaccine development for COVID-19. Dynavax is providing CpG 1018, the adjuvant contained in U.S. FDA-approved HEPLISAV-B vaccine, to support the development of Valneva's COVID-19 vaccine candidate, while Valneva is leveraging its technical and platform capabilities to develop an inactivated, whole virus vaccine candidate against the current COVID-19 threat. In September 2020, Valneva and Dynavax announced a commercial partnership for the supply of Dynavax's CpG 1018 adjuvant for use in Valneva's SARS-CoV-2 vaccine candidate, VLA2001. No deliveries for commercial use took place between Dynavax and Valneva in 2020. As of December 31, 2020 Valneva has included € 31.1 million in advance payments from this agreement (see Note 5.19). The Dynavax Agreement has a purchase order commitment amount of up to $136.8 million.

5.2 Summary of significant accounting policies

The principal accounting policies applied in preparing these consolidated financial statements are outlined below. These policies have been consistently applied to all years presented.

5.2.1 Basis of preparation

These 2020 Consolidated Financial Statements have been prepared in accordance with the International financial reporting standards, which comprise IFRS (International Financial Reporting Standards), IAS (International Accounting Standard) and their interpretations, SIC (Standards Interpretations Committee) and IFRIC (International Financial Reporting Interpretations Committee), as issued by the International Accounting Standards Board ("IASB").

The preparation of financial statements in conformity with IFRS as adopted by the European Union requires the use of certain critical accounting estimates. It also requires the Group's management to exercise its judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.3.

In the year 2020, the line "amortization and impairment of fixed assets/intangibles" in the consolidated income statement was reclassified to the line "Cost of goods and services" and "Research and development expenses". This split was made to improve the P&L disclosure per function. The comparable period was adjusted accordingly to maintain the comparability. In 2019, the amount of €3.0 million of amortization and impairment of fixed assets/intangible was reclassified to "Cost of goods and services" amounting to €2.8 million and to "Research and development expenses" amounting to €0.1 million. In addition the presentation of equity changed to a more detailed presentation to provide additional information on the balance sheets as well as on the statements of changes in equity. The comparable period was adjusted accordingly to maintain the comparability.

For ease of presentation, numbers have been rounded and, where indicated, are presented in thousands of Euros. Calculations, however, are based on exact figures. Therefore, the sum of the numbers in a column of a table may not conform to the total figure displayed in the column.

These consolidated financial statements were approved by the Management Board on March 22, 2021 and authorized for issuance by the Supervisory Board on March 23, 2021.

5.2.2 Impact of new, revised or amended Standards and Interpretations

(a) ***New and amended standards adopted by the Group***

Standard - Interpretation – Amendment		Effective Date	Effects
Amendments to IAS1 and IAS 8	Definition of Material	January 1, 2020	None
Amendments to IFRS 3	Definition of a Business	January 1, 2020	None
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	January 1, 2020	None
Revised Conceptual Framework for Financial Reporting		January 1, 2020	None

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

(b) ***New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2020, and not early adopted.***

The Group did not elect for early application of the following new standards, amendments and interpretations which were issued by the IASB and which are endorsed by the EU but not mandatory as of January 1, 2020:

- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IFRS 4 – Insurance contracts;
- IBOR reform phase 2 - Amendments to IFRS 9 Financial instruments, IAS 39 Financial instruments: Recognition and Measurement, IFRS 7 Financial instruments: Disclosures, and IFRS 16 Leases

Following new standards, amendments and interpretations were issued by the IASB and are not yet endorsed by the EU:

- IFRS 17 - Insurance contracts
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current;
- Amendments to IFRS 3 - Reference to the Conceptual Framework;
- Amendments to IAS 16 - Property, Plant and Equipment—Proceeds before Intended Use;
- Amendments to IAS 37 - Onerous Contracts – Cost of Fulfilling a Contract;
- Annual Improvements to IFRS Standards 2018-2020 Cycle - Amendments to IFRS 1 First-time Adoption of IFRS, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

5.2.3 Consolidation

Subsidiaries

Subsidiaries are entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred

includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed as incurred. Identifiable assets acquired, liabilities, and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the fair value of the net assets of the acquired subsidiary exceeds the consideration, the difference is recognized directly in the income statement as a bargain purchase gain. Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated.

Associates

Associates are entities over which the Company has significant influence.

5.2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Euros which is Valneva SE's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are converted into the functional currency using exchange rates applicable on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the income statement.

(c) *Subsidiaries*

The results and financial position of all subsidiaries (none of which having the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are converted into the presentation currency as follows:

- assets and liabilities presented for each balance sheet are converted according to the exchange rate valid on the balance sheet date;
- income and expenses for each income statement are converted using exchange rates applicable on the dates of the transactions; and
- all resulting exchange differences are recognized as other comprehensive income and are shown as other reserves.

When a foreign operation is partially disposed of or sold, exchange differences that had been recorded in equity are recognized in the income statement as part of the gain or loss on sale.

5.2.5 Financial risks management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Financial risk management is carried out under the CFO's responsibility and is closely supervised by the Management Board. The Group's risk management systems identify, evaluate and manage financial risks. The Management Board submits regular reports on its risk management systems, including the management of financial risks, to the Audit Committee of the Supervisory Board.

(a) ***Market risk***

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risks arising from various currencies, primarily with respect to the British Pound (GBP), the Canadian Dollar (CAD), the Swedish Krona (SEK) and the US Dollar ($). The foreign exchange risks from the exposure to other currencies, including the Danish Krone, the Swiss Franc and the Norwegian Krone, are relatively limited. Foreign exchange risks arise from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.

The objective of the Group is to limit the potential negative impact of the foreign exchange rate changes, for example by currency conversion of cash and cash equivalents denominated in foreign currency and by using foreign currency options.

The Group has certain investments in foreign operations, the net assets of which are exposed to foreign currency translation risk.

With all other variables held constant, the impact from changes in exchange rates on the pre-tax result would be as follows:

€ in thousand	**Year ended December 31,**	
	2020	**2019**
EUR/USD +10%	3,229	(3,134)
EUR/USD -10%	(3,947)	3,830
EUR/GBP +10%	(10,022)	(1,122)
EUR/GBP -10%	12,249	1,371
EUR/SEK +10%	(400)	114
EUR/SEK -10%	489	(140)
EUR/CAD +10%	(228)	(275)
EUR/CAD -10%	279	336

As of December 31, 2020, the changes in impact from an increase or a decrease in USD is mainly caused by a major increase in refund liabilities and borrowings denominated in USD in Valneva Austria GmbH.

As of December 31, 2020, the increase in the Foreign Currency Exchange Risk in GBP is caused by higher cash and cash equivalents and higher receivables within the group denominated in GBP. Both are related to the COVID-19 vaccine program (see Note 5.1). While the Group utilized a hedging strategy to lower its exposure to non-Euro currencies, there is business need to keep certain level of non-Euro funds available at its accounts at any time in order to cover payment obligations denominated in GBP or USD. In addition revaluation of certain non-Euro cash balances are offset by revaluation of non-Euro denominated refund liabilities on the Group's balance sheet (see Note 5.28).

Interest rate risks

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

Borrowings issued at variable rates expose the Group to cash flow interest rate risks, which are offset by cash and financial assets held at variable rates. During 2020, as well as 2019, the Group's investments at variable rates, as well as the borrowings at variable rate, were denominated in €, SEK, $, CAD and in GBP.

The Group analyzes its interest rate exposure on a dynamic basis. Based on this analysis, the Group calculated the impact on profit and loss of a defined interest rate change. The same interest rate change was used for all currencies. The calculation only includes investments in financial instruments and cash

in banks that represent major interest-bearing positions. As of the balance sheet date, no material interest risk was identified. In case of increasing interest rates the positive effect from cash in banks will be higher than the negative effect from variable interest bearing liabilities, in case of decreasing interest rates there will be no material negative impact on interest from cash as long as banks do not charge negative interest for deposits. In 2019, the calculated impact on income before tax of a 0.25% shift in interest rate was an increase or decrease of €0.1 million.

(b) *Credit risks*

The Group is exposed to credit risk. Valneva holds bank accounts, cash balances, and securities at sound financial institutions with high credit ratings. To monitor the credit quality of its counterparts, the Group relies on credit ratings as published by specialized rating agencies such as Standard & Poor's, Moody's, and Fitch. The Group has policies that limit the amount of credit exposure to any single financial institution. The Group is also exposed to credit risks from its trade debtors, as its income from product sales, collaborations, licensing and services arises from a small number of transactions. The Group has policies in place to enter into such transactions only with highly reputable, financially sound counterparts. If customers are independently rated, these ratings are used. Otherwise, when there is no independent rating, a risk assessment of the credit quality of the customer is performed, taking into account its financial position, past payment experience and other relevant factors. Individual credit limits are set based on internal or external ratings in accordance with signature authority limits as set by the Management Board. Most of the trade receivables are receivables from governmental institutions with high credit rating (AAA-country or AA-country). The credit quality of financial assets is described in Note 5.16.3.

(c) *Liquidity risks*

The Group is exposed to liquidity risk due to the maturity of its financial liabilities and the fluctuations of its operating cash-flow, and the potential implementation of early repayment clauses in loan or grant agreements. Furthermore, fluctuations in the Group's operating cash flow during accounting periods also generate liquidity risks. Prudent liquidity risk management therefore implies maintaining sufficient cash resources, cash equivalents and short-term deposits in order to satisfy ongoing operating requirements and the ability to close out market positions. Extraordinary conditions on the financial markets may, however, temporarily restrict the possibility to liquidate certain financial assets.

Although it is difficult to predict future liquidity requirements, the Group believes that the existing cash and cash equivalents as of December 31, 2020 will be sufficient to fund the operations for at least the next 12 months from the authorization for issuance date of these consolidated financial statements. For the existing loan agreement with covenants, amendments were agreed to reduce the minimum liquidity covenant and the minimum revenue covenant to to prevent a breach of the covenants (see Note 5.23.2).

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At December 31, 2019 € in thousand	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Over 15 years	Total
Borrowings	3,850	17,010	11,644	393	-	-	32,898
Lease liabilities	3,225	6,422	27,572	10,811	11,850	7,545	67,424
Refund liabilities	448	29	7,000	-	-	-	7,477
Trade payables and accruals	16,567	-	-	-	-	-	16,567
Tax and employee-related liabilities[2]	6,570	-	-	-	-	-	6,570
Other liabilities	222	47	-	-	-	-	269
	30,882	**23,507**	**46,216**	**11,203**	**11,850**	**7,545**	**131,204**

At December 31, 2020 € in thousand	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Over 15 years	Total
Borrowings	7,004	25,569	37,900	5,148	-	-	75,621
Lease liabilities	3,442	28,078	3,677	9,446	9,963	3,850	58,456
Refund liabilities	20,025	82,670	48,566	-	-	-	151,260
Trade payables and accruals	36,212	-	-	-	-	-	36,212
Tax and employee-related liabilities[3]	8,300	-	-	-	-	-	8,300
Other liabilities	27	25	-	-	-	-	52
	75,010	**136,342**	**90,142**	**14,594**	**9,963**	**3,850**	**329,901**

The fair values as well as the book values of the Group's borrowings are disclosed in Note 5.22.5. To manage liquidity risk, the Group holds sufficient cash, cash equivalents and short-term deposit balances.

5.2.6 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide benefits for shareholders and for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group actively manages its funds to primarily ensure liquidity and principal preservation while seeking to maximize returns. The Group's cash and short-term deposits are located at several different banks. In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

In order to pursue its business strategy to grow into a major, self-sustainable vaccine company through organic growth and opportunistic mergers & acquisitions, the Group may rely on additional equity and debt financing. Capital consists of "Equity" as shown in the consolidated balance sheet.

[2] Social security and other tax payables are excluded from the tax and employee-related liabilities balance, as this analysis is required for financial instruments only.

[3] Social security and other tax payables are excluded from the tax and employee-related liabilities balance, as this analysis is required only for financial instruments.

5.2.7 Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the relatively short maturity of the respective instruments.

5.3 Critical accounting estimates and judgements

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.3.1 Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

- Note 5.5: Revenue recognition of collaboration, license and service agreements: Management's judgement is required to determine the identification and separation of performance obligations (especially when determining whether the license is distinct, which is the case, when the customer can benefit from the license without further involvement), the determination of the transaction price (including the judgement of payables to customers), and allocation of the transaction price to the performance obligations on relative standalone selling price. The standalone selling price is sometimes not available or are based on hard-to-value intangible assets, so various valuation techniques are used. In addition Management's judgement is required whether revenue from collaborations and licensing is recognized over time or at a point in time;
- Notes 5.8 and 5.30: Other income: The Group receives funding from the Coalition for Epidemic Preparedness Innovations (CEPI), which include performance obligations and refund obligations. Management's judgement is required to determine whether such components of an agreement are revenues from customers or fall within the standard of accounting for government grants. CEPI has global partnership between public, private, philanthropic, and civil society organizations. Because CEPI is an NGO and is acting in a way a government organization would, it was accounted for under IAS 20. In addition the valuation of the various components need Management's judgement;
- Note 5.13: Lease term: When determining lease terms, the Group make judgements whether it is reasonably certain to exercise renewal or early termination options.

5.3.2 Assumptions and estimation uncertainties

The 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.

Information about assumptions and estimation uncertainties at December 31, 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 5.5: Revenue recognition of product sales: estimate of expected returns;
- Note 5.5: Revenue recognition of collaboration, license and service agreements: likelihoods for refund liabilities; for revenues spread in accordance to the actual costs compared to the budget;
- Notes 5.8 and 5.30: Other income: estimates of income recognized and repayments from grants, measured according to cost incurred compared to the budget;

- Note 5.10: Recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilized;
- Note 5.12: Intangibles: Amortization period of development expenditures and acquired technologies;
- Note 5.12 and 5.17: Impairment test of intangible, tangible assets, and inventories: key assumptions underlying recoverable amounts;
- Note 5.22: Share-based payments and related expected employer contribution costs: assumption for fair value determination as well as the determination of accelerated vesting in the event of a change of control (as considered remotely);
- Notes 5.29 and 5.32: Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

5.3.3 Measurements of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 5.16: financial instruments; and
- Note 5.22: share-based payment arrangements.

5.4 Segment information

Operating segments are reported in a manner consistent with the internal reporting, provided to the chief operating decision maker. The Group identified the Management Board as "Chief operating decision maker". The Management Board reviews the consolidated operating results regularly to make decisions about resources and to assess overall performance.

The Management Board primarily uses a measure of operating profit/(loss) to assess the performance of the operating segments. However, the Management Board also receives information about the segments' product sales on a monthly basis.

The individual segments consist of following:

+ "Commercialized products" (marketed vaccines, currently the Group's vaccines IXIARO, DUKORAL, as well as third-party products)
+ "Vaccine candidates" (proprietary research and development programs aiming to generate new approvable products in order to generate future cash flows from product sales or from commercialization through partnering with pharmaceutical companies)

+ "Technologies and services" (services and inventions at a commercialization stage, i.e. revenue generating through collaborations, service and licensing agreements)

As of January 1, 2020, the Group changed its internal reporting process and amended the following allocation rule: general and administrative costs previously reported under Corporate Overhead have been fully allocated to the three operational segments based on estimated level of activities supporting the 3 segments. 56.0% of previously unallocated general and administrative costs were allocated to Commercialized products, 36.5% to Vaccine candidates and 7.5% to technologies and services using a combination of revenues and FTEs as the basis to allocate costs to the segments. Marketing and distribution costs previously reported under Corporate Overhead have been fully allocated to the Commercialized products. This change was done to reflect the way Valneva's chief decision makers (CODM) monitor the performance of the segments. The operating profit (loss) is the measure that is reported to the CODM.

Segment reporting information for earlier periods has been restated to conform to these changes.

5.4.1 Income statement by segment

Income statement by segment for the year ended December 31, 2019

€ in thousand	Commer-cialized products	Vaccine candidates	Techno-logies and services	Corporate overhead	Total
Product sales	129,511	-	-	-	129,511
Revenues from collaboration, licensing and services	163	(10,516)	7,038	-	(3,315)
Revenues	129,674	(10,516)[4]	7,038	-	126,196
Cost of goods and services	(47,789)	(1)	(4,991)	-	(52,781)
Research and development expenses	(3,928)	(32,864)	(1,229)	-	(38,022)
Marketing and distribution expenses	(22,989)	(895)	(261)	-	(24,145)
General and administrative expenses	(10,599)	(6,150)	(1,650)	-	(18,398)
Other income and expenses, net	7	7,709	484	(1,861)	6,338
Operating profit/(loss)	**44,376**	**(42,717)**	**(609)**	**(1,861)**	**(811)**

[4] More information see Note 5.5.

Income statement by segment for the year ended December 31, 2020

€ in thousand	Commer-cialized products	Vaccine candidates	Techno-logies and services	Corporate overhead	Total
Product sales	65,938	-	-	-	65,938
Revenues from collaboration, licensing and services	1	31,604	12,779	-	44,383
Revenues	65,939	31,604	12,779	-	110,321
Cost of goods and services	(41,830)	(3,305)	(9,167)	-	(54,302)
Research and development expenses	(2,711)	(81,102)	(640)	-	(84,454)
Marketing and distribution expenses	(17,554)	(638)	(72)	-	(18,264)
General and administrative expenses	(16,077)	(9,376)	(2,085)	-	(27,539)
Other income and expenses, net	1,101	15,650	117	2,248	19,117
Operating profit/(loss)	**(11,132)**	**(47,168)**	**931**	**2,248**	**(55,120)**

5.4.2 Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the final location where Valneva's distribution partner sells the product or where the customer/partner is located. Segment assets are based on the geographical location of the assets.

Product sales per geographical segment

€ in thousand	Year ended at December 31,	
	2020	2019
United States	36,414	63,700
Canada	8,965	24,396
Germany	7,060	10,345
Austria	3,333	2,668
Nordics	2,866	11,027
United Kingdom	1,847	8,594
Other Europe	2,068	4,961
Rest of World	3,384	3,819
Product sales	**65,938**	**129,511**

Non-current operating assets per geographical segment

€ in thousand	At December 31,	
	2020	2019
United States	93	149
Canada	98	68
Austria	58,896	65,554
Nordics	27,540	29,334
United Kingdom	21,977	11,117
Other Europe	4,958	4,928
Non-current assets	**113,562**	**111,150**

Non-current operating assets for this purpose consist of intangible assets, right of use assets and property, plant and equipment. The main non-current operating assets are allocated on sites where production and research and development activities are performed. Sales activities by distribution sites do not require major non-current operating assets. Revenues are structured where the final customer is. In some countries there are customers, but no assets.

5.4.3 Information about major customers

Product sales to the largest customer amounted to €33.8 million (2019: €46.7 million). Collaboration and licensing revenue from the two largest customers amounted to €31.6 million and €7.5 million (2019: €4.1 million and €0.8 million). There are no further customers with a contribution exceeding 10% of the annual revenue.

5.5 Revenues from contracts with customers

IFRS 15 provides accounting requirements for all revenues arising from contracts with customers.

The core principle is that an entity will recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 are applied using the following five steps:

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract;
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Within the Valneva Group the following revenue streams were identified:

a. Revenue from Product Sales
b. Revenue from Licensing & Services

Product sales

The Group's product sales contracts, normally concluded with retailers and with the U.S. government department of Defense (DoD) ("direct product sales") as well as with distributors ("indirect sales – sales through distributors"), generally include one performance obligation. Revenue is recognized at the point in time when the identified performance obligation is transferred to the customer, so when the customer obtains control over the goods.

Some of the Group's product sales agreements include retrospective rebates, charge-back clauses, discounts and under certain conditions return rights which give rise to variable consideration under IFRS 15. The expected rebates, discounts and considerations for product returns are recognized on an accrual basis and reported as refund liabilities in the consolidated balance sheet.

In most cases, Valneva sells the products through retailers. When more than one party is involved in providing/distributing goods or services, the standard requires an entity to determine whether itself and its retailers are principals or agents in these transactions by evaluating the nature of its promises to the customer. An entity is a principal if it controls a promised good or service before transferring that good or service to the customer. An entity is an agent if its role is to arrange for another entity to provide the goods or services. Retailers act as agent, if a) the price to be paid to Valneva is not fixed as long as the retailer has not completed his sale; b) the retailer has extensive rights to return, or c) the retailer does not have the power to establish the price for the sales to its customers. While revenues to principals are recognized when the control is transferred to the principals, revenue from product sales to agents are recognized when the control is transferred to the final customer, when the goods are delivered to the final customer. Payables to customers are deducted from revenue for principals, costs paid to agents are recognized as "Marketing and distribution expenses".

Valneva sells products acquired from third parties. Valvena considers that the company is acting as principal given the company controls products before transferring them to the final customer. More specifically, Valneva has an inventory risk before the goods have been transferred to customers and has discretion in establishing the prices. Revenue is recognized when the product is delivered to the customers. Products purchased from third parties are recognized as “inventory” in the balance sheets and when sold as "cost of goods" in the statements of income.

Revenues from licensing and services

The Group generates revenues from licensing and service agreements for its product candidates and proprietary technologies. The contracts in place often include several different promised goods or services such as research licenses, commercial licenses and further research and development (R&D) services. The terms of such agreements include license fees payable as initial fees, annual license maintenance fees and fees to be paid upon achievement of milestones, as well as license option fees and fees for the performance of research services. In addition, the Group’s licensing arrangements generally provide for royalties payable on the licensee’s future sales of products developed within the scope of the license agreement.

IFRS 15 provides application guidance specific to the recognition of revenue from licenses of intellectual property. This application guidance provided on licenses is only applicable to licenses that are distinct or if the license is the primary or dominant component (i.e., the predominant item) of the combined performance obligation. To conclude that a license is distinct, the license must be both capable of being distinct and distinct in the context of the contract.

According to the revenue recognition standard, a license will provide a right of access to the entity’s intellectual property throughout the license period; this results in revenue being recognized over time. A license may also be a right to use the entity’s intellectual property as it exists at the point in time at which the license is granted, resulting in revenue being recognized at a point in time. The Group’s license contracts in place provide right to use licenses.

The consideration for licensing contracts may consist of fixed and variable parts. In case of right-to-use licenses, the fixed part of the consideration is recognized at the point in time of the grant of the licenses. For any variable consideration, revenue is recognized at the point in time when the variable constraint is removed. Additionally, the new standard requires the recognition of revenue for sales-based or usage-based royalties (or sales milestone payments) on licenses at the later of when the subsequent sale or usage occurs and the performance obligation is (partially) satisfied.

For the research and development services it needs to be analyzed whether one of following criteria met:

- the customer simultaneously receives and consumes the benefits provided by the entity’s performance as the entity performs;
- the entity’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced;
- the entity’s performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

In this case, the revenue for these services is recognized over time otherwise the revenue is recognized at a point in time. Revenue for research and development services within the Group’s contracts currently in place is recognized over time. For those contracts including constraints, once the constraint is removed the transaction price is updated and revenue is recognized in line with the revenue recognition of the corresponding performance obligation. The progress is measured on an input basis (costs incurred related to total costs expected). It is considered that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

Variable considerations are included in revenues only to the extent that it is highly probable that a significant reversal in the amount of the cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. At the end of each

reporting period the Group updates the estimated transaction price and its assessment of whether an estimate of variable consideration is constrained. Amounts allocated to a satisfied performance obligation are recognized as revenue, or as a reduction of revenue, in the period in which the transaction price changes.

Revenues as presented in the Consolidated Income Statement and in the Segment Reporting (see Note 5.4) include both revenues from contracts with customers and other revenues (mainly subleases), which are out of scope from IFRS 15:

Year ended December 31, 2019 **€ in thousand**	**Commercialized products**	**Vaccine candidates**	**Technologies and services**	**Total**
Revenues from contracts with customers	129,674	(10,516)	5,768	124,926
Other revenues	-	-	1,270	1,270
Revenues	**129,674**	**(10,516)**	**7,038**	**126,196**

Year ended December 31, 2020 **€ in thousand**	**Commercialized products**	**Vaccine candidates**	**Technologies and services**	**Total**
Revenues from contracts with customers	65,939	31,604	11,814	109,357
Other revenues	-	-	965	965
Revenues	**65,939**	**31,604**	**12,779**	**110,321**

In 2020, commercialized products revenues were affected by the worldwide reduction in travelling due to the COVID-19 pandemic.

The revenue from the new collaboration agreement with Pfizer (€31.6 million) is recognized within the segment Vaccine candidates in 2020.

Valneva's total revenues for 2019 include a negative revenue of €10.7 million related to the June 2019 mutual agreement to terminate its Strategic Alliance Agreement ("SAA"), with its customer GlaxoSmithKline Biologicals SA, or GSK (see Note 5.1), which included recognition of negative revenues related to both current and future payment obligation, which consist of:

€ in thousand	**2019**
Settlement fee (fixed)	(9,000)
Settlement fee (variable; excluding financing component)	(5,987)
Release of SAA related contract liabilities	4,274
Net effect of SAA termination	**(10,714)**

5.5.1 Disaggregated revenue information

The Group's revenues from contracts with customers are disaggregated as follows:

Type of goods or service

Year ended December 31, 2019 € in thousand	Commercialized products	Vaccine candidates	Technologies and services	Total
IXIARO	94,307	-	-	94,307
DUKORAL	31,471	-	-	31,471
Third party products	3,896	-	-	3,896
Others	-	(10,516)	5,768	(4,748)
Revenues from contracts with customers	**129,674**	**(10,516)**	**5,768**	**124,926**

Year ended December 31, 2020 € in thousand	Commercialized products	Vaccine candidates	Technologies and services	Total
IXIARO	48,480	-	-	48,480
DUKORAL	13,300	-	-	13,300
Third party products	4,158	-	-	4,158
Lyme VLA15	-	31,604	-	31,604
Others	-	-	11,814	11,814
Revenues from contracts with customers	**65,939**	**31,604**	**11,814**	**109,357**

Geographical markets

Year ended December 31, 2019 € in thousand	Commercialized products	Vaccine candidates	Technologies and services	Total
United States	63,700	162	130	63,992
Canada	24,396	-	-	24,396
Nordics	11,027	-	5	11,032
Germany	10,345	-	150	10,495
United Kingdom	8,596	-	15	8,610
Austria	2,668	-	4,136	6,803
Switzerland	167	(10,714)	-	(10,547)
Other Europe	4,794	36	440	5,270
Other markets	3,980	-	893	4,873
Revenues from contracts with customers	**129,674**	**(10,516)**	**5,768**	**124,926**

Year ended December 31, 2020 € in thousand	Commer-cialized products	Vaccine candidates	Techno-logies and services	Total
United States	36,414	31,604	341	68,359
Austria	3,333	-	6,928	10,261
Canada	8,965	-	-	8,965
Germany	7,060	-	200	7,260
United Kingdom	1,848	-	1,038	2,886
Nordics	2,866	-	5	2,871
Switzerland	218	-	-	218
Other Europe	1,850	-	2,373	4,222
Other markets	3,384	-	930	4,314
Revenues from contracts with customers	**65,939**	**31,604**	**11,814**	**109,357**

Sales channels

Commercialized products are sold via the following sales channels:

€ in thousand	At December 31	
	2020	2019
Direct product sales	54,160	110,386
Indirect product sales (Sales through distributors)	11,778	19,125
Total product sales	**65,939**	**129,511**

5.5.2 Assets and liabilities related to contracts with customers

See Note 5.18 for details on trade receivables, Note 5.19 for details on costs to obtain a contract, Note 5.27 for details of contract liabilities and Note 5.28 for details of refund liabilities.

5.6 Expenses by nature

The consolidated income statement line items cost of goods and services, research and development expenses, marketing and distribution expenses and general and administrative expenses include the following items by nature of cost:

€ in thousand	**Notes**	**Year ended December 31,**	
		2020	**2019**
Employee benefit expense other than share-based compensation	5.7	58,264	46,219
Share-based compensation expense	5.7	6,328	2,552
Consulting and other purchased services		65,212	29,840
Raw materials and consumables used		12,434	9,844
Cost of services and change in inventory		10,778	5,320
Depreciation and amortization and impairment	5.12/5.13/ 5.14	9,939	8,607
Building and energy costs		8,140	6,995
License fees and royalties		4,384	7,553
Supply, office and IT-costs		3,333	3,281
Advertising costs		2,496	6,801
Warehousing and distribution costs		1,898	3,013
Travel and transportation costs		529	1,921
Other expenses		822	1,399
Operating expenses		**184,558**	**133,345**

Fees charged by the Group Auditors:

€ in thousand	**Year ended December 31,**							
	Pricewater houseCoopers				**Deloitte & Associés**			
	2020	**%**	**2019**	**%**	**2020**	**%**	**2019**	**%**
Statutory audit of separate and consolidated financial statements	**316**	**41%**	**222**	**93%**	**346**	**45%**	**231**	**100%**
provided by the statutory auditor	*226*	*-*	*103*	*-*	*231*	*-*	*100*	*-*
provided by the statutory auditor's network	*90*	*-*	*119*	*-*	*115*	*-*	*131*	*-*
Services other than certification of accounts	**461**	**59%**	**16**	**7%**	**416**	**55%**	**-**	**-**
Other services	461	59%	16	7%	416	55%	-	-
provided by the statutory auditor	*416*	*-*	*-*	*-*	*416*	*-*	*-*	*-*
provided by the statutory auditor's network	*45*	*-*	*16*	*-*	*-*	*-*	*-*	*-*
TOTAL	**777**	**100%**	**238**	**100%**	**762**	**100%**	**231**	**100%**

In 2020, other services included mainly the annual audit for 2019 consolidated accounts and the limited review for the nine month ended September 30, 2020 and 2019 of the financial statements under PCAOB standards for statutory auditors and the preliminary review of the Form F-1.

5.7 Employee benefit expense

Employee benefit expenses include the following:

€ in thousand	Year ended December 31,	
	2020	**2019**
Salaries	38,515	34,128
Social security contributions	18,555	10,621
Share-based compensation expense	6,328	2,552
Training and education	351	672
Other employee benefits	842	798
Total Employee benefit expense	**64,592**	**48,771**

The social security contributions included a provision of €7.4 million (2019: nil) of employer contribution on IFRS 2 programs which is due at exercise of the programs.

During the year 2020, the Group had an average of 532 employees (2019: 508 employees).

5.8 Other income/(expenses), net

5.8.1 Grants

Grants from governmental agencies and non-governmental organizations are recognized where there is reasonable assurance that the grant will be received and the Group will comply with all conditions.

Grant monies received as reimbursement of approved research and development expenses are recognized as other income when the respective expenses have been incurred and there is reasonable assurance that funds will be received. Advance payments received under such grants are deferred and recognized when these conditions have been met. Advanced payments received which need to be repaid are recognized as borrowings (see Note 5.23.2).

Government grant monies received to support the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

In 2019 the Group signed a funding agreement with CEPI. Valneva will receive up to $23.4 million for vaccine manufacturing and late-stage clinical development of a single-dose, live attenuated vaccine (VLA1553) against chikungunya. In line with CEPI's commitment to equitable access, the funding will underwrite a partnership effort to accelerate regulatory approval of Valneva's single-dose chikungunya vaccine for use in regions where outbreaks occur and support WHO prequalification to facilitate broader access in lower and middle income countries. Valneva has to pay back part of the consideration, upon achievement of certain sales-milestones in the US and the EU. The consideration refundable is accounted for as loan and measured in accordance with IFRS 9 (see Note 5.23.2). The difference between the proceeds from CEPI and the carrying amount of the loan is treated under IAS 20 and presented as "Borrowings". In 2020, €5.8 million of grant income related to CEPI (2019: €1.8 million).

5.8.2 Research and development tax credits

Research and development tax credits granted by tax authorities are accounted for as grants under IAS 20. In consequence, the portion of the research tax credit covering operating expenses is recognized in the income statement under "Grants" in "Other income and expenses, net" and the portion covering capitalized development expenditures under "Intangible assets" is recorded as deduction from the assets relating to fixed assets.

Other income/(expenses), net include the following:

€ in thousand	Year ended December 31,	
	2020	2019
Research and development tax credit	9,937	6,314
Grant income	7,680	1,886
Profit/(loss) on disposal of fixed assets and intangible assets, net	(10)	(92)
Profit/(loss) from revaluation of lease agreements	1,584	-
Taxes, duties, fees, charges, other than income tax	(168)	(146)
Miscellaneous income/(expenses), net	95	(1,623)
Other income/(expenses), net	**19,117**	**6,338**

In 2019 miscellaneous income/(expenses) included €2.0 million relating to major litigations (detailed information see Note 5.29.2), and €0.6 million income mainly relating to a reimbursements of energy taxes and income from insurance claims.

More detailed information for Profit/(loss) from revaluation of lease agreements, see Note 5.13.1.

5.9 Finance income/(expenses), net

Interest income is recognized on a time-proportion basis using the effective interest method.

€ in thousand	Year ended December 31,	
	2020	2019
Finance income		
Interest income from other parties	119	199
Fair value gains on derivative financial instruments	397	-
Foreign exchange gains, net	173	1,250
Total finance income	**689**	**1,449**
Finance expenses		
Interest expense on loans	(6,162)	(1,588)
Interest expense on refund liabilities	(3,640)	(89)
Interest expenses on lease liabilities	(907)	(926)
Other interest expense	(30)	(30)
Fair value losses on derivative financial instruments	-	(449)
Total finance expenses	**(10,738)**	**(3,082)**
Finance income/(expenses), net	**(10,049)**	**(1,633)**

The net finance result amounted to minus €10.0 million for the year 2020 compared to minus €1.6 million in the year 2019. This increase in net finance expenses was mainly due to higher borrowings and the increase in non-current refund liabilities.

5.10 Income tax income/(expense)

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. The current Income tax income/(expense) is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken

in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, based on amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed within the foreseeable future.

5.10.1 Current income tax

Income tax income/(expense) is comprised of current and deferred tax.

€ in thousand	**Year ended December 31,**	
	2020	**2019**
Current tax		
Current income tax charge	(69)	(2,849)
Adjustments in respect of current income tax of previous year	109	(258)
Deferred tax		
Relating to origination and reversal of temporary differences	869	2,233
Income tax income/(expense)	**909**	**(874)**

The individual entities' reconciliations – prepared on the basis of the tax rates applicable in each country while taking consolidation procedures into account – have been summarized in the reconciliation below. The estimated tax charge is reconciled to the effective tax charge disclosed.

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

€ in thousand	**Year ended December 31,**	
	2020	**2019**
Profit/(Loss) before tax	(65,302)	(870)
Tax calculated at domestic tax rates applicable to profits in the respective countries	16,675	1,431
Income not subject to tax (mainly R&D tax credit)	2,612	1,727
Expenses not deductible for tax purposes	(1,789)	(169)
Deferred tax asset not recognized	(15,852)	(7,405)
Utilization of previously unrecognized tax losses	-	5,480
Income tax credit	109	105
Effect of change in applicable tax rate	(771)	(1,708)
Exchange differences	(105)	62
Income tax of prior years	170	(256)
Minimum income tax	(141)	(142)
Income tax income/(expense)	**909**	**(874)**
Effective income tax rate	-	-

Despite the Group is loss making, there are profitable jurisdictions.

5.10.2 Deferred tax

As of December 31, 2020 the deferred tax assets of €126.3 million (2019: €110.2 million) are not recognized as there was not sufficient evidence that adequate taxable profit will be available against which the unused tax losses can be utilized in the foreseeable future. Deferred tax assets were only recognized for entities where sufficient evidence has been provided that adequate taxable profit will be available against which the unused tax losses can be utilized in the foreseeable future.

As of December 31, 2020, the Group has tax losses carried forward of €529.5 million (2019: €457.0 million), of which €192.0 million are related to Valneva SE (2019: €176.5 million), €321.1 million are related to Valneva Austria GmbH (2019: €278.7 million), €0.4 million are related to Valneva USA, Inc. (2019: €0.6 million), €3.1 million are related to Valneva Scotland, Ltd. (2019: €1.2 million) and €12.9 million are related to Valneva Sweden AB (2019: nil).

Tax losses carried forward in France, Austria, United Kingdom and Sweden have no expiry date, whereas the tax loss from US entities will begin to expire in the year 2033 if unused.

The gross movement on the deferred income tax account is as follows:

€ in thousand	**2020**	**2019**
Beginning of year	4,988	2,689
Exchange differences	(699)	66
Other adjustments due to tax changes		-
Income statement charge	869	2,233
End of year	**5,158**	**4,988**

The deferred tax assets and liabilities are allocable to the various balance sheet items as follows:

€ in thousand	**At December 31,**	
	2020	**2019**
Deferred tax asset from		
Tax losses carried forward	131,633	114,148
Fixed assets	2,033	2,270
Inventory	4,108	3,399
Borrowings and accrued interest	1,161	1,332
Provision	1,564	1,570
Other items	2,019	1,903
Non-recognition of deferred tax assets	(126,283)	(110,215)
Total deferred tax assets	**16,235**	**14,408**
Deferred tax liability from		
Fixed assets	(1,187)	(246)
Intangible assets	(7,480)	(8,931)
Other items	(2,410)	(243)
Total deferred tax liability	**(11,077)**	**(9,421)**
Deferred tax, net	**5,158**	**4,988**

The corporate income tax rate in the United Kingdom is 19%.

The corporate income tax rate in France will be gradually reduced over the next years to 25%. The rate will be reduced to 26.5% in 2021 and 25% from 2022 onward on the full amount of taxable profits.

The corporate income tax rate (federal and state tax together) in the United States is 25.2%.

The deferred tax assets and liabilities presented above as of December 31, 2020 have been adjusted for these changes in tax rates.

5.11 Earnings (Losses) per share

(a) Basic

Basic earnings (losses) per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of outstanding shares during the year, excluding shares purchased by the Company and held as treasury shares (see Notes 5.21 and 5.22).

	Year ended December 31,	
	2020	**2019**
Net profit (loss) from continuing operations attributable to equity holders of the Company (€ in thousand)	(64,393)	(1,744)
Weighted average number of outstanding shares	90,757,173	91,744,268
Basic earnings (losses) from continuing operations per share (€ per share)	**(0.71)**	**(0.02)**

(b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary outstanding shares to assume conversion of all dilutive potential ordinary shares. The Company has share options as dilutive potential ordinary shares. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended December 31,	
	2020	**2019**
Profit used to determine diluted earnings per share (€ in thousand)	(64,393)	(1,744)
Weighted average number of outstanding shares for diluted earnings (losses) per share[5]	90,757,173	91,744,268
Diluted earnings/(losses) from continuing operations per share (€ per share)	**(0.71)**	**(0.02)**

5.12 Intangible assets

Assets that have an indefinite useful life, such as acquired research and development technology and projects and capitalized development projects not ready for use are not subject to amortization and are tested annually for impairment. Furthermore, at the end of each reporting period Valneva assesses whether there is any indication that an asset may be impaired. Indicators for the necessity of an impairment test are, among others, actual or expected declines in sales or margins and significant changes in the economic environment with an adverse effect on Valneva's business. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

[5] Potentially dilutive securities (2020: 5,481,763 share options; 2019: 195,515 share options) have been excluded from the computation of diluted weighted-average shares outstanding, because such securities had an antidilutive impact due to the losses reported.

The recoverable amount is the higher of an asset's fair value less selling costs and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The cash-generating units correspond with the specific vaccine products and vaccine candidates. Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and implement the specific software. These costs are amortized on a straight-line basis over their estimated useful lives, generally three to six years.

Costs associated with developing or maintaining computer software programs are recognized as expenses when they have been incurred.

Acquired research and development technology and projects

Acquired research and development technology projects are capitalized. Amortization of the intangible asset over its useful life starts when the product has been fully developed and is ready for use. These costs are amortized on a straight-line basis over their useful lives. This useful life is determined on a case-by-case basis according to the nature and characteristics of the items included under this heading. The main current acquired research and development technology project is amortized over periods of 24 years, which is based on the patent life and technological replacement of a newer vaccine generation.

Development costs

Research expenses are recognized as expenses when incurred. Development expenses incurred on clinical projects (related to the design and testing of new or significantly improved products) are recognized as intangible assets when the following criteria have been fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and to utilize or sell it;
- there is an ability to utilize or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial, and/or other resources to complete the development and to utilize or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as expenses when they are incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use on a straight-line basis over its useful life, generally 10-15 years.

€ in thousand	Software	Acquired R&D technology and projects	Development costs	Intangible assets in the course of construction	Total
January 1, 2019					
Cost	5,642	83,120	9,789	-	98,551
Accumulated amortization and impairment	(3,597)	(42,332)	(7,731)	-	(53,660)
Net book value	**2,045**	**40,788**	**2,058**	**-**	**44,891**
Year ended December 31, 2019					
Opening net book value	2,045	40,788	2,058	-	44,891
Exchange rate differences	7	116	15	-	138
Additions	205	42	88	48	383
Disposals	-	-	(11)	-	(11)
Amortization charge	(629)	(2,687)	(197)	-	(3,512)
Impairment charge	-	(75)	-	-	(75)
Closing net book value	**1,629**	**38,183**	**1,953**	**48**	**41,813**
December 31, 2019					
Cost	5,873	83,294	10,047	48	99,263
Accumulated amortization and impairment	(4,244)	(45,111)	(8,095)	-	(57,450)
Net book value	**1,629**	**38,183**	**1,953**	**48**	**41,813**

€ in thousand	Software	Acquired R&D technology and projects	Development costs	Intangible assets in the course of construction	Total
Year ended December 31, 2020					
Opening net book value	1,629	38,183	1,953	48	41,813
Exchange rate differences	3	(108)	(16)	3	(119)
Additions	48	401	-	86	535
Disposals	-	(3,329)	(5)	-	(3,333)
Amortization charge	(569)	(2,723)	(194)	-	(3,486)
Closing net book value	**1,112**	**32,423**	**1,737**	**137**	**35,409**
December 31, 2020					
Cost	5,589	80,183	9,851	137	95,759
Accumulated amortization and impairment	(4,477)	(47,759)	(8,113)	-	(60,350)
Net book value	**1,112**	**32,423**	**1,737**	**137**	**35,409**

The disposal of acquired R&D technology and projects in 2020 includes €3.3 million from de-recognition of the Lyme disease vaccine candidate (VLA15) (see Note 5.1). In April 2020, a Research Collaboration and License agreement for Lyme VLA15 was signed between Pfizer and Valneva. Under the agreement, Valneva continues performing R&D services for the VLA15-221 study and grants Pfizer an exclusive license enabling Pfizer to develop the vaccine candidate to licensure. Upon completion of the transfer of the license in December 2020, the intangible asset with a value amounting to €3.3 million was de-recognized and expensed as cost of services sold (COSS) on the Income Statement.

5.12.1 Acquired research and development technology and projects

As of December 31, 2019 acquired research and development technology and projects assets with a definite useful life which are not yet amortized comprise solely the Lyme disease vaccine candidate (VLA15) amounting to €3.3 million. In December 2020 this intangible asset was de-recognized (see Note 5.12).

Significant intangible assets with definite useful life are comprised primarily of the already commercialized vaccine against Japanese encephalitis (IXIARO) with acquisition costs amounting to €78.2 million and a net book value amounting to €33.2 million (December 31, 2019: €36.2 million). Other intangible assets with a definite useful life are comprised primarily of the IC31 technology amounting to €0.5 million (December 31, 2019: €0.5 million) and the EB66 technology amounting to €0.1 million (December 31, 2019: €0.2 million).

5.12.2 Impairment testing

By December 31, 2019 the Lyme disease candidate (VLA15) was the only active research and development program for which a book value was carried and reported on the balance sheet as intangible asset, which had not been amortized to date. An impairment test was performed as of December 31, 2019 resulting in no impairment charge. In 2019, the recoverable amount of this project was determined based on value-in-use calculations. The calculations used post tax risk-adjusted cash flow projections based on the Group's long-range business model including probability-of-success assumptions derived from industry specific statistics on success rates of vaccines in different development phases (risk-adjustment) and a discount rate of 10.43% per annum. The discount rate of 10.43% was based on 0.34% risk-free rate, 8.96% market risk premium, minus 0.12% country risk premium, 0.25% currency risk, a beta of 1.19, and a peer group related equity-capital ratio. The long range business model covered a period of 16 years as well as an estimate on the perpetual annual growth rate beyond this horizon and therefore accounted for all project related cash flows from the development stage over the market entry until the market phase-out (project life cycle) of the relevant projects. These business models are updated on a regular basis and relevant changes in estimations done. In December 2020, this asset was de-recognized (see Note 5.12). No impairment test was consequently required per December 31, 2020.

In 2020, impairment tests have been performed on the IXIARO CGU and the Dukoral CGU.

Given the decrease in IXIARO annual product sales in 2020 due to the Covid-19 crisis and travel restrictions a triggering event was identified in Q1 2020 and in addition an updated impairment test has been performed for the IXIARO CGU per December 31st, 2020 (net book value of €46.7 million as of December 31, 2020).

	Year ended December 31st,		
€ in thousand	**2020**	**2019**	**% 2020 vs 2019**
Product Sales			
IXIARO	48,480	94,307	-48,6%
DUKORAL	13,300	31,471	-57,7%

As a basis, the long range business model including product specific financial plans covering a period of 15 years was used, which is justified by the patent protection IXIARO enjoys beyond the 5 year horizon typically applied for impairment testing. Business plan assumptions have been revised to reflect reductions in expected sales and assuming a recovery of IXIARO sales to pre-COVID levels by 2025 to 2026. The calculation used post tax risk-adjusted cash flow projections and a discount rate of 7.55%. The discount rate of 7.55% was based on a negative risk-free rate of 0.14%, 7.00% market risk premium, minus 0.36% country risk premium, 0.82% currency risk, a levered beta of 1.19, and a peer group related equity-capital ratio.

During 2020, due to the impact of the COVID-19 pandemic situation affecting future profitability and cash generation of the DUKORAL CGU, the group tested the related product line for impairment. While

there are no material intangible assets held for DUKORAL the carrying amount of fixed and right of use assets as well as working capital (net book value of €15.1 million as of December 31, 2020) was tested. As a basis the long-range business plan updated by Management was used and the recoverable amount of the DUKORAL CGU was determined based on value-in-use calculations. The Group's long range business model including assumptions on market size / market share, product sales and resulting profitability. For DUKORAL the value in use calculation is based on the plans for the next 5 years and a terminal value for the periods beyond 2025. For DUKORAL sales recovery to pre-COVID levels is not expected, driven by the expected entry of a competitor product in some European markets within the coming years. Different scenarios were prepared and value in use was assessed using a weighted average of five scenarios. The calculations used post tax risk-adjusted cash flow projections based on the Group's long-range business plan and a discount rate of 7.30% per annum. The discount rate of 7.30% per annum was based on negative risk-free rate of -0.14%, 6.73% market risk premium, negative country risk premium of -0.40%, 0.58% currency risk, a beta of 1.09 and a peer group related equity-capital ratio.

The impairment tests resulted in no impairment charges.

No triggering event was identified for the other projects.

Sensitivity to changes in assumptions

The net present value calculations are most sensitive to the following assumptions:

+ discount rate
+ reduction of expected revenues

The net present value calculation uses a discount rate of 7.30% for Dukoral and 7.55% for Ixiaro (2019: 10.18%). The recoverable amount of this CGU would equal its carrying amount if the key assumptions were to change as follows: increase in the discount rate to 10.58% would trigger an impairment loss for Dukoral (2019: increase of 1,071 basis points from 10.43% to 21.14%). Furthermore, an increase in the discount rate of one percentage point would result in no impairment loss.

Sensitivity analysis	**2020**			**2019**	
	Ixiaro	**Dukoral**	**Lyme**	**Ixiaro**	**Dukoral**
WACC	7.55%	7.30%	10.43%	10.18%	N/A
Break-even WACC	54.44%	10.58%	21.14%	68.76%	N/A
Impairment if WACC increases by 1%	NO	NO		NO	N/A
Impairment if sales reduce by 10%	NO	NO		NO	N/A

The net present value calculations are based upon assumptions regarding market size, expected sales volumes resulting in sales value expectations, expected royalty income or expected milestone payments. A reduction in revenues of 10% (which reflects the sensitivity to slower than currently expected recovery of the travel vaccine market assumption taken) would result in no additional impairment loss in 2020 and 2019.

5.13 Leases

The Group leases various premises, equipment and vehicles. Rental contracts are typically made for fixed periods of a few months to five years. The rental contracts for the premises in Sweden (20 years) and Austria (15 years) include a significantly longer fixed period. Generally, the rental contracts do not include an option for early termination or prolongation of the rental period. The rental contracts for the premises in Sweden include options to terminate the agreements earlier. The notice period is between 1 and 6 years. At the commencement date, it was not reasonably certain that these early termination

options are by exercised, so they were not included in the valuation of the lease liabilities and right of use assets.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Valneva uses incremental borrowing rates between 0.013% and 3.186%, depending on the currency and the remaining term until maturity. For the rental contracts for the premises in Sweden an interest rate of 2.493% was determined.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. This includes also the major contracts for the premises in Austria and Sweden, contain variable payments based on inflation rates or on published interest rates.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets (below €5 thousand) are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and without an option for the lessee to prolong the contract to more than 12 months or it is not reasonably certain to exercise such an option. Low-value assets comprise mainly IT equipment and small items of office furniture.

The Group does not have residual value guarantees in the rental contracts.

5.13.1 Development of right-of-use assets and lease liabilities

€ in thousand	Right-of-use assets				
	Land, buildings and leasehold improvements	Manufacturing and laboratory equipment	Furniture, fittings and other	Total	Lease liabilities
Balance as at January 1, 2019 before IFRS 16 adoption	**-**	**-**	**-**	**-**	**26,662**
Reclass (IAS 17)	26,414	-	-	26,414	-
IFRS 16 adoption	24,095	80	347	24,523	33,997
Balance as at January 1, 2019	**50,510**	**80**	**347**	**50,937**	**60,659**
Additions	738	-	64	802	802
Amortization	(2,389)	(22)	(132)	(2,543)	-
Revaluation due to variable payments	61	-	(33)	27	27
Termination of contracts	-	-	(13)	(13)	(12)
Lease payments	-	-	-	-	(3,681)
Interest expenses	-	-	-	-	926
Exchange rate differences	120	-	2	123	179
December 31, 2019	**49,039**	**58**	**236**	**49,334**	**58,901**

€ in thousand	Right-of-use assets				
	Land, buildings and leasehold improvements	Manufacturing and laboratory equipment	Furniture, fittings and other	Total	Lease liabilities
Balance as at January 1, 2020	**49,039**	**58**	**236**	**49,334**	**58,901**
Additions	177	-	151	267	267
Amortization	(2,309)	(22)	(141)	(2,471)	-
Revaluation	(4,507)	-	2	(4,505)	(6,096)
Termination of contracts	-	-	(33)	(33)	(26)
Lease payments	-	-	-	-	(2,910)
Interest expenses	-	-	-	-	800
Exchange rate differences	782	-	1	782	1,152
December 31, 2020	**43,121**	**37**	**216**	**43,374**	**52,088**

Revaluation of right-of-use assets for land, buildings and leasehold improvements and lease liabilities mainly refers to the partial early termination of the rental contract in Sweden.

For more details on lease liabilities see Note 5.26.

5.13.2 Other amounts recognized in the consolidated income statement

€ in thousand	Year ended December 31,	
	2020	**2019**
Expense relating to short-term leases (included in other income and expenses)	96	146
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in other income and expenses)	-	3
Income relating to revaluation of lease liabilities (included in other income and expenses)	1,591	-
Expenses relating to termination of lease contracts (included in other income and expenses)	(7)	-

Income relating to revaluation of lease liabilities refers to the partial early termination of the rental contract in Sweden.

5.13.3 Other lease commitments

In September 2020, the Group entered into a lease agreement for an additional building in Solna, Sweden. As the beginning of the lease period is in January 2021, no lease liability and right of use asset are included in the consolidated financial statements as of December 31, 2020. The non-cancellable period is 10 years. The discounted lease payments are €6.1 million over the term of the contract.

5.14 Property, plant and equipment

Property, plant and equipment mainly comprise a manufacturing facility and leasehold improvements in rented office and laboratory space. All property, plant and equipment are stated at historical cost less depreciation and less impairment losses when necessary. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and that the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Property, plant and equipment include machinery, for which validation is required to bring the asset to its working condition. The costs of such validation activities are capitalized together with the cost of the asset. Validation costs beyond the normal validation costs, which are usually required to bring an asset to its working condition, are expensed immediately. The usual validation costs are capitalized on the asset and depreciated over the remaining life of the asset or the shorter period until the next validation is usually required.

Depreciation of assets is calculated using the straight-line method to allocate their cost amounts to their residual values over their estimated useful lives, as follows:

- Buildings, leasehold improvements 5 - 40 years
- Machinery, laboratory equipment 2 - 15 years
- Furniture, fittings and office equipment 4 - 10 years
- Hardware 3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement "other income and expenses, net" (see Note 5.8).

€ in thousand	Land, buildings and leasehold improvements	Manufacturing and laboratory equipment	Computer hardware	Furniture, fittings and other	Assets in the course of construction	Total
January 1, 2019						
Cost	52,381	18,333	1,906	1,742	650	75,012
Accumulated depreciation and impairment	(20,374)	(13,771)	(1,496)	(1,374)	-	(37,015)
Net book value	**32,007**	**4,562**	**410**	**368**	**650**	**37,997**
Year ended December 31, 2019						
Opening net book value as at January 1, 2019	32,007	4,562	410	368	650	37,997
IFRS 16 Adoption	(26,414)	-	-	-	-	(26,414)
Opening net book value	**5,593**	**4,562**	**410**	**368**	**650**	**11,583**
Exchange rate differences	201	99	10	11	(34)	285
Additions	4,328	2,696	484	28	3,176	10,711
Disposals	(65)	(8)	(1)	(7)	-	(81)
Depreciation charge	(808)	(1,411)	(197)	(86)	-	(2,502)
Reversal of impairment charge	-	7	-	-	-	7
Closing net book value	**9,248**	**5,944**	**707**	**313**	**3,791**	**20,003**
December 31, 2019						
Cost	22,044	21,137	2,432	1,762	3,791	51,167
Accumulated depreciation and impairment	(12,795)	(15,193)	(1,726)	(1,449)	-	(31,163)
Net book value	**9,248**	**5,944**	**707**	**313**	**3,791**	**20,003**

€ in thousand	Land, buildings and leasehold improvements	Manufacturing and laboratory equipment	Computer hardware	Furniture, fittings and other	Assets in the course of construction	Total
Year ended December 31, 2020						
Opening net book value	**9,248**	**5,944**	**707**	**313**	**3,791**	**20,003**
Exchange rate differences	(87)	16	(10)	(9)	(82)	(172)
Additions	2,578	8,553	241	30	7,535	18,936
Disposals	-	(2)	(1)	(3)	-	(6)
Depreciation charge	(1,087)	(2,471)	(211)	(73)	-	(3,842)
Impairment charge	-	-	-	-	(140)	(140)
Closing net book value	**10,651**	**12,041**	**726**	**257**	**11,105**	**34,779**
December 31, 2020						
Cost	24,062	28,743	2,573	1,453	11,105	67,935
Accumulated depreciation and impairment	(13,411)	(16,702)	(1,847)	(1,196)	-	(33,156)
Net book value	**10,651**	**12,041**	**726**	**257**	**11,105**	**34,779**

From the total of €9.9 million depreciation and amortization expenses (2019: €8.5 million), €5.0 million (2019: €5.0 million) were charged to cost of goods and services, €4.1 million were charged to research and development expenses (2019: €2.5 million), €0.5 million were charged to marketing and distribution expenses (2019: €0.4 million) and €0.3 million were charged to general and administrative expenses (2019: €0.5 million). The increase in depreciation and amortization charged to research and development expenses is caused by investments in the sites in Scotland and Sweden in 2019 and 2020.

5.15 Equity-accounted investees

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

The requirements of IAS 28 are applied to determine whether there is any objective evidence that its net investment in the associate is impaired after the initial recognition of the net investment (a 'loss event'). When and only when, there is a loss event existing and the impact on the estimated future cash flows from the net investment can be reliably estimated, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Details of the Group's material associate are as follows:

Name of associate	Place of business	Measurement method	% of ownership interest at December 31,	
			2020	2019
BliNK Biomedical SAS	FR	Equity method	48.9%	48.9%

In January 2015, the Company and the UK Company BliNK Therapeutics Ltd founded BliNK Biomedical SAS ("BliNK"), a private company specialized in the discovery of innovative monoclonal antibodies. The Company contributed assets and liabilities in conjunction with the VIVA│Screen® technology. From 2018 onward BliNK reduced its research activities and has licensed out its technology.

BliNK is a private company and its shares are not listed on a stock exchange.

While the Company intends to retain a substantial ownership interest in the entity, BliNK is run as an independent business by its own management team. The Company does not have control over BliNK in the regards of IFRS 10, but rather holds a significant influence in BliNK in accordance with IAS 28.3, and therefore the investment is consolidated at equity according to IAS 28.16.

As of December 31, 2020, the Company recorded a loss of €0.3 million related to its share of equity in BliNK (2019: profit of €1.6 million). The total equity of BliNK amounts to €4.4 million as of December 31, 2020 (€4.6 million as of December 31, 2019).

5.15.1 Summarized financial information for material associate

The summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRS (adjusted by the Group for equity accounting purposes).

€ in thousand	At December 31,	
	2020	2019
BliNK Biomedical SAS		
Non-current assets	3	3
Current assets	4,759	6,370
Non-current liabilities	209	1,371
Current liabilities	38	217
Revenue	836	3,281
Profit/(loss) from continuing operations	(272)	1,629
Total comprehensive income	(272)	1,629

5.15.2 Reconciliation to the carrying amount

€ in thousand	At December 31,	
	2020	2019
Net assets of associate	4,355	4,627
Proportion of the Company's ownership interest in BliNK Biomedical SAS	48.9%	48.9%
Balance as at December 31,	**2,130**	**2,263**

5.16 Financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance sheet date.

The valuation techniques utilized for measuring the fair values of assets and liabilities are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect management's market assumptions.

The fair value of instruments that are quoted in active markets are determined using the quoted prices where they represent those at which regularly and recently occurring transactions take place. Furthermore the Group uses valuation techniques to establish the fair value of instruments where prices, quoted in active markets, are not available.

5.16.1 Financial instruments by category

December 31, 2019 € in thousand	Assets at fair value through profit and loss	Assets at amortized cost	Total
Assets as per balance sheet			
Trade receivables	-	24,030	24,030
Other assets[6]	-	11,670	11,670
Cash and cash equivalents	-	64,439	64,439
Assets	**-**	**100,139**	**100,139**

	Liabilities at fair value through profit and loss	Liabilities at amortized cost	Total
Liabilities as per balance sheet			
Borrowings	-	26,316	26,316
Trade payables and accruals	-	16,567	16,567
Tax and employee-related liabilities[7]	-	6,570	6,570
Lease liabilities	-	58,901	58,901
Other liabilities[8]	-	220	220
Liabilities	-	**108,574**	**108,574**

[6] Prepayments and tax receivables and other non-financial assets are excluded from the other assets balance, as this analysis is required only for financial instruments.

[7] Social security and other tax payables are excluded from the tax and employee-related liabilities balance, as this analysis is required only for financial instruments.

[8] Deferred income is excluded from the other liabilities balance, as this analysis is required only for financial instruments.

December 31, 2020 € in thousand	Assets at fair value through profit and loss	Assets at amortized cost	Total
Assets as per balance sheet			
Trade receivables	-	19,232	19,232
Other assets[6]	-	11,918	11,917
Cash and cash equivalents	-	204,435	204,435
Assets	-	**235,584**	**235,584**

	Liabilities at fair value through profit and loss	Liabilities at amortized cost	Total
Liabilities as per balance sheet			
Borrowings	-	53,363	53,363
Trade payables and accruals	-	36,212	36,212
Tax and employee-related liabilities[9]	-	8,300	8,300
Lease liabilities	-	52,088	52,088
Refund liabilities	-	111,426	111,426
Other liabilities[10]	-	51	51
Liabilities	-	**261,439**	**261,439**

5.16.2 Fair value measurements

At December 31, 2020, the Company did not have assets and liabilities measured though profit and loss (2019: nil).

In 2020 and 2019, the Group entered into various foreign currency option and forward contracts to limit the risk of foreign currency losses on expected future cash flows. The underlying currency amount and the duration of the options depend on the amount and timing of the expected future cash flows.

At December 31, 2020, the Company did not have open foreign currency options nor foreign currency forwards (2019: nil).

[9] Social security and other tax payables are excluded from the tax and employee-related liabilities balance, as this analysis is required only for financial instruments.

[10] Deferred income is excluded from the other liabilities balance, as this analysis is required only for financial instruments.

5.16.3 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates as follows:

€ in thousand	At December 31,	
	2020	2019
Trade receivables		
Receivables from governmental institutions (AAA-country)	36	37
Receivables from governmental institutions (AA-country)	15,595	8,825
AA	188	-
A	787	5,519
Counterparties without external credit rating	2,631	9,650
Trade receivables	**19,237**	**24,030**
Other assets		
A	11,644	11,430
Counterparties without external credit rating or rating below A	336	310
Other assets	**11,979**	**11,740**
Cash and cash equivalents		
AA	3,984	2,755
A	149,477	56,703
Counterparties without external credit rating or rating below A	50,973	4,981
Cash and cash equivalents	**204,435**	**64,439**

The rating information refers to long-term credit ratings as published by Standard & Poor's or another rating organization (equivalent to the Standard & Poor's rating).

The maximum exposure to credit risk at the reporting date is the fair value of the financial assets.

5.16.4 Impairment of financial assets

Trade receivables

According to IFRS 9.5.5.15 the simplified approach (measure the loss allowance at an amount equal to lifetime expected credit losses) has to be used for trade receivables, which do not contain a significant financing component. This is the case for the Group, as all trade receivables are short term with a maturity lasting less than 12 months.

Loss allowances have to be established for each trade receivables based on the expected credit losses. Accordingly, at the end of each reporting period, trade receivables were adjusted through a loss allowance in accordance with the revised expected outcome.

According to IFRS 9.5.5.17 default probabilities are to be determined on the basis of historical data, but must be adjusted on the balance sheet date on the basis of up-to-date information and forward looking information. The analysis of the historical data showed on December 31, 2020 and on December 31, 2019 that losses incurred are immaterial, taking further into account the limited number of customers as well as credit checks mentioned in Note 5.2.5. Therefore, loss allowance has been considered immaterial as of December 31, 2020 and as of December 31, 2019

Other assets and cash and cash equivalents

Historically, no losses have been incurred on other assets measured at amortized costs and on cash and cash equivalents. At December 31, 2019 and at December 31, 2020, the expected credit loss was calculated using the cumulative expected default rate based on the counterparties' ratings, and was immaterial.

5.17 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method, specifically the first-expiry first-out (FEFO) method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity) at standard costs. The variances between the actual costs and the standard costs are calculated monthly and allocated to the inventory, so there is no difference between actual and standard costs. It excludes borrowing costs. Provisions for faulty products are included in the value of inventories.

€ in thousand	At December 31,	
	2020	2019
Raw materials	4,790	4,191
Work in progress	14,814	14,395
Finished goods	13,625	8,737
Purchased goods (third party products)	1,303	309
Gross amount of Inventory before write-down	**34,631**	**27,632**
Less: write-down	(7,698)	(1,860)
Inventory	**26,933**	**25,772**

The cost of inventories is recognized as an expense and is included in the position "Cost of goods and services" amounted to €27.0 million (2019: €34.6 million), of which €9.6 million (2019: €2.8 million) related to faulty products, which were written off.

Given the expected reductions in product sales related to Valneva's commercial stage vaccines IXIARO and DUKORAL due to the current COVID-19 pandemic, the Company has performed a review of both commercial and raw material inventories and has included write-downs in the COGS as of December 31, 2020. Commercial inventories not carrying a minimum residual shelf-life at the expected time of sale on the basis of the most current sales expectations have been written down. The write-down of €7.7 million relates €4.4 million to finished goods, €2.7 million to work in progress (thereof €0.3 million to faulty products), €0.5 million to raw materials and €0.1 million to purchased goods.

5.18 Trade receivables

Trade receivables and other assets are initially recognized at fair value.

The carrying amount of trade receivables is reduced through an allowance for doubtful account. When a trade receivable is considered uncollectible, it is written off against this allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods, or services directly to a debtor with no intention of trading the receivable.

They are included in current assets, except those with maturities beyond 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as "trade receivables and other assets" in the balance sheet.

Trade receivables include the following:

€ in thousand	**At December 31,**	
	2020	**2019**
Trade receivables	19,237	24,030
Less: loss allowance of receivables	(6)	-
Trade receivables, net	**19,232**	**24,030**

During the years 2020 and 2019, no material impairment losses have been recognized. The amount of trade receivables past due in 2020 amounted to €0.4 million (2019: €2.0 million). Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Trade receivables include €18.7 million (2019: €24.0 million) receivables from contracts with customers.

5.19 Other assets

Other assets include the following:

€ in thousand	**At December 31,**	
	2020	**2019**
Advances	33,671	2,245
R&D tax credit receivables	19,637	11,323
Tax receivables	5,468	4,372
Contract costs	2,846	-
Prepaid expenses	2,544	1,798
Consumables and supplies on stock	1,061	601
Miscellaneous current assets	158	51
Other non-financial assets	65,385	20,392
Deposits	11,358	11,323
Miscellaneous financial assets	560	367
Other financial assets	11,918	11,690
Other assets	**77,303**	**32,081**
Less non-current portion	(19,476)	(17,161)
Current portion	**57,828**	**14,921**

Due to the short-term nature of the financial instruments included in other assets, their carrying amount is considered to be the same as their fair value.

As of December 31, 2020, the Deposits related to a deposit in connection with a lease agreement, whereas advances are mainly related to advance payments in connection to advance payments for production components.

As of December 31, 2020, the advances mainly related to the received advance payments from the collaboration agreement with Dynavax amounting to € 31.1 million (see Note 5.1)

Contract costs relate to the collaboration with Pfizer (see Note 5.1) and refer to costs to obtain a contract. It will be amortized in line with the pattern of revenue recognition. In 2020, €0.1 million (2019: nil) amortization was recognized as costs.

5.20 Cash and cash equivalents

Cash includes cash-at-bank, cash in hand, and deposits held at call with banks. Cash equivalents include short-term bank deposits and medium-term notes that can be assigned or sold on very short notice and are subject to insignificant risk of changes in value in response to fluctuations in interest rates with a maximum maturity of 3 months.

€ in thousand	**At December 31,**	
	2020	**2019**
Cash in hand	2	10
Cash at bank	173,107	39,429
Short-term bank deposits (maximum maturity of 3 months)	31,285	25,000
Restricted cash	41	-
Cash and cash equivalents	**204,435**	**64,439**

As at December 31, 2020, the restricted cash was a Certificate of Deposit with restricted limited access to secure the credit limit for the Company's commercial card (December 31, 2019: nil). At December 31, 2020 the minimum liquidity requirement for the Group according to the debt financing agreement with US Healthcare Funds Deerfield and OrbiMed (see Note 5.23.2) is €75.0 million and was amended in January 2021 to be €50.0 million in 2021 and 2022 and €35.0 million from 2023 on. Cash and cash equivalents net of the US Healthcare Funds Deerfield and OrbiMed financial liability amounts to €158.2 million as of December 31, 2020.

5.21 Equity

Ordinary shares and the convertible preferred shares are classified as equity.

Number of shares	**At December 31,**	
	2020	**2019**
Ordinary shares issued (€0.15 par value per share)	90,950,048	90,923,298
Convertible preferred shares registered	20,514	20,514
Total shares issued	**90,970,562**	**90,943,812**
Less Treasury shares	(146,322)	(191,322)
Outstanding shares	**90,824,240**	**90,752,490**

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any, from the proceeds.

When the Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly-attributable incremental costs (net of income taxes, if any) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or otherwise disposed of. In cases where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and related income tax effects is included in equity attributable to the Company's equity holders.

The profit or loss for the year is fully included in net result while other comprehensive income solely affects retained earnings and other reserves.

Conditional and authorized capital

On December 31, 2020, the Company had 9,123,251 shares of conditional capital in connection with (see Note 5.22):

+ the possible exercise of existing stock options;

+ the possible exercise of existing equity warrants (BSAs);
+ the possible conversion of existing preferred shares;
+ the possible final grant and conversion of existing convertible preferred shares;

Pursuant to resolution No. 10 of the Extraordinary General Meeting held on December 22, 2020, the maximum aggregate amount of capital increases that may be carried out, with immediate effect or in the future, under resolutions 2 to 9 of said Meeting, may not exceed €5.37 million, it being specified that to this maximum aggregate amount will be added the additional nominal amount of shares or securities to be issued in accordance with applicable legal or regulatory provisions and, if applicable, with contractual provisions providing for other forms of adjustment, in order to preserve the rights of the holders of securities or other rights giving immediate and/or future access to the capital of the Company.

5.21.1 Other reserves

€ in thousand	Other regulated reserves	Other comprehen sive income	Treasury shares	Capital from Share-based compensation	Other revenue reserves	Total
Balance as at January 1, 2019 before IFRS 16 adoption	**52,820**	**(5,479)**	**(1,133)**	**5,852**	**-**	**52,060**
Changes in Accounting Policy – Initial Application of IFRS 16	-	-	-	-	(9,474)	(9,474)
Balance as at January 1, 2019	**52,820**	**(5,479)**	**(1,133)**	**5,852**	**(9,474)**	**42,587**
Currency translation differences	-	656	-	-	-	656
Defined benefit plan actuarial losses	-	(13)	-	-	-	(13)
Share-based compensation expense:						
- value of services	-	-	-	2,504	-	2,504
Purchase/sale of treasury shares	-	-	21	-	-	21
Balance at December 31, 2019	**52,820**	**(4,836)**	**(1,112)**	**8,357**	**(9,474)**	**45,756**

€ in thousand	Other regulated reserves	Other comprehen sive income	Treasury shares	Capital from Share-based compensation	Other revenue reserves	Total
Balance as at January 1, 2020	**52,820**	**(4,836)**	**(1,112)**	**8,357**	**(9,474)**	**45,756**
Currency translation differences	-	2,438	-	-	-	2,438
Defined benefit plan actuarial losses	-	(78)	-	-	-	(78)
Share-based compensation expense:						
- value of services	-	-	-	4,012	-	4,012
Purchase/sale of treasury shares	-	-	215	-	-	215
Balance as at December 31, 2020	**52,820**	**(2,474)**	**(898)**	**12,368**	**(9,474)**	**52,342**

Regulated non-distributable reserve relates to a mandatory legal reserve from the merger with Intercell AG.

The Company has not obtained a dividend from its subsidiaries or associates nor paid a dividend to its shareholders in the years ended December 31, 2020 and December 31, 2019.

5.22 Share-based compensation

The Company operates various share-based compensation plans, both equity-settled and cash-settled plans. The profit and loss statement includes the following expenses arising from share-based payments:

€ in thousand	**Year ended December 31,**	
	2020	**2019**
Stock option plans	1,182	1,177
Free convertible preferred share plans	1,266	1,198
Free ordinary shares program	1,563	130
Equity warrants	-	-
Phantom shares	2,317	74
Share based compensation expense	**6,328**	**2,578**

5.22.1 Stock option plans

The fair value of such share-based compensation is recognized as an expense for employee services received in exchange for the grant of the options. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Annually, the Group revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement and makes a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to nominal capital (nominal value) and share premium (amount exceeding nominal value) when the options are exercised.

Since 2013, the Company granted stock options to employees and management pursuant to five successive plans.

Since 2015, the employee stock option plans have primarily been for the benefit of non-executive employees, while members of the Management Board and the Management Committee (or formerly “Executive Committee”), as well as the Manufacturing site Heads (since 2017), would have the opportunity to participate in 4-year free share programs (convertible preferred shares or ordinary).

Stock options granted from 2013 to 2017 are exercisable in two equal portions after being held for two and for four years (the vesting periods), while stock options granted from 2019 onwards are exercisable in three equal portions after being held for one year, two years and three years.

All options expire no later than ten years after being granted. Stock options are not transferable or negotiable and unvested options lapse without compensation upon termination of employment with the Group (forfeiture). Stock options granted from 2013 onwards vest with the effectiveness of the takeover of more than 50% of the outstanding voting rights of the Group. As this change of control event was considered remote, it has not been considered in the determination of the vesting period.

Changes in the number of stock options outstanding and their related weighted average exercise prices are as follows:

	2020			2019		
	Number of options	Number of shares available	Average exercise price in € per share	Number of options	Number of shares available	Average exercise price in € per share
Outstanding at January 1	5,247,110	5,313,098	3.06	2,859,850	2,927,662	3.14
Granted	-	-	-	2,569,510	2,569,510	3.05
Forfeited	(335,700)	(337,267)	3.06	(182,250)	(184,074)	3.03
Exercised	-	-	-	-	-	-
Outstanding at year end	**4,911,410**	**4,975,831**	**3.06**	**5,247,110**	**5,313,098**	**3.06**
Exercisable at year end	2,855,570	2,919,991		1,941,475	2,007,463	

No stock options have been exercised in 2019 and in 2020.

Stock options outstanding at the end of the period have the following expiry dates and exercise prices:

	Exercise price	Number of options at December 31,	
Expiry date	**in € per share**	**2020**	**2019**
2020	4.72	-	7,000
2023	2.919	645,900	654,600
2025	3.92	533,000	543,750
2026	2.71	399,250	418,750
2027	2.85	998,000	1,053,500
2029	3.05	2,335,260	2,569,510
Outstanding at year end		**4,911,410**	**5,247,110**

In 2020, no stock options were granted (2019: 2,569,510). The weighted average grant date fair value of options granted during the year of 2019 was €0.87. The fair value of the granted options was determined using the Black Scholes valuation model.

5.22.2 Free ordinary shares

In accordance with the powers and authorizations granted by the Company's shareholders meeting held in 2019, the Company's Management Board granted free ordinary shares for the benefit of Management Board and Management Committee members, on December 19, 2019. The purpose of this free share plan 2019-2023 is to provide a long-term incentive program for the Company's senior management.

The number of free ordinary shares so granted was as follows:

	Number of free ordinary shares granted
Management Board	1,381,947
Other Management Committee members	810,000
Free ordinary shares granted	**2,191,947**

In accordance with the foregoing, changes in the outstanding free ordinary shares are as follows:

	Number of free shares	
	2020	**2019**
Outstanding at January 1	2,191,947	-
Granted	-	2,191,947
Forfeited	349,543	-
Definitively granted	-	-
Outstanding at year end	**1,842,404**	**2,191,947**

Subject to vesting conditions (including performance and presence conditions), the free share granted to a participant will vest in and be delivered to that participant ("*seront définitivement attribuées*") in three tranches. Each tranche will amount to one third of the total individual allocation. If one third is not a whole number, the number of free shares will be rounded down for the first two tranches and rounded up for the third tranche.

The first tranche will vest in the participants two years after December 19, 2019, the second tranche will vest three years after December 19, 2019 and the third tranche will vest four years after December 19, 2019.

Following the vesting of the free shares, no compulsory holding period will apply to the vested shares.

The plan further provides for accelerated vesting of the free shares in the event of a Change of Control (as defined in the applicable terms & conditions) occurring no earlier than December 19, 2023. As this was considered remote at the grant date (judgement by the Management), this was not included in the determination of the vesting period. In addition, the plan provides for the possibility to remain entitled to a prorated amount of shares, for any unvested tranche, in case of retirement of a beneficiary before complete vesting. However, this is subject to meeting the performance conditions defined for the plan. Finally, the terms and conditions applicable to the free share plan state that if a Change of Control takes place before December 19, 2021, and section III of Article L. 225-197-1 of the French Commercial Code does not apply, the plan will be canceled and the Company will indemnify the participants for the loss of unvested free shares, subject again to meeting the performance conditions and, for the Management Board members, to getting all required shareholder approvals. The gross amount of this indemnity will be calculated as though such free shares had been vested upon the Change of Control. The conditions and limitations set forth in the applicable terms and conditions of the plan will apply to this calculation, *mutatis mutandis*.

In accordance with section II (4th paragraph) of Article L. 225-197-1 of the French Commercial Code, the Supervisory Board decided on November 21, 2019 that the Management Board members should keep no less than 20% of the vested free shares of each tranche until termination of their office as Management Board member or corporate officer.

5.22.3 Free convertible preferred share plan

On June 25, 2015, the General Meeting of the Company decided to create convertible preferred shares for the benefit of the Management Board members, but also for the benefit of key employees. Consequently, on July 28, 2015, the Management Board implemented the free convertible preferred share ("FCPS") plan 2015-2019, a long-term incentive program for the Company's executive management.

The granted payable convertible preferred shares ("SPS") were as follows:

	Number of payable convertible preferred shares subscribed for by the beneficiaries	Subscription amount (in euros)
Management Board	744	119,784
Other Executive Committee members	330	53,130
Payable convertible preferred shares granted	**1,074**	**172,914**

Following the subscription of SPS the Management Board conditionally granted the Program beneficiaries a number of free convertible preferred shares ("FCPS") corresponding to a ratio of 25 FCPS to 1 SPS, as follows:

	Number of free convertible preferred shares granted to the beneficiaries
Management Board	18,600
Other Executive Committee members	8,250
Free convertible preferred shares granted	**26,850**

SPS and FCPS will be convertible into the Company's ordinary shares four years after their issuance (with respect to the SPS) or their initial granting (with respect to the FCPS), if the conversion conditions are met.

Due to the share price performance this plan lapsed without exercises in 2019.

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In 2017, the FCPS Program 2017-2021, a long-term incentive plan for the Group's Executive Managers was implemented. As a prerequisite to the possibility of participating in the program, each potential beneficiary was required to make a cash investment in the Company, by purchasing the Company's ordinary shares.

The FCPS will be convertible into the Company's ordinary shares four years after their initial granting, if the conversion conditions set out below are met.

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

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

No conversion will occur if the Final Share Price is lower than €4.50. If the Final Share Price is higher than €8.00, the conversion ratio will be such that the beneficiaries' gross gain will not exceed the gross gain they would have realized if the Final Share Price was €8.00.

The FCPS cannot give rights to more than 2,363,000 ordinary shares of the Company in the aggregate.

Following the full payment of the amount of personal investment required, the Management Board conditionally granted the program beneficiaries a number of FCPS:

	Number of FCPS 2017 granted to the beneficiaries
Management Board	24,200
Other Executive Managers	9,817
Free convertible preferred shares granted	**34,017**

Changes in the SPS and FCPS are as follows (information for both FCPS plan 2015 and FCPS plan 2017):

	Number of SPS		Number of FCPS	
	2020	**2019**	**2020**	**2019**
Outstanding at January 1	-	789	34,017	53,742
Granted	-	-	-	-
Expired	-	(789)	(1,554)	(18,617)
Outstanding at year end	**-**	**-**	**32,463**	**34,017**

The fair value of FCPS 2015 was determined using the Black Scholes model, whereas the fair value of FCPS 2017 was determined using the Monte Carlo valuation model.

5.22.4 Phantom shares

In 2017 and 2019, phantom share plans were issued for employees who are US citizens, with the same conditions as the stock options program (see above) but which will not be settled in equity, but in cash. Therefore it is considered as a cash settled plan. The liability for the phantom shares is measured (initially and at the end of each reporting period until settled) at the fair value of the share options rights, by applying an option pricing model taking into account the terms and conditions on which the phantom rights were granted and the extent to which the employees have rendered services to date.

The carrying amount of the liability relating to the phantom shares at December 31, 2020 was €2.3 million (December 31, 2019: €0.1 million).

Phantom shares outstanding at the end of the period have the following expiry dates and exercise prices:

	Exercise price	Number of options at December 31,	
Expiry date	**in € per share**	**2020**	**2019**
2023	2.919	10,450	10,098
2025	3.92	14,000	14,000
2026	2.71	9,000	9,000
2027	2.85	32,000	143,000
2029	3.05	176,750	179,750
2030	-	690,000	-
Outstanding at year end		**932,200**	**355,848**

In 2020, 690,000 new phantom shares were granted (2019: 176,750). The fair values of the granted options were determined on the balance sheet date December 31, 2020 and December 31, 2019 using the Black Scholes valuation model.

The significant inputs into the models were:

	2020	2019
Expected volatility (%)	43.81	34.67
Expected vesting period (term in years)	0.25 – 5.40	0.25 – 6.42
Risk-free interest rate (%)	(0.82) – (0.71)	(0.67) – (0.41)

5.22.5 Equity warrants

In 2015, and 2017 the Company granted equity warrants to members of the Supervisory Board. The warrants granted in 2015 (BSA 25) are exercisable in four equal portions after 2, 17, 31 and 45 months. The warrants granted in 2017 (BSA 27) are exercisable in four equal portions after 12, 24, 36 and 48 months. The subscription price for one new ordinary share under the 2015 plan (BSA 25) amounts to €3.92 per share. The subscription price for one new ordinary share under the 2017 plan (BSA 27) amounts to €2.574.

Changes in the equity warrants outstanding are as follows:

	Number of equity warrants	
	2020	2019
Outstanding at January 1	103,875	164,000
Granted	-	-
Exercised	(26,750)	(6,250)
Forfeited	(33,375)	(53,875)
Outstanding at year end	**43,750**	**103,875**

5.23 Borrowings

Borrowings are initially recognized at fair value if determinable, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowings of the Group at year-end include the following:

€ in thousand	At December 31,	
	2020	2019
Non-current		
Bank borrowings	-	19,759
Other loans	46,375	4,558
Non-current borrowings	**46,375**	**24,317**
Current		
Other loans	6,988	1,999
Current borrowings	**6,988**	**1,999**
Total borrowings	**53,363**	**26,316**

The maturity of non-current borrowings is as follows:

€ in thousand	At December 31,	
	2020	**2019**
Between 1 and 2 years	5,925	2,055
Between 2 and 3 years	14,270	11,552
Between 3 and 4 years	12,559	317
Between 4 and 5 years	10,524	10,000
Over 5 years	3,097	393
Non-current borrowings	**46,375**	**24,317**
Current borrowings	6,988	1,999
Total borrowings	**53,363**	**26,316**

The carrying amounts of the Group's borrowings are denominated in the following currencies:

€ in thousand	At December 31,	
	2020	**2019**
EUR	4,855	25,923
USD	47,508	393
Total borrowings	**53,363**	**26,316**

5.23.1 Bank borrowings

In July 2016, the Company entered into a loan agreement with the European Investment Bank by which the Company was granted a €25.0 million term loan facility as part of the European Horizon 2020 initiative. Subject to fulfillment of certain conditions precedent, the loan may be drawn in one or several tranches within a 24-month period from signing, which was extended to a 36-month period from signing. Each tranche was repayable at the end of a five-year period starting from the drawing date. The loan was secured by collateral over the Company's material subsidiaries, mainly ranking behind securities linked to Valneva's existing indebtedness. Furthermore, the loan agreement contains covenants, including a positive Group EBITDA and a minimum cash balance of €3.0 million at all times. In the year ended December 31, 2017, two €5.0 million tranches respectively were drawn under the loan facility that was granted with no commitment fee and subject to variable interest on amounts drawn. In July 2019, a €10.0 million tranche was drawn following the same conditions as the last two tranches of this loan. In March 2020, the full loan was early repaid.

At December 31, 2020, the loan is included in the balance sheet item "Borrowings" as follows:

€ in thousand	2020	2019
Balance at January 1	**19,759**	**9,797**
Proceeds of issue	-	10,000
Transaction costs	-	(40)
Accrued interests	241	1,323
Payment of interest and loan	(20,000)	(1,322)
Balance at December 31	**-**	**19,759**
Less: non-current portion	-	19,759
Current portion	**-**	**-**

5.23.2 Other loans

In February 2020, Valneva Austria GmbH signed a debt financing agreement with US Healthcare Funds Deerfield and OrbiMed for an amount of up to $85.0 million. Amortization payments will start in 3 years, while the loan will mature in 6 years. The intended use of proceeds was to repay existing borrowings from the European Investment Bank and allow the Group to continue to advance its leading Lyme and chikungunya development programs in the short term. As of December 31, 2020, $60.0 million (€54.1 million) had been drawn down in two tranches. The interest rate is 9.95% on a quarterly basis (equivalent to 10.09% on an annual basis). The loan is secured substantially by all of Valneva's assets, including the intellectual property, and is guaranteed by Valneva SE and certain of its subsidiaries. Furthermore, the loan agreement contains covenants, including a minimum liquidity in the amount of €35.0 million and minimum consolidated net revenue in the amount of €115.0 million on a consecutive twelve month basis. To avoid a breach of covenants due to the decline in revenues caused by the COVID-19 pandemic, the initial agreement was amended in July 2020, to postpone the application of the minimum revenue covenant until December 31, 2020 (included) in exchange for a minimum liquidity covenant of €75.0 million (instead of €35.0 million) during that period. On January 15, 2021, a new amendment was executed to (i) bring the minimum liquidity covenant to the amount of €50.0 million from 2021 onward and to €35.0 million from 2023 onward and (ii) modify the minimum revenue covenant to include a quarterly minimum consolidated net revenue covenant (excluding grants) representing an annual total of €64.0 million in 2021, €103.8 million in 2022 and €115.0 million thereafter. If the Group's consolidated liquidity or net revenues were to fall below the covenant minimum values, Valneva would not be able to comply with the financial covenants in the financing agreement with Deerfield and OrbiMed, which could result in additional costs (up to additional 10 %-points of interest over the duration of the default) and an early repayment obligation (payment of the principal increased by 8% and of an indemnity representing the interests expected until March 2023). The Group does not expect these limitations to affect its ability to meet its cash obligations.

The loan was included in the balance sheet item "Borrowings".

€ in thousand	2020	2019
Balance at January 1	**-**	**-**
Proceeds of issue	52,935	-
Transaction costs	(4,162)	-
Accrued interests	1,840	-
Exchange rate difference	(4,423)	-
Balance at December 31	**46,190**	**-**
Less: non-current portion	(41,261)	-
Current portion	**4,929**	**-**

Other loans also include borrowings related to financing of Research and Development expenses and CIR (R&D tax credit in France) of €5.9 million (December 31, 2019: €6.2 million).

Other loans also include the CEPI loan in amount of €1.3 million (December 31, 2019: €0.4 million), which relates to advanced payments received which are expected to be paid back in the future. For detailed information see Note 5.8.1.

5.23.3 Borrowings and other loans secured

As at December 31, 2020, €52.0 million (December 31, 2019: €26.3 million) of the outstanding borrowings and other loans are guaranteed, secured or pledged. These borrowings and other loans are related to financing of research and development expenses, fixed assets and CIR (R&D tax credit in France) and have various conditions (interest rates) and terms (maturities).

5.23.4 Fair value of borrowings and other loans

For the majority of the borrowings and other loans, the fair values are not materially different from their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

As at December 31, 2020, material differences are identified only for guaranteed other loans. Based on an estimated arms' length interest rate of 9.41%, the fair value is €5.2 million (carrying amounts is €5.9 million).

5.24 Trade payables and accruals

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. Trade payables are recognized initially at fair value. Short-term trade payables are subsequently measured at the repayment amount.

Trade payables and accruals include the following:

€ in thousand	At December 31,	
	2020	2019
Trade payables	24,898	8,868
Accrued expenses	11,314	7,699
Balance as at December 31	**36,212**	**16,567**
Less non-current portion	-	-
Current portion	**36,212**	**16,567**

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

5.25 Tax and employee-related liabilities

The Group recognizes a liability and an expense for bonuses. The Group recognizes a liability when it has assumed a contractual obligation or when there is a past practice that has created a constructive obligation.

€ in thousand	At December 31,	
	2020	2019
Employee-related liabilities	8,300	6,570
Social security and other taxes	4,866	4,054
Balance as at December 31	**13,165**	**10,624**
Less non-current portion	-	-
Current portion	**13,165**	**10,624**

5.26 Lease liabilities

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

The development of lease liabilities is described in Note 5.13.

The maturity of non-current lease liabilities is as follows:

€ in thousand	At December 31,	
	2020	2019
Between 1 and 2 years	2,296	2,372
Between 2 and 3 years	24,434	2,341
Between 3 and 4 years	1,280	24,618
Between 4 and 5 years	1,331	1,510
Between 5 and 10 years	7,384	8,258
Between 10 and 15 years	8,907	10,248
Over 15 years	3,759	7,245
Non-current lease liabilities	**49,392**	**56,592**
Current lease liabilities	2,696	2,308
Total Lease liabilities	**52,088**	**58,901**

The carrying amounts of the Group's lease liabilities are denominated in the following currencies:

€ in thousand	At December 31,	
	2020	2019
EUR	25,633	26,617
SEK	26,166	31,943
Other	289	340
Total lease liabilities	**52,088**	**58,901**

5.27 Contract liabilities

A contract liability has to be recognized, when the customer already provided the consideration (payment) or part of the consideration, before an entity has fulfilled its performance obligation (agreed goods or services which should be delivered or provided), resulting from the "contract" and non-refundable upfront fees.

Development of contract liabilities:

€ in thousand	2020	2019
Balance as at January 1	1,426	4,735
Revenue recognition	(594)	(462)
Other releases	-	(4,274)
Exchange rate differences	101	-
Addition	88,703	1,426
Balance as at December 31	**89,636**	**1,426**
Less non-current portion	(58)	(732)
Current portion	**89,578**	**694**

As of December 31, 2020, €87.0 million are related to the agreement with UK government to supply up to 190 million doses SARS-CoV-2 vaccine (see Note 5.1), €1.6 million are related to CTM services provided to different customers and €1.0 million are related to the agreement for the development, manufacturing and marketing of Valneva's single-shot chikungunya vaccine, VLA1553, in Low and Middle Income Countries (LMICs) with Instituto Butantan.

As of December 31, 2019, €1.4 million are related to CTM services provided to Hookipa.

5.28 Refund liabilities

A refund liability has to be recognized when the customer already provided a consideration which is expected to be refunded partially or totally. It is measured at the amount of consideration received for which the Group does not expect to be entitled.

Development of refund liabilities:

€ in thousand	2020	2019
Balance as at January 1	6,553	-
Additions	109,296	6,553
Payments	(477)	-
Interest expense capitalized	3,640	-
Exchange rate difference	(7,586)	-
Balance as at December 31	**111,426**	**6,553**
Less non-current portion	(97,205)	(6,105)
Current portion	**14,222**	**448**

As of December 31, 2020, €81.9 million (thereof €70.0 million non-current) are related to the collaboration with Pfizer Inc. (see Note 5.1), €20.9 million (all non-current) are related to the agreement with UK government to develop and commercialize a SARS-CoV-2 vaccine (see Note 5.1), €6.3 million (all non-current) are related to the expected payment to GSK related to the termination of the strategic alliance agreements in 2019 (see Note 5.1) and €2.3 million are related to refund liabilities to customers related to rebate programs and right to return products.

As of December 31, 2019, €6.1 million are related to the expected payment to GSK related to the termination of the strategic alliance agreements in 2019 (see Note 5.1) and €0.5 million are related to refund liabilities to customers related to rebate programs and right to return products.

Expected cash outflows for refund liabilities are disclosed under Note 5.2.5.

5.29 Provisions

5.29.1 Provisions for employee commitments

€ in thousand	At December 31,	
	2020	2019
Employer contribution costs on share-based compensation plans	7,351	-
Phantom shares	2,390	74
Retirement termination benefits	550	404
Leaving indemnities	112	-
Balance at December 31	**10,403**	**477**
Less non-current portion	2,358	426
Current portion	**8,045**	**52**

(a) Share-based provisions

Employer contribution costs on share-based compensation plans and Phantom shares are calculated at the balance sheet date using the share price of Valneva as of December 31, 2020: €7.75 (Dec 31, 2019: €2.57).

(b) Retirement termination benefits

Some Group companies provide retirement termination benefits to their retirees.

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 increase rate;
+ an employee turnover rate.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

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

Assumptions used

	At December 31,	
	2020	**2019**
Discount rate	0.50%	0.70%
Salary increase rate	2.00%	2.00%
Turnover rate	0%-21.35%	0%-33.24%
Social security rate	43.00%-47.00%	43.00%-47.00%
Average remaining lifespan of employees (in years)	22	22

Changes in defined benefit obligation

Present value of obligation development:

€ in thousand	**2020**	**2019**
Balance at January 1	**404**	**333**
Current service cost	68	59
Actuarial losses/(gains)	78	13
Balance at December 31	**550**	**404**

5.29.2 Other provisions

€ in thousand		At December 31,
	2020	**2019**
Non-current	-	-
Current	2,124	2,264
Provisions	**2,124**	**2,264**

As of December 31, 2020, the position comprised of €1.8 million (December 31, 2019: €2.0 million) from a provision for expected legal and settlement costs under a court proceeding is related to the Intercell AG/Vivalis SA merger. Furthermore, a provision for call-off goods in raw material amounted to €0.3 million in 2020 for the site in United Kingdom is included.

5.30 Other liabilities

€ in thousand		At December 31,
	2020	**2019**
Deferred income	2,861	3,715
Other financial liabilities	51	220
Miscellaneous liabilities	2	49
Other liabilities	**2,913**	**3,983**
Less non-current portion	(72)	(97)
Current portion	**2,841**	**3,886**

Deferred income mainly includes conditional advances from government grants and a grant from CEPI (see Note 5.8).

5.31 Cash flow information

5.31.1 Cash generated from operations

The following table shows the adjustments to reconcile net loss to net cash generated from operations:

€ in thousand	Note	Year ended at December 31,	
		2020	2019
Profit/(Loss) for the year		(64,393)	(1,744)
Adjustments for			
• Depreciation and amortization	5.12/5.13/5.14	9,799	8,532
• Write-off / impairment fixed assets/intangibles	5.12/5.13/5.14	140	75
• Share-based compensation expense	5.22	6,328	2,552
• Income tax expense/(income)	5.10	(909)	874
• Dividends received from associated companies	5.15	-	433
• (Profit)/loss from disposal of property, plant, equipment and intangible assets	5.8	10	92
• Share of (profit)/loss from associates	5.15	133	(1,574)
• Fair value (gains)/losses on derivative financial instruments		-	178
• Provision for employer contribution costs on share-based compensation plans	5.29.1	7,351	-
• Other non-cash (income)/expense		4,470	(892)
• Interest income	5.9	(119)	(199)
• Interest expense	5.9	10,738	2,633
Changes in non-current operating assets and liabilities (excluding the effects of acquisition and exchange rate differences on consolidation):			
• Other non-current assets		(2,303)	79
• Long term contract liabilities	5.27	(674)	(2,321)
• Long term refund liabilities	5.28	90,653	6,016
• Other non-current liabilities and provisions		795	(178)
Changes in working capital (excluding the effects of acquisition and exchange rate differences on consolidation):			
• Inventory		(4,196)	(2,415)
• Trade and other receivables		(24,023)	(17,278)
• Contract liabilities	5.27	88,801	(989)
• Refund liabilities	5.28	10,614	448
• Trade and other payables and provisions		6,544	13,552
Cash generated from operations		**139,759**	**7,875**

In 2020, other non-cash (income)/expense includes €3.3 million (2019: nil) from disposal of Lyme VLA15 (see Notes 5.1 and 5.12) and €1.6 million (2019: nil) from a revaluation of lease liabilities and right of use assets.

The following table shows the adjustments to reconcile profit/loss from the disposal of property, plant, equipment and intangible assets to proceeds from the disposal of fixed assets:

€ in thousand	At December 31,	
	2020	2019
Net book value	34	92
Profit/(loss) on disposal of fixed assets	(10)	(92)
Proceeds from disposal of property, plant, equipment and intangible assets	**24**	**-**

5.31.2 Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were (or future cash flows will be) classified in the Group's consolidated statement of cash flows as cash flows from financing activities. For development of lease liabilities see Note 5.13.

€ in thousand	Bank borrowings	Other loans	Total
Balance at January 1, 2019	**9,918**	**21,019**	**30,937**
Repayments	-	(11,684)	(11,684)
Additions, net of transaction costs	9,960	1,821	11,781
Foreign exchange movements	-	(1)	(1)
Other changes[11]	(119)	(4,598)	(4,717)
Balance at December 31, 2019	**19,759**	**6,557**	**26,316**
Balance at January 1, 2020	**19,759**	**6,557**	**26,316**
Repayments	(20,000)	(1,995)	(21,995)
Additions, net of transaction costs	-	50,266	50,266
Foreign exchange movements	-	(4,556)	(4,556)
Other changes[12]	241	3,090	3,331
Balance at December 31, 2020	**-**	**53,363**	**53,363**

5.32 Commitments and contingencies

5.32.1 Capital commitments

As of December 31, 2020, there are €48.0 million capital expenditure contracted, mainly related to manufacturing sites for the new COVID-19 vaccine candidate (December 31, 2019: nil).

5.32.2 Lease commitments

For lease commitments see Note 5.13.3.

[11] Other changes include interest accruals and payments.

5.32.3 Other commitments, pledges and guarantees

The other commitments relate to minimum payments consist of:

€ in thousand	At December 31,	
	2020	2019
Loans and grants	1,454	1,209
Royalties	9,393	11,331
Other commitments	**10,846**	**12,540**

The pledges consist of:

€ in thousand	At December 31,	
	2020	2019
Pledges on consolidated investments	19,474	-
Pledges on bank accounts	150,642	-
Pledges on receivable	160,511	-
Guarantees and pledges	**330,626**	**-**

5.32.4 Contingencies and litigations

Following the merger between the companies Vivalis SA and Intercell AG in 2013, certain former Intercell shareholders initiated legal proceedings before the Commercial Court of Vienna to request a revision of either the cash compensation paid to departing shareholders or the exchange ratio between Intercell and Valneva shares used in the merger. The Company has been discussing potential settlement agreements. The Company therefore holds a provision of €1.9 million of settlement costs and additional costs in connection with such potential settlements. €0.1 million of additional expenses related to this litigation is included in “other expenses” in the period ended December 31, 2020.

In July 2016, a claim for additional payment was raised and litigation was filed in December 2016, in connection with the 2009 acquisition of Humalys SAS, from which the Company had acquired a technology, which was later combined with other antibody discovery technologies and spun off to BliNK Biomedical SAS in early 2015. Former shareholders of Humalys claimed additional consideration as a result of the spin-off transaction. A first instance decision in the Humalys case is expected in the second half of 2021. After consultation with its external advisors the Company believes that this claim is unsubstantiated and the filed litigation is not likely to succeed in court. Detailed information on the potential specific financial consequences, which might result from a successful claim could adversely affect the Company’s ability to defend its interests in this case and therefore is not provided, in accordance with IAS 37.92.

5.33 Related-party transactions

5.33.1 Rendering of services

Services provided by Valneva to Groupe Grimaud La Corbière SAS are considered related party transactions as being shareholders of Valneva and consist of services within a Collaboration and Research License agreement and of the provision of premises and equipment.

€ in thousand	Year ended December 31,	
	2020	**2019**
Provision of services:		
Operating activities	187	236
Provision of services	**187**	**236**

5.33.2 Key management compensation

The aggregate compensation of the members of the Company's Management Board includes the following:

€ in thousand	Year ended December 31,	
	2020	**2019**
Salaries and other short-term employee benefits[12]	2,950	2,449
Other long-term benefits	18	15
Share-based payments (expense of the year)	1,786	1,174
Key management compensation	**4,755**	**3,638**

5.33.3 Supervisory Board compensation

The aggregate compensation of the members of the Company's Supervisory Board amounts to €0.2 million (2019: €0.3 million). In the years 2015 and 2017 the Company granted equity warrants to members of the Supervisory Board. For more information, see Note 5.22.

5.34 Events after the reporting period

In January 2021, Valneva and US-based healthcare investment firms Deerfield Management Company and OrbiMed agreed to modify the covenant for the existing debt facility. The minimum liquidity covenant is brought to the amount of €50.0 million from 2021 onward and to €35.0 million from 2023 onward and the minimum revenue covenant is modified to include a quarterly minimum consolidated net revenue covenant (excluding grants) representing an annual total of €64.0 million in 2021, €103.8 million in 2022 and €115.0 million thereafter (see Note 5.23.2).

In January 2021, Valneva and Instituto Butantan, producer of immunobiologic products, announced the signing of definitive agreements for the development, manufacturing and marketing of Valneva's single-shot chikungunya vaccine, VLA1553, in Low and Middle Income Countries (LMICs). This finalization follows the signing of a binding term sheet in May 2020. The collaboration falls within the framework of the $23.4 million funding agreement Valneva signed with CEPI in July 2019 (see Note 5.1). Under the collaboration, Valneva will transfer its chikungunya vaccine technology to Instituto Butantan, who will develop, manufacture and commercialize the vaccine in LMICs. In addition, Instituto Butantan will provide certain clinical and Phase 4 observational studies that Valneva will use to meet regulatory requirements. The agreement includes small upfront and technology transfer milestones.

In January 2021, the UK Government has exercised its option to order 40 million doses of its inactivated, adjuvanted COVID-19 vaccine candidate for supply in 2022 (see Note 5.1). This brings the total volume of the Valneva vaccine ordered by UK Government to 100 million doses and the UK Government retains options over a further 90 million doses for supply between 2023 and 2025.

[12] In 2020 leaving indemnities of €0.9 million have been included.

6 STATUTORY AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Statutory auditor's report on the consolidated financial statements

(For the year ended December 31, 2020)

To the Annual General Meeting

VALNEVA SE

6 rue Alain Bombard

44800 Saint Herblain

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Valneva SE ("the Group") for the year ended December 31, 2020.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2020 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee and Governance.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déonttologie) for statutory auditors, for the period from January 1, 2020 to the date of our report and specifically we did not provide a ny prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (code de déontologie) for statutory auditors.

Justification of Assessments - Key Audit Matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Key Audit Matters	**How our audit addressed the key audit matters**
Collaboration agreement with Pfizer Inc – Recognition of revenue contracts with customers (IFRS 15) *(Notes « 5.1 General information and significant events of the period », « 5.3.2 Assumptions and estimation uncertainties », « 5.3.1 Judgements », « 5.5 Revenues from contracts with customers » and « 5.28 Refund liabilities » to the consolidated financial statements)*	

Collaboration, licensing and service agreements (research, development, manufacturing and marketing), signed with biopharmaceutical, pharmaceutical companies and academic institutions, related to Valneva's vaccine candidates and its own technologies (proprietary technologies) have a significant impact on the consolidated financial statements. Revenues from these agreements represent a total of €43.4 million as of December 31, 2020 of which € 31.6 million revenue relates to the new collaboration to co-develop and commercialize a Lyme disease vaccine (Lyme VLA15), signed with Pfizer Inc in April 2020 ("technologies and services" and "Vaccine candidates" operating segments for revenues from contracts with customers). This agreement is in scope of IFRS 15 "revenue from contracts with customers". The agreement includes R&D and service performance obligations for which revenue is recognized over time as well as a license performance obligation for which revenue is recognized at a point in time when Pfizer Inc can benefit and use the license without further involvement of Valneva. The transaction has been allocated to the various performance obligations in proportion of their respective standalone selling prices. The revenue recognition for this contract requires judgements including identification of separate performance obligation, evaluation of variable and uncertain considerations, identification of significant financing components in the contract, allocation of the transaction price and assessing to which extent the performance obligation is achieved. We have therefore considered the accounting treatment of this contract as a key audit matter.	We performed procedures to assess the design of processes and controls related to the recognition of revenues from collaboration, licensing and service agreements. We obtained the contract signed between Valneva and Pfizer Inc. to assess the reasonableness of the accounting treatment applied to this contract by management. We assessed the reasonableness of key assumptions used by management considering the consistency of projected sales, probabilities of success, expected development costs and timeframes using external data and other supporting evidence obtained during our audit such as external and internal communication. We also verified that the note disclosures «5.1 General information and significant events of the period », « 5.3.2 Assumptions and estimation uncertainties », « 5.3.1 Judgements», « 5.5 Revenues from contracts with customers » and « 5.28 Refund liabilities » to the financial statements provided an appropriate information.
Valuation of commercial vaccines inventory *(Notes « 5.1 General information and significant events of the period » and « 5.17 Inventories» to the financial statements)*	
Inventory accounts for a gross value of € 34.6 million as of December 31, 2020.	We performed procedures to assess the design of the processes and controls related to the estimate of inventory reserves by management.

Due to the negative impact of the current COVID-19 pandemic on sales forecasts and limited shelf lives of the IXIARO and DUKORAL vaccines, the Group's Management performed an assessment of these commercial vaccines inventories and recorded a€ 7.4 millions reserve in cost of goods sold. Given significant estimates supporting the sales forecasts assumptions, we have considered the assessment of the net realizable value of commercial vaccine inventory to be as a key audit matter.	We assessed the reasonableness of sales forecasts and estimated capacity to sell vaccines considering their residual shelf lives. Our assessment was based on our understanding of the expected business forecasts for each product, inquiries with management, the consistency of the assumptions used with the forecasts derived from the strategic plans presented to the Supervisory Board and the review, per sample, of the specific clauses on residual shelf life included in contractual agreements with the customers. We also verified that the note disclosures "5.1 General information and significant events of the period » and « 5.17 Inventories» to the financial statements provided an appropriate information.
Other provisions and contingencies *(Notes « 5.29.2 Other provisions » and « 5.32.4 Contingencies and litigations » to the financial statements)*	
Valneva SE is involved in two litigations. a) In July 2016, the Company received an additional request for payment, accompanied by a threat of legal action, related to the acquisition of Humalys SAS in 2009, through which Vivalis SA (today Valneva SE) had acquired the technology that was subsequently combined with another antibody discovery technology and contributed to BliNK Biomedical SAS in early 2015. Humalys' former shareholders claim for an additional payment pursuant to this disposal. The Company's management, after consultation with its external advisors, believes that this claim has no substance and the filed litigation is very unlikely to succeed in court. The Company's management considered this litigation as a contingent liability considering the probability of an outflow of resources is low. b) Former shareholders of Intercell, an entity that merged with Valneva SE, have initiated legal proceedings before the Commercial Court of Vienna to request a revision of the exchange ratio between Intercell and Valneva shares used in the merger in 2013. A provision was recorded in the amount of € 1.9 million as at December 31, 2020.	We gained an understanding of processes implemented by Management identify risks linked to a legal proceeding or a commercial /regulatory litigation. We assessed the reasonableness of the estimate of the costs related to these risks by : - reviewing the risk assessments performed by the Company's Management and in-house legal counsel; - obtaining and analyzing the memorandums and responses from the Company's external legal advisors to our confirmation requests. Finally, we have assessed that note disclosures « 5.29.2 Other provisions » and « 5.32.4 Contingencies and litigations » to the financial statements provided appropriate information.

Given the uncertainties surrounding the outcomes of these litigations, we have considered the accounting treatment in the financial statements to be a key audit matter.	

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verification required by laws and regulations of the Group's information given in the management report of the Management Board.

We have no matters to report as to their fair presentation and their consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L.225-102-1 of the French Commercial Code (code de commerce) is included in the management report, it being specified that, in accordance with Article L.823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein.

Report on Other Legal and Regulatory Requirements

Format of the presentation of the consolidated financial statements intended to be included in the annual financial report

In accordance with Article 222-3, III of the AMF General Regulation, the Company's management informed us of its decision to postpone the presentation of the consolidated financial statements in compliance with the European single electronic format as defined in the European Delegated Regulation No 2019/815 of 17 December 2018 to years beginning on or after January 1st, 2021. Therefore, this report does not include a conclusion on the compliance with this format of the presentation of the consolidated financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (code monétaire et financier).

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Valneva SE by the annual general meeting held on June 29, 2012 for PricewaterhouseCoopers Audit and on February 22, 2007 for Deloitte & Associés.

As at December 31, 2020, PricewaterhouseCoopers Audit and Deloitte & Associés were in the 9th year and 14th year of total uninterrupted engagement, which are the 8th year for the two firms since securities of the Company were admitted to trading on a regulated market, respectively.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and for such internal control as management determines is necessary to enable the

preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee and Governance is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Management Board.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to

continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee and Governance

We submit a report to the Audit Committee and Governance which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee and Governance includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee and Governance with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics *(code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit Committee and Governance the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Bordeaux, March 23, 2021

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
French original signed by	French original signed by
Cédric Mazille	Stéphane Lemanissier

A European Company *(Societas Europaea)*
with a Management Board and a Supervisory Board
Registered Office: 6 rue Alain Bombard, 44800 Saint-Herblain (France)
Nantes Trade and Companies Registry (R.C.S.) No. 422 497 560