
valneva
Standing
strong
2021
Universal
Registration
Document
Including the Annual Financial Report,
the full Annual Management Report
and the Corporate Governance Report

Contents

UNIVERSAL REGISTRATION DOCUMENT

Including the Annual Financial Report,
the full Annual Management Report,
and the Corporate Governance Report

2021

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

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Universal Registration Document was filed on March 23, 2022 with the French Financial Markets Authority (*Autorité des Marchés Financiers* or AMF), as the competent authority under Regulation (EU) 2017/1129, without prior approval in accordance with Article 9 of the said regulation. This Universal Registration Document may be used for the purpose of a public offer of securities or the admission of securities to trading on a regulated market, if it is supplemented by a *Note d'Opération* (or a securities note) and, as the case may be, by a summary and all the amendments to the Universal Registration Document. These documents are then together approved by the AMF in accordance with Regulation (EU) 2017/1129.

This Universal Registration Document, including the Annual Financial Report, is a reproduction of the official version of the 2021 Universal Registration Document, including the Annual Financial Report, which has been prepared in XHTML and is available on the Valneva website, **www.valneva.com**.

Incorporation by reference:

In accordance with Article 19 of the Regulation (EU) 2017/1129 of June 14, 2017, this Universal Registration Document incorporates by reference the following information:

- for the fiscal year 2019, the Universal Registration Document of the Company Valneva SE filed with the AMF on March 30, 2020 (No. D.20-0217) includes: the historical consolidated and parent entity financial statements, the Statutory Auditors' Reports, the Annual Management Report and the financial highlights (in particular in Section 1.4.3 of said Universal Registration Document);
- for the fiscal year 2020, the Universal Registration Document of the Company Valneva SE filed with the AMF on March 9, 2021 (No. D.21-0286) includes: the historical consolidated and parent entity financial statements, the Statutory Auditors' Reports, the Annual Management Report and the financial highlights (in particular in Section 1.4.3 of said Universal Registration Document).

Information from the 2019 Universal Registration Document and the 2020 Universal Registration Document that is not included in this Universal Registration Document is either not relevant for the investor or is covered elsewhere in this Universal Registration Document.

These Documents are available on the Valneva website, **www.valneva.com**, and on the *Autorité des Marchés Financiers* website, **www.amf-france.org**.

For the purposes of this Universal Registration Document, unless otherwise stated, Valneva SE is individually referred to as ***the Company***. Valneva SE, together with its subsidiaries, are referred to as ***the Group***, ***the Valneva Group***, or ***Valneva***.

This is a free translation of the French original document. In the event of any discrepancy between the French version and the English translation, the French version shall prevail in all cases.

General introductory comments

This Universal Registration Document (URD) contains forward-looking statements about the Group's targets and forecasts[1]. Such statements may in certain cases be identified by the use of the future, conditional tense and forward-looking words, including, but not limited to, "believes", "targets", "anticipates", "intends", "should", "aims", "estimates", "considers", "wishes", "may", etc. These statements are based on data, assumptions and estimates that the Company considers to be reasonable. They are subject to change or adjustment owing to uncertainties arising from unpredictable outcomes inherent to all research and development (R&D) activities, as well as in the economic, financial, competitive, regulatory and climatic environment. In addition, the Group's business activities and its ability to meet its targets and forecasts may be affected by the occurrence of risk factors described in this URD[2]. Furthermore, attainment of these targets and forecasts implies the success of the Group's strategy, which is also outlined in this URD[3].

The Company makes no representations, warranties or other commitments as to the achievement of the targets and forecasts shown in this URD. Investors are invited to carefully consider all risks before making any investment decision. One or more of these risks may have an adverse effect on the Group's business, condition, financial results, or its targets and forecasts. In addition, other risks not yet identified or that are considered non-significant by the Group could have the same adverse effect, and investors may lose all or part of their investment.

This URD also contains information relating to the markets in which the Group operates. This information is notably based on studies carried out by external resources. Given the very rapid pace of change in the pharmaceutical sector in France and throughout the world, this information may prove to be erroneous or no longer up to date.

The forward-looking statements, targets and forecasts shown in this URD may be affected by risks, either known or unknown, uncertainties, and other factors that may cause the Group's future results, performance and achievements to be significantly different from the stated or implied targets and forecasts. These factors may include changes in the economic and business environment or in regulations, as well as risk factors described in this URD.

(1) See in particular Section 1.4.4 (c).
(2) See Section 1.5.
(3) See Section 1.3.2 (b).

Indicative financial reporting timetable

2021 Financial Results

March 24, 2022

Q1 2022 Interim Results

May 5, 2022

AGM - *Record date*

June 20, 2022, 11:59 pm Paris-time
(according to French corporate law)

Annual General Meeting

June 23, 2022

HY 2022 Financial Statements

August 11, 2022

9M 2022 Interim Results

November 10, 2022

This financial calendar is for indicative purposes only and the Group could change its publication dates, should it deem it necessary.

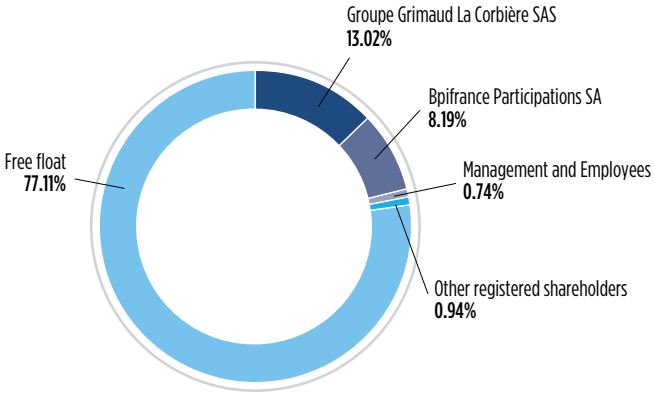
Company stock market and shareholding information

Valneva SE ordinary shares (ISIN: FR0004056851) are traded on Compartment A of Euronext Paris[1] (mnemonic code: VLA)[2] and are eligible for the Deferred Settlement Service.

Some of the Company's ordinary shares are also dual-listed on Nasdaq in the form of American Depositary Shares. Valneva SE went public on the American market Nasdaq Global Select Market on May 6, 2021, under the symbol "VALN"[3].

The Company joined the Euronext indices SBF 120 and CAC Mid 60 on March 22, 2021[4].

Shareholding structure at December 31, 2021



Share ownership calculated in reference to a total share capital of 105,239,085 Valneva SE shares, divided into (a) 105,190,223 ordinary shares (ISIN FR0004056851) with a par value of €0.15 each, and (b) 48,862 preferred shares convertible into ordinary shares, also with a par value of €0.15 each.

There have been no significant changes in the shareholding structure since December 31, 2021.

(1) The shares were previously listed in compartment B of Euronext Paris. The listing of securities in compartment A has been effective since January 29, 2022.
(2) The Valneva SE ordinary shares were also previously traded on the Vienna Stock Exchange until December 20, 2019 (see the Press Releases published by the Company on September 19 and December 20, 2019: https://valneva.com/media/press-releases/?y=2019).
Upon decision of the Vienna Stock Exchange, Valneva SE shares listed on Euronext Paris continue to be traded electronically on the "global market" segment of the Vienna Stock Exchange's Multilateral Trading Facility.
(3) See the press releases published by the Company on December 22, 2020 (https://valneva.com/media/press-releases/?y=2020), as well as on April 10 and 29, 2021, and May 5, 6, 10 and 11, 2021 (https://valneva.com/media/press-releases/?y=2021). See also Section 1.1.2 (y) of this URD.
(4) See the Press Release published by the Company on March 22, 2021: https://valneva.com/media/press-releases/?y=2021

Valneva SE's ordinary share price performance in 2021

VLA (Source: Euronext Paris)

	Highest share price (in euros)	Lowest share price (in euros)	Month-end closing (in euros)	Volume in the month	Transactions in the month	Transactions in equity (in euros)
January 2021	10.96	7.22	9.48	18,643,198	66,455	173,333,270
February 2021	15.6	9.73	11.08	32,004,411	132,622	404,581,823
March 2021	11.38	9.69	10.60	14,201,368	55,094	147,774,318
April 2021	14.32	10.36	14.01	28,260,345	104,042	343,316,685
May 2021	14.95	9.92	10.71	22,984,064	82,208	277,444,857
June 2021	11.90	10.55	11.14	11,173,726	38,721	124,808,632
July 2021	12.38	10.78	11.86	7,305,851	30,457	84,270,205
August 2021	25.20	10.46	21.04	35,969,257	140,095	581,147,318
September 2021	23.50	10.60	13.56	55,187,775	208,417	831,830,616
October 2021	22.44	11.66	19.25	40,324,199	144,403	700,030,576
November 2021	29.70	17.00	28.02	49,179,398	192,088	1,112,062,965
December 2021	28.94	19.52	24.50	38,185,997	166,579	932,833,173

At December 31, 2021, the Company's market capitalization on Euronext Paris amounted to approximately €2.6 billion.

Change in stock market price of Valneva SE American Depositary Shares in 2021

VALN (Source : Nasdaq)

	Highest share price (in US dollars)	Lowest share price (in US dollars)	Month-end closing (in US dollars)	Volume in the month
May 2021	31.33	24.1573	25.98	724,474
June 2021	29.08	25.27	26.35	132,327
July 2021	29.12	25.57	28.58	103,016
August 2021	59.15	25	53	1,127,501
September 2021	53.6	24.7	31.4	2,333,836
October 2021	53.43	27.05	44.61	3,535,319
November 2021	67.84	39.91	64.55	1,635,358
December 2021	66.39	46.2	55.51	1,282,270

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Presentation of the Group and its business

1.1. Selected financial information

1.1.1. Financial data and key figures

Financial information presented below originates from the Group's audited annual financial statements.

Consolidated income statement

	Year ended December 31		
In € thousand (except per share amounts)	2021	2020	2019
Product sales	62,984	65,938	129,511
Other revenues	285,101	44,383	(3,315)
REVENUES	**348,086**	**110,321**	**126,196**
Cost of goods and services	(187,920)	(54,302)	(52,781)
Research and development expenses	(173,283)	(84,454)	(38,022)
Marketing and distribution expenses	(23,643)	(18,264)	(24,145)
General and administrative expenses	(47,606)	(27,539)	(18,398)
Other income and expense, net	22,976	19,117	6,338
OPERATING PROFIT/(LOSS)	**(61,390)**	**(55,120)**	**(811)**
Finance income	8,379	689	1,449
Finance expenses	(16,964)	(10,738)	(3,082)
Result from investments in associates	(5)	(133)	1,574
PROFIT/(LOSS) BEFORE INCOME TAX	**(69,979)**	**(65,302)**	**(870)**
Income tax income/(expense)	(3,446)	909	(874)
PROFIT/(LOSS) FOR THE PERIOD	**(73,425)**	**(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			
▪ Basic	(0.75)	(0.71)	(0.02)
▪ Diluted	(0.75)	(0.71)	(0.02)

Source: Audited consolidated financial statements of Valneva SE for the fiscal years ended December 31, 2019, 2020 and 2021.
In the year ended December 31, 2020, the line item "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 presentation of the income statement by function. The comparable period 2019 has been adjusted accordingly to maintain the comparability.

Consolidated balance sheet

	Year ended December 31		
In € thousand	2021	2020	2019
ASSETS			
Non-current assets	231,520	140,737	135,561
Current assets	585,832	308,427	129,162
TOTAL ASSETS	**817,352**	**449,164**	**264,723**
SHAREHOLDERS' EQUITY			
Capital and reserves attributable to the Company's equity holders	170,581	77,422	135,153
LIABILITIES			
Non-current liabilities	277,791	195,872	88,269
Current liabilities	368,979	175,870	41,300
TOTAL LIABILITIES	**646,771**	**371,742**	**129,569**
TOTAL EQUITY AND LIABILITIES	**817,352**	**449,164**	**264,723**

Source: Audited consolidated financial statements of Valneva SE for the fiscal years ended December 31, 2019, 2020 and 2021.

Consolidated cash flow statement

	Year ended December 31		
In € thousand	2021	2020	2019
Net cash generated from/(used in) operating activities	76,901	137,738	5,529
Net cash generated from/(used in) investing activities	(93,116)	(19,340)	(10,685)
Net cash generated from/(used in) financing activities	154,504	21,740	(7,696)
Net change in cash and cash equivalents	138,288	140,138	(12,852)
Cash at end of the year	346,686	204,435	64,439
CASH, CASH EQUIVALENTS AT END OF THE YEAR	**346,686**	**204,435**	**64,439**

Source: Audited consolidated financial statements of Valneva SE for the fiscal years ended December 31, 2019, 2020 and 2021.

1.1.2. Annual operating highlights

In 2021, Valneva achieved numerous major milestones:

Research & Development

(a) Valneva and Pfizer Reported Further Positive Phase 2 Results, Including Booster Response, for Lyme Disease Vaccine Candidate

On September 28, 2021, Valneva and Pfizer announced further positive Phase 2 results, including booster response, for their Lyme disease vaccine candidate VLA15.

The Phase 2 study, VLA15-202, is evaluating the immunogenicity and safety of VLA15 in a Month 0-2-6 vaccination schedule. The study enrolled 246 healthy adults 18 to 65 years of age in the United States. As announced in October 2020, the study met its primary endpoint of demonstrating that VLA15 was immunogenic across all dose groups tested and elicited high antibody responses across all serotypes (ST1 – ST6) at one month after completion of the primary vaccination series. Continued evaluation at Month 18 showed that antibody titers declined thereafter across all groups, remaining above baseline but confirming the need for a booster strategy.

VLA15 was safe and well tolerated across all doses and age groups tested. No related Serious Adverse Events (SAEs) were observed in any treatment group.

Participants who received a complete primary vaccination series with 180 µg doses of VLA15 were invited to continue the study in a booster extension phase and were randomized to receive an additional 180 µg dose of VLA15 (N=39) or placebo (N=19) at Month 18.

VLA15's acceptable safety profile was confirmed through one-month post-booster. Administration of a booster dose elicited a strong anamnestic response yielding a 2.9-fold (ST3) to 4.2-fold (ST1, ST4) increase (Geometric Mean Fold Rise) in anti-OspA IgG antibody titers compared with titers observed after primary immunization.

All participants seroconverted to anti-OspA IgG after the booster dose, meaning Seroconversion Rates (SCRs) were 100% for all OspA serotypes. SCR was defined as the rate of subjects that changed from seronegative at baseline to seropositive. Additionally, subjects who were seropositive at baseline needed to show at least a 4-fold increase in anti-OspA IgG compared to baseline titer. Functionality of elicited antibodies was demonstrated by Serum Bactericidal activity Assays, leading to SCRs ranging from 86.8% (ST2) to 100% (ST3) after the booster.

The study is continuing to monitor persistence of antibody responses.

(b) Valneva and Pfizer Completed Recruitment for Phase 2 Trial of Lyme Disease Vaccine Candidate

On July 19, 2021, Valneva and Pfizer Inc. announced that they completed recruitment for the Phase 2 trial, VLA15-221, of Valneva's Lyme disease vaccine candidate, VLA15. The trial builds on previous positive Phase 2 trials and includes both adult and pediatric participants with the aim to support acceleration of the vaccine candidate's pediatric program.

On March 8, 2021, Valneva and Pfizer had announced initiation of study VLA15-221. Under the terms of the agreement signed with Pfizer, the first subject, first dose in this study triggered a milestone payment of $10 million from Pfizer to Valneva.

A total of 625 participants, 5 to 65 years of age, were randomized in the Phase 2 trial to receive VLA15 at Month 0-2-6 or Month 0-6 (200 volunteers each) or placebo at Month 0-2-6 (200 volunteers). The main safety and immunogenicity readout was performed approximately one month after completion of the primary vaccination schedule (i.e., at Month 7). The objective of the trial is to show safety and immunogenicity down to 5 years of age and to evaluate the optimal vaccination schedule for use in Phase 3. It is the first VLA15 trial to include a pediatric population (aged 5-17 years).

Valneva and Pfizer had announced the initation of the VLA15-221 trial on March 8, 2021. According to the terms of the collaboration agreement signed by Valneva and Pfizer, first subject, first dose in this study triggered a milestone payment of $10 million from Pfizer to Valneva.

(c) Valneva Announced Positive Lot-to-Lot Consistency Trial Results for its Single-Shot Chikungunya Vaccine Candidate

On December 21, 2021, Valneva announced positive topline results from the lot-to-lot Phase 3 trial of its single-shot chikungunya vaccine candidate, VLA1553. The VLA1553-302 trial met its primary endpoint, demonstrating that three consecutively manufactured vaccine lots elicited equivalent immune responses measured by neutralizing antibody titer GMT ratios on Day 29 after vaccination.

Lot-to-lot trials demonstrate manufacturing consistency, one of the standard requirements for vaccine licensure. The trial, which included 408 participants aged 18 to 45 years, confirmed the excellent immunogenicity profile demonstrated in the pivotal Phase 3 trial, VLA1553-301. All three lots were equally well tolerated and the safety profile was consistent with results in the pivotal Phase 3 trial. Study VLA1553-302 therefore confirmed clinical equivalence as well as manufacturing consistency of the three lots.

Valneva had announced the initiation of this study on February 22, 2021 and recruitment completion on June 10, 2021.

(d) Valneva Announced Positive Phase 3 Pivotal Results for its Single-Shot Chikungunya Vaccine Candidate

On August 5, 2021, Valneva announced positive topline results from the Phase 3 pivotal trial of its single-shot chikungunya vaccine candidate, VLA1553.

The trial, involving 4,115 adults aged 18 years and above, across 44 sites in the United States, met its primary endpoint inducing protective chikungunya virus (CHIKV) neutralizing antibody titers in 98.5% of participants 28 days after receiving a single shot (264 of 268 subjects from the per-protocol subgroup tested for immunogenicity, 95% CI: 96.2-99.6). The seroprotection rate result of 98.5% exceeded the 70% threshold (for non-acceptance) agreed with the U.S. Food and Drug Administration (FDA). The seroprotective titer was agreed with the FDA to serve as a surrogate of protection that can be utilized in a potential FDA submission of VLA1553 under the accelerated approval pathway.

The vaccine candidate was highly immunogenic with a GMT of approximately 3,270, confirming the immunogenicity profile seen in the Phase 1 trial.

Additionally, VLA1553 was also highly immunogenic in elderly study participants, who achieved equally high seroprotection rates and neutralizing antibody titers as younger adults, as well as an equally good safety profile.

VLA1553 was generally well tolerated among the 3,082 subjects evaluated for safety. An independent Data Safety Monitoring Board continuously monitored the study and identified no safety concerns. The safety profile is consistent with results from the Phase 1 clinical trial. The majority of solicited adverse events were mild or moderate and resolved within 3 days. 1.6% of study participants reported severe solicited adverse events, most commonly fever. Approximately 50% of study participants experienced solicited systemic adverse events, most commonly headache, fatigue and myalgia (seen in more than 20% of subjects). The local tolerability profile showed that approximately 15% of participants experienced solicited local adverse events.

Valneva announced that it had completed recruitment for this trial on April 12, 2021.

(e) Valneva Awarded FDA Breakthrough Designation for its Single-Shot Chikungunya Vaccine Candidate

On July 7, 2021, Valneva announced that it had been awarded Breakthrough Therapy Designation for its single-shot chikungunya vaccine candidate, VLA1553, by the FDA. Breakthrough Therapy Designation intends to facilitate and expedite development and review of new drugs for serious or life-threatening conditions where preliminary clinical data demonstrates that the drug may have substantial improvement for at least one endpoint over available therapies.

This U.S. milestone came in addition to the FDA Fast Track designation and PRIME designation by the European Medicines Agency (EMA) that the Company received in December 2018 and in October 2020, respectively.

(f) Valneva and Instituto Butantan Signed Final Agreement on Single-Shot Chikungunya Vaccine for Low and Middle Income Countries

On January 25, 2021, Valneva 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 followed 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 the Coalition for Epidemic Preparedness Innovations (CEPI) in July 2019.

Under the collaboration, Valneva is transferring 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.

(g) Valneva Announced Positive Homologous Booster Data for Inactivated, Adjuvanted COVID-19 Vaccine Candidate VLA2001

On December 16, 2021, Valneva announced positive homologous booster data from the Phase 1/2 study, of its inactivated, adjuvanted COVID-19 vaccine candidate, VLA2001. Initial results confirm that VLA2001 significantly boosted immunity in participants who received VLA2001 as a primary vaccination.

77 of the 153 original Phase 1/2 study participants, aged 18-55, received a booster dose seven to eight months after completion of their primary immunization with either a low, medium or high dose of VLA2001. All participants received a single booster vaccination with VLA2001 at the same (high) dose level used in the pivotal Phase 3 "Cov-Compare" trial. IgG antibody titers (spike protein-based) were measured at the time of the booster as well as two weeks after the booster dose. 45 of the 77 boosted participants were included in the final analysis.

A third dose of VLA2001 elicited an excellent anamnestic response, with similar antibody levels observed whether participants were initially vaccinated with a low, medium or high dose (GMT 9699.3 (95% CI: 8497.76, 11070.71)). This represents a strong boosting effect, increasing levels of antibodies against the Wuhan virus 42- to 106-fold, depending on the pre-boosting levels of antibodies.

Antibody levels measured two weeks after the booster dose were approximately four-fold higher compared to those observed two weeks after primary immunization.

(h) Valneva Confirmed Initiation of Rolling Review with EMA and Provided Updates on its COVID-19 Vaccine Program VLA2001

On December 2, 2021, Valneva confirmed that the European Medicines Agency (EMA) started a rolling review of VLA2001, its whole-virus inactivated, adjuvanted COVID-19 vaccine candidate.

Valneva remains focused on achieving regulatory approvals of VLA2001 following its positive Phase 3 trial results. The Company continues to make progress with the rolling submission in the UK (MHRA), including verification of the Phase 3 clinical data integrity (required for finalization of the submission), as previously disclosed.

Valneva also provided an update on VLA2001 in the context of the emergence of the Omicron variant. Valneva believes that VLA2001 can make an important contribution to the global fight against the COVID-19 pandemic and potentially play a role in protecting against the new Omicron variant.

In contrast to other vaccines that target only the spike protein of the SARS-CoV-2 virus, VLA2001 is developed using the entire SARS-CoV-2 virus envelope. Preserving the whole virus envelope is expected to elicit a broad immune response and together with the CpG 1018 adjuvant may provide an improved immunological profile by boosting T-cell responses against additional SARS-CoV-2 proteins. Valneva has been testing for cross-neutralization of VLA2001 against the Omicron variant.

Valneva also confirmed that its technology platform is adaptable for new variants, if required. The Company has undertaken laboratory development and testing of variants at its sites in France and Austria, including the production of viral seedstock for three earlier variants of concern, including Delta. Valneva produced a full scale pilot lot derived from the Alpha variant, validating the suitability of its well-established manufacturing process for variant-based vaccines.

Valneva has commenced manufacturing for the European Commission supply contract and has some inventory ready for labelling and deployment upon regulatory approval. Valneva expects to have capacity to produce over a hundred million doses of vaccine per annum through a combination of in house production and CMO capacity.

(i) Valneva and IDT Biologika Announced Collaboration for Production of Inactivated COVID-19 Vaccine VLA2001

On November 29, 2021, Valneva and IDT Biologika announced their collaboration for the production of Valneva's inactivated COVID-19 vaccine candidate VLA2001. This follows the prior announcement that Valneva signed an Advance Purchase Agreement with the European Commission to supply up to 60 million doses of VLA2001, over two years.

Under the collaboration, IDT Biologika will produce VLA2001's drug substance at its Biosafety Level 3 facilities in Dessau-Roßlau, Germany, in addition to Valneva's manufacturing site in Livingston, Scotland.

(j) Valneva Reported Positive Phase 3 Results for Inactivated, Adjuvanted COVID-19 Vaccine Candidate VLA2001

On October 18, 2021, Valneva announced positive topline results from the pivotal Phase 3 "Cov-Compare" trial of its inactivated, adjuvanted COVID-19 vaccine candidate, VLA2001.

The Cov-Compare trial recruited a total of 4,012 participants aged 18 years and older across 26 trial sites in the United Kingdom. The trial met its co-primary endpoints: VLA2001 demonstrated superiority against AZD1222 (ChAdOx1-S), in terms of geometric mean titer for neutralization antibodies (GMT ratio=1.39, p<0.0001), (VLA2001 GMT 803.5 (95% CI: 748.48, 862.59)), (AZD1222(ChAdOx1-S) GMT 576.6 (95% CI 543.6, 611.7)), as well as non-inferiority in terms of seroconversion rates (SCR above 95% in both treatment groups) at two weeks after the second vaccination (i.e. Day 43) in adults aged 30 years and older.

T-cell responses analyzed in a sub-set of participants showed that VLA2001 induced broad antigen-specific IFN-gamma producing T-cells reactive against the S- (74.3%), N- (45.9%) and M- (20.3%) protein.

VLA2001 was generally well tolerated. The tolerability profile of VLA2001 was significantly more favorable compared to the active comparator vaccine. Participants 30 years and older reported significantly fewer solicited adverse events up to seven days after vaccination, both with regards to injection site reactions (73.2% VLA2001 vs. 91.1% AZD1222 (ChAdOx1-S), p<0.0001) and systemic reactions (70.2% VLA2001 vs. 91.1% AZD1222 (ChAdOx1-S), p<0.0001). No unsolicited treatment-related serious adverse events (SAE) have been reported. Less than 1% reported an adverse event of special interest in both treatment groups. Participants in the younger age group vaccinated with VLA2001 showed an overall safety profile comparable to the older age group.

The occurrence of COVID-19 cases (exploratory endpoint) was similar between treatment groups. The complete absence of any severe COVID-19 cases may suggest that both vaccines used in the study prevented severe COVID-19 caused by the circulating variant(s) (predominantly Delta).

Valneva announced the initiation of the trial on April 21, 2021 and recruitment completion on June 3, 2021.

(k) Valneva Continued Expansion of Clinical Trials of its Inactivated COVID-19 Vaccine Candidate VLA2001

On September 23, 2021, Valneva announced that it had commenced recruitment of adolescents in its pivotal Phase 3 clinical trial (VLA2001-301, "Cov-Compare") for its inactivated COVID-19 vaccine candidate VLA2001 in the United Kingdom. Topline results from the pivotal Cov-Compare trial are intended to form the basis for potential regulatory approval in adults. The Company has also started to provide boosters to volunteers in its Phase 1/2 VLA2001-201 trial. This expansion of VLA2001 clinical trials will support future approval in further age groups, in addition to adults.

Recruitment of adolescents, aged 12 to 17 years, commenced in the United Kingdom as part of Valneva's pivotal Cov-Compare Phase 3 trial (VLA2001-301). An initial cohort of adolescents was enrolled in an open label, non-randomized format. Subject to safety review, remaining participants were randomized to receive two doses of either VLA2001 or a placebo 28 days apart, followed by a booster dose seven months after enrolling into the study. Approximately 660 participants are to be recruited for this trial. Participants randomized to the placebo arm will have the opportunity to receive a course of VLA2001 following the initial safety assessment. A further expansion of the study to include volunteers younger than 12 years old is also envisaged, subject to data from the adolescent group.

(l) Valneva Completed Recruitment of Elderly Participants in Phase 3 Trial of its Inactivated COVID-19 Vaccine

On September 14, 2021, Valneva announced that it had completed recruitment of the initial cohort of elderly participants in Valneva's Phase 3 trial, VLA2001-304, of its inactivated COVID-19 vaccine candidate, VLA2001.

300 volunteers aged 56 years and older were recruited in New Zealand into the VLA2001-304 trial with the objective to generate further safety and immunogenicity data for this age group. The cohort size was increased to 300, from 150, in consultation with the EMA.

(m) Valneva Commenced Rolling Submission to MHRA for its Inactivated, Adjuvanted COVID-19 Vaccine

On August 23, 2021, Valneva announced that it had commenced rolling submission for initial approval of its COVID-19 vaccine candidate, VLA2001, with the MHRA in the United Kingdom.

(n) Valneva Initiated Further Phase 3 Clinical Trial for its COVID-19 Vaccine Candidate

On August 11, 2021, Valneva announced the initiation of a further Phase 3 trial (VLA2001-304) for its inactivated, adjuvanted COVID-19 vaccine candidate, VLA2001.

VLA2001-304 aims to generate data in the elderly and is also designed to potentially enable variant-bridging through immune-comparability. Data from this study are expected to complement ongoing clinical trials and support additional regulatory submissions.

(o) Valneva Participated in the World's First COVID-19 Vaccine Booster Trial in the UK

On May 19, 2021, Valneva announced that VLA2001 would be evaluated in a small, policy-led trial called Cov-Boost sponsored by University Hospital Southampton NHS Foundation Trust. This trial is not part of Valneva's regulatory package for the VLA2001 vaccine candidate.

(p) Valneva Reported Positive Phase 1/2 Data for its Inactivated, Adjuvanted COVID-19 Vaccine Candidate, VLA2001

On April 6, 2021, Valneva announced positive data for Part A of the Phase 1/2 clinical trial of VLA2001.

In study VLA2001-201, three dose levels of VLA2001 (low, medium, high), based on a schedule of two doses with vaccinations three weeks apart, were evaluated in 153 healthy adults aged 18 to 55 years. VLA2001 was generally well tolerated across all dose groups tested, with no safety concerns identified by an independent Data Safety Monitoring Board.

VLA2001 was highly immunogenic with more than 90% of all study participants developing significant levels of antibodies to the SARS-CoV-2 virus spike protein across all dose groups tested. Seroconversion Rates (SCR) for S-protein binding IgG antibodies were 89.8% in the medium dose and 100% in the high dose group.

Based on the data assessed, the Company had decided to advance the high dose into a pivotal, comparative immunogenicity Phase 3 clinical trial by the end of April 2021, subject to regulatory approval. Other trials, including booster trials, involving antigen sparing doses will also be evaluated. In parallel, Valneva had initiated the development of new variant based viral seed banks.

(q) Valneva Commenced Manufacturing of its Inactivated, Adjuvanted COVID-19 Vaccine and Completed Phase 1/2 Study Recruitment

On January 28, 2021, Valneva announced it had commenced production of its inactivated, adjuvanted COVID-19 vaccine candidate in parallel to the ongoing clinical studies, in order to optimize the timeline for potential deliveries of the vaccine.

VLA2001 is currently the only inactivated vaccine candidate in clinical trials against COVID-19 in Europe.

Commercial Activities

(r) Valneva and Scottish Enterprise in Advanced Discussions for Major Grant to Complete Livingston Site

On December 23, 2021, Valneva announced that it was in advanced discussions, with Scottish Enterprise, for a multi-million pound grant that will enable it to fully complete its strategic manufacturing site in Livingston, Scotland.

Following the termination of the supply agreement with the UK Government (HMG) for Valneva's inactivated COVID-19 vaccine candidate, VLA2001, Valneva paused its site plans. Valneva and Scottish Enterprise have since engaged in a highly constructive dialogue, and under the proposed grant, the Livingston site will be fully developed as a key vaccine production site for the long term.

Both Valneva and Scottish Enterprise would invest in the plant. Scottish Enterprise's contribution is expected to be through a series of grants totalling £10-20 million to enable Valneva to commence production at the plant. Discussions between the Company and the Scottish Government also include potential supply of VLA2001 for Scotland in the future, subject to regulatory approval. Valneva has also offered to make up to 25,000 doses of VLA2001 available for primary immunisation, free of charge, to National Health Service and frontline workers in Scotland, subject to regulatory approval. The grant is subject to contract and final due diligence and is expected to include commitments to jobs for the future in Livingston.

(s) Valneva Signed Advance Purchase Agreement with Bahrain for Inactivated COVID-19 Vaccine VLA2001

On December 8, 2021, Valneva announced the signing of an advance purchase agreement with the Kingdom of Bahrain for the supply of one million doses of the Company's inactivated COVID-19 vaccine candidate VLA2001. This is the second purchase agreement Valneva has secured for VLA2001 since reporting positive data for its Phase 3 clinical trial Cov-Compare.

Valneva has initiated a rolling submission process with the Bahraini National Health Regulatory Authority (NHRA).

(t) Valneva Signed Purchase Agreement with European Commission for its Inactivated COVID-19 Vaccine VLA2001

On November 23, 2021, Valneva announced that it had signed an Advance Purchase Agreement (APA) with the European Commission (EC) to supply up to 60 million doses of its inactivated COVID-19 vaccine candidate, VLA2001, over two years. The agreement follows the announcement made on November 10, 2021 that the EC had approved the APA.

Under the terms of the agreement following final review of the volumes by each of the European Union (EU) Member States, Valneva expects to deliver 24.3 million doses during the second and third quarters of 2022, subject to approval of VLA2001 by the European Medicines Agency (EMA). The EC has the option to increase this initial firm purchase order up to a total of 60 million doses, the remainder of which would be delivered in 2023.

(u) Valneva Received Notice of Termination of COVID-19 Vaccine Supply Agreement by UK Government

On September 13, 2021, Valneva announced that it had received a termination notice from the UK Government (HMG) in relation to the Supply Agreement for its COVID-19 vaccine candidate, VLA2001. The contract provides HMG with the right to terminate. HMG has alleged that the Company is in breach of its obligations under the Supply Agreement, but the Company strenuously denies this.

Valneva had worked tirelessly, and to its best efforts, on the collaboration with HMG including investing significant resources and effort to respond to HMG's requests for variant-derived vaccines. Valneva continues to be committed to the development of VLA2001 and will increase its efforts with other potential customers to ensure that its inactivated vaccine can be used in the fight against the pandemic.

(v) Valneva: U.S. DoD Exercised First Year Option on IXIARO® Supply Contract

On September 3, 2021, Valneva announced that the U.S. Department of Defense (DoD) has exercised the first option of the contract signed in September 2020 to purchase further supply of its Japanese encephalitis vaccine IXIARO®.

Due to the ongoing impact of the COVID-19 pandemic on DoD operations, the option terms had been amended such that the minimum number of doses for the first option year is now 200,000 with an approximate value of $28.8 million. This brought the total minimum value of the contract to approximately $118 million, assuming the exercise of the second year option that remains unchanged, compared to a minimum value of $135 million in the initial contract.

In order to support its customer through this pandemic period, Valneva will also provide additional inventory to DoD after September 2023 to mitigate the potential impact of unused stock that may expire. This replacement inventory will be provided without cost to DLA and resulted in a contract liability amounting to $5.4 million recognized as of December 31, 2021.

(w) Valneva Announced UK Government Exercise of Option for 40 Million Doses of its Inactivated, Adjuvanted COVID-19 Vaccine

On February 1, 2021, Valneva reported that the UK Government exercised its option to order 40 million doses of its inactivated, adjuvanted COVID-19 vaccine candidate for supply in 2022. This brought the total volume of the Valneva vaccine ordered by UK Government to 100 million doses and the UK Government had, at the time, retained options over a further 90 million doses for supply between 2023 and 2025. The total value of the 190 million doses, if all options had been exercised, was up to €1.4 billion.

Financing

(x) Valneva Announced Closing of Approximately $102 Million Global Offering

On November 3, 2021, Valneva announced the closing of its previously announced global offering to specified categories of investors of an aggregate 5,175,000 new ordinary shares, after full exercise of the overallotment option granted to the underwriters (the *Option*), consisting of a public offering of 354,060 American Depositary Shares (*ADSs*), each representing two ordinary shares, in the United States at an offering price of $39.42 per ADS (the *U.S. Offering*), and a concurrent private placement of 4,466,880 ordinary shares in Europe (including France) and other countries outside of the United States at the corresponding offering price of €17.00 per ordinary share (the *European Private Placement*, and, together with the U.S. Offering, the *Global Offering*). Aggregate gross proceeds of the Global Offering, after full exercise of the Option and before deducting underwriting commissions and estimated expenses payable by the Company, were approximately $102 million (€88 million).

(y) Valneva Announced Closing of $107.6 Million Global Offering

On May 11, 2021, Valneva announced the closing of its previously announced global offering to specified categories of investors of an aggregate of 8,145,176 new ordinary shares, after full exercise of the overallotment option granted to the underwriters (the *Option*), consisting of a public offering of 2,850,088 American Depositary Shares (*ADSs*), each representing two ordinary shares, in the United States at an offering price of $26.41 per ADS (the *U.S. Offering*), and a concurrent private placement of 2,445,000 ordinary shares in Europe (including in France) and other countries outside of the United States at the corresponding offering price of €11.00 per ordinary share (the *European Private Placement*, and, together with the U.S. Offering, the *Global Offering*).

Aggregate gross proceeds of the Global Offering, after full exercise of the Option, before deducting underwriting commissions and estimated expenses payable by the Company, were approximately $107.6 million (€89.6 million).

Valneva's ordinary shares are listed on Euronext Paris under the symbol "VLA" and its ADSs are listed on the Nasdaq Global Select Market under the symbol "VALN". The ADSs began trading on the Nasdaq Global Select Market on May 6, 2021.

(z) Valneva Announced Amendment to Deerfield and OrbiMed Debt Facility Terms

On January 15, 2021, Valneva announced an amendment to the terms of its existing debt facility with US-based healthcare investment firms Deerfield Management Company and OrbiMed.

Noting the COVID-19 pandemic's impact on the travel industry, and following a temporary waiver of the revenue covenant for the second half of 2020, Valneva, Deerfield and OrbiMed agreed to modify this covenant for 2021 and 2022, replacing the twelve-month rolling €115 million with quarterly minimum revenues representing an annual total of €64 million in 2021 and an annual total of €103.75 million in 2022. The parties also agreed to modify the minimum cash requirement to €50 million for 2021 and 2022 and to €35 million for the following years.

Appointments

(aa) Valneva Appointed Peter Bühler as Chief Financial Officer

On July 29, 2021, Valneva announced the appointment of Peter Bühler as Chief Financial Officer and Management Board member, with an expected arrival at Valneva within six months.

To ensure business continuity and transition, David Lawrence, Acting CFO of Valneva, agreed to continue supporting Valneva until late 2021.

(bb) Valneva Strengthened Management Team; Appointed Vincent Dequenne as SVP Operations and Joshua Drumm as VP Investor Relations

On July 6, 2021, Valneva announced it had appointed Vincent Dequenne as Senior Vice President Operations and Joshua Drumm as Vice President Investor Relations.

Vincent has taken responsibility for Valneva's industrial operations and worked closely with Valneva's interim Chief Operating Officer Perry Celentano.

Joshua is notably focused on developing the Company's investor relations in the U.S., following the Company's Initial Public Offering on Nasdaq. He works closely with Laetitia Bachelot-Fontaine, who continues to lead European investor relations and global communications.

(cc) Valneva Strengthened its Management Team; Appointed Perry Celentano as Interim COO and David Lawrence as Acting CFO

On January 11, 2021, Valneva announced it had appointed Perry Celentano as Chief Operating Officer (COO) on an interim basis to support the expansion of the manufacturing sites in Livingston and Solna.

Perry Celentano has an extensive track record in the pharma and vaccines industry including roles with Merck, Novartis and Dynavax.

Further to its September 2020 announcement that David Lawrence, CFO, would retire at the end of 2020, the Company re-appointed Mr. Lawrence as Acting Chief Financial Officer (CFO).

As Acting CFO, Mr. Lawrence supported ongoing strategic planning, including investor relations and key collaborations, including the COVID vaccine collaboration with the UK Government. The Company had previously announced that Mr. Lawrence would support the CEO in an advisory capacity following his retirement.

Others

(dd) Valneva Announced the Cancellation of Ordinary Shares Held by the Company following Termination of its Liquidity Agreement with Oddo BHF

On October 4, 2021, Valneva announced that the Management Board had decided to cancel all ordinary shares held by the Company following the termination of its liquidity agreement with Oddo BHF on June 11, 2021 (i.e., 4,025 ordinary shares in total, representing 0.004% of the share capital).

The Company's share capital was then set at 14,986,674.45 Euros, divided into 99,890,649 ordinary shares and 20,514 preferred shares convertible into ordinary shares, with a par value of 0.15 Euro each (i.e., 99,911,163 shares in total).

1.1.3. Recent events

Since the beginning of 2022, Valneva has made the following announcements:

(a) Valneva and Pfizer Reported Further Positive Phase 2 Data for Lyme Disease Vaccine Candidate

On February 4, 2022, Valneva and Pfizer reported further positive Phase 2 data for their Lyme disease vaccine candidate, VLA15. Based on these new results, Valneva and Pfizer plan to proceed with a three-dose primary series vaccination schedule in a planned Phase 3 clinical trial. The trial will evaluate VLA15 in adults and pediatric subjects 5 years of age and above and is expected to be initiated in 2022, subject to regulatory approval.

The Phase 2 trial, VLA15-221, compared the immunogenicity of VLA15 after administration of two (at months 0 and 6) or three (at months 0, 2 and 6) primary series doses in groups aged 5-11, 12-17 and 18-65 years. In the sub-analysis of adult participants (18-65 years old) who received VLA15 in either the two-dose schedule (N=90) or the three-dose schedule (N=97), performed one month after the last vaccination dose, VLA15 was found to be immunogenic with both vaccination schedules tested. These data are consistent with the strong immunogenicity profile observed for this age group in previous Phase 2 studies. However, the induction of anti-OspA IgG (anti-outer surface protein A immunoglobulin G) antibody titers was higher in participants who received the three-dose primary series compared to those who received the two-dose primary series, supporting the use of a three-dose primary series schedule in the planned Phase 3 clinical trial. The VLA15-221 trial is ongoing to assess the safety and immunogenicity of VLA15 in 5-17 year olds. Initial pediatric data are expected in the first half of 2022.

The analysis was also consistent with the acceptable safety and tolerability profile observed in previous studies of VLA15. No vaccine-related serious adverse events (SAEs) were observed.

(b) Valneva Successfully Completes Pivotal Phase 3 Trial of Single-Shot Chikungunya Vaccine Candidate

On March 8, 2022, Valneva announced the successful completion of the Phase 3 pivotal trial of its single-shot chikungunya vaccine candidate, VLA1553. The positive final analysis included six-month follow-up data and confirmed the topline results reported in August 2021. Valneva now expects to commence the pre-submission process with the U.S. Food and Drug Administration (FDA) in the second quarter of 2022.

The VLA1553-301 trial, which enrolled 4,115 adults aged 18 years and above across 44 sites in the U.S., met all primary and secondary endpoints. The final analysis confirmed the very high level of seroprotection, with 98.9% of participants achieving protective levels of chikungunya virus (CHIKV) neutralizing antibodies one month after receiving a single vaccination (263 of 266 subjects from the per-protocol subgroup tested for immunogenicity, 95% CI: 96.7-99.8). The excellent immunogenicity profile was maintained over time, with 96.3% of participants showing protective CHIKV neutralizing antibody titers six months after receiving a single vaccination (233 of 242 subjects from the per-protocol subgroup tested for immunogenicity, 95% CI: 93.1-98.3). The reported levels of seroprotection far exceeded the 70% threshold (for non-acceptance) based on a surrogate of protection agreed with the FDA under the accelerated approval pathway.

VLA1553 was also confirmed to be highly immunogenic in elderly study participants (65 years of age or older), who achieved equally high seroprotection rates and neutralizing antibody titers over time as younger adults. A dedicated antibody persistence trial (VLA1553-303) will monitor a subset of participants from study VLA1553-301 for a period of at least five years to confirm the anticipated long-term protection after a single vaccination.

The six-month safety profile was also consistent with previous results across all age groups. VLA1553 was generally well tolerated among the 3,082 subjects evaluated for safety. An independent Data Safety Monitoring Board continuously monitored the study and identified no safety concerns. The majority of solicited adverse events were mild or moderate and resolved within three days. 2% of study participants reported severe solicited adverse events, most commonly fever. Approximately 50% of study participants experienced solicited systemic adverse events, most commonly headache, fatigue and myalgia.

(c) Valneva Announced Initiation of Adolescent Phase 3 Trial for its Single-Shot Chikungunya Vaccine Candidate

On January 31, 2022, Valneva announced the initiation of a Phase 3 trial in adolescents for its single-shot chikungunya vaccine candidate, VLA1553.

Funded by the Coalition for Epidemic Preparedness Innovations (CEPI), the trial is intended to support the label extension in this age group following a potential initial regulatory approval in adults from the U.S. Food and Drugs Administration (FDA). It is also expected to support licensure of the vaccine in Brazil, which would be the first potential approval for use in endemic populations.

Conducted in Brazil by Instituto Butantan, VLA1553-321 is a double-blinded, multi-center, randomized and placebo-controlled Phase 3 trial. 750 adolescents aged 12 to 17 years will be randomized at a 2:1 ratio to receive either VLA1553 or placebo. The primary objective of the trial is to evaluate safety and immunogenicity following a single vaccination with VLA1553. Participants will be evaluated after 28 days and followed up to twelve months. The study will also provide safety and immunogenicity data in participants previously exposed to chikungunya.

(d) Valneva Received Emergency Use Authorization from Bahrain for its Inactivated COVID-19 Vaccine VLA2001

On March 1, 2022, Valneva announced that the National Health Regulatory Authority (NHRA) of the Kingdom of Bahrain has granted emergency use authorization for Valneva's inactivated, adjuvanted COVID-19 vaccine, VLA2001. This authorization follows a rolling review process with the Bahraini NHRA and reflects the NHRA's initiative to support the authorization of COVID-19 vaccines.

(e) Valneva Received Initial CHMP Assessment of its Inactivated, Adjuvanted COVID-19 Vaccine Candidate VLA2001

On February 25, 2022, Valneva announced that the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) had provided an initial assessment of Valneva's inactivated, adjuvanted COVID-19 vaccine candidate, VLA2001. Valneva had received a list of questions from the CHMP and stated that it was confident that it would be able to respond to these in the coming days. Following the Company's response, the EMA will provide a timetable towards anticipated conditional approval.

Subject to the CHMP's acceptance of Valneva's responses and the EMA's timetable, Valneva anticipates receiving a positive CHMP recommendation for conditional approval of VLA2001 for primary immunization in adults 18 to 55 years of age at the end of the first quarter of 2022. Following such conditional approval, the Company would expect to deliver the first shipments of VLA2001 to European countries early in the second quarter of 2022.

(f) Valneva Awarded Up to £20 Million by Scottish Enterprise to Advance Vaccine Development

On February 21, 2022, Valneva announced that its subsidiary Valneva Scotland has been awarded research and development funding of up to £20 million by Scottish Enterprise.

The investment from Scotland's national economic development agency follows advanced discussions reported on December 23, 2021, and will be comprised of two grants, which build on the agency's longstanding engagement with Valneva and will benefit the Company's manufacturing site in Livingston. The grants are expected to be received over the next three years, commencing March 2022.

The first grant of up to £12,500,000 will support research and development related to the manufacture of VLA2001, Valneva's inactivated, whole virus COVID-19 vaccine candidate. The second grant of up to £7,500,000 will support research and development connected to Valneva's manufacturing processes for other vaccines.

Valneva's research and development portfolio includes VLA1553, the Company's single-shot vaccine candidate against the mosquito-borne viral infection chikungunya, which it also intends to manufacture in Livingston. Valneva reported positive topline Phase 3 results in 2021 for both VLA2001 and VLA1553.

(g) Valneva Advanced Booster Phase of Cov-Compare Trial of Its Inactivated COVID-19 Vaccine Candidate

On January 25, 2022, Valneva announced the start of booster vaccinations in adult participants from its Phase 3 pivotal trial, Cov-Compare. This booster extension is intended to provide both homologous and first heterologous booster data to complement previous positive Phase 1/2 booster results. The data are not intended for the initial regulatory approval process, which the Company expects to finalize in the coming weeks.

The trial extension will evaluate a booster dose of VLA2001 in adults, aged 18 and above, who received primary vaccination with two doses of VLA2001, as well as participants, aged 30 and above, who received two doses of AstraZeneca's (AZD1222). The VLA2001 booster vaccination will be given at least seven months after completion of the primary vaccination series. The trial is currently ongoing in the UK and is supported by the National Institute for Health Research (NIHR). It is expected to provide topline data during the second quarter of 2022.

(h) Valneva's Inactivated COVID-19 Vaccine Candidate Shown to Neutralize Omicron Variant

On January 19, 2022, Valneva announced results from an initial laboratory study demonstrating that serum antibodies induced by three doses of Valneva's inactivated COVID-19 vaccine candidate, VLA2001, neutralize the Omicron variant.

Sera from 30 participants in the Phase 1/2 trial VLA2001-201 were used in a pseudovirus assay to analyze neutralization of the ancestral SARS-CoV-2 virus as well as the Delta and Omicron variants.

All 30 samples (100%) presented neutralizing antibodies against the ancestral virus and Delta variant, and 26 samples (87%) presented neutralizing antibodies against the Omicron variant. The mean fold reduction of neutralization relative to the ancestral virus was 2.7-fold for Delta and 16.7-fold for Omicron.

1.2. Overview and development of the Group

1.2.1. Business overview

(a) About Valneva

Valneva is a specialty vaccine company focused on the development, production and commercialization of prophylactic vaccines for infectious diseases with significant unmet medical need.

The Company takes a highly specialized and targeted approach to vaccine development and then applies its deep understanding of vaccine science to develop prophylactic vaccines addressing these diseases.

Valneva has leveraged its expertise and capabilities both to successfully commercialize two vaccines and to rapidly advance a broad range of vaccine candidates into and through the clinic, including candidates against Lyme disease, the chikungunya virus and COVID-19.

(b) Significant events in the development of the Group's activities

Please refer to the Sections "Annual operating highlights", "Recent events", "Description of the Group's activities" and "Group's business trends and outlooks" of this URD(1).

(c) Valneva's regulatory environment

The Valneva Group operates in a highly regulated environment. Its activities depend on numerous decisions by administrative authorities in each of the countries where it conducts research or markets its products, particularly with respect to clinical trial authorizations, marketing authorizations for vaccines, approved indications and recommended uses for marketed vaccines, as well as inspections of manufacturing and distribution sites (compliance with good practices).

The process of developing and marketing products such as Valneva's vaccine candidates therefore requires compliance with strict regulatory requirements and, as the case may be, is subject to control by the European Medicines Agency, the U.S. Food and Drug Administration, or equivalent national authorities depending on the territory concerned (such as the French *Agence Nationale de Sécurité du Médicament et des Produits de Santé*).

Preclinical studies

Preclinical studies are designed to evaluate the vaccine candidate both *in vitro* and *in vivo* in live animal organisms. These studies, which are mandatory for the preparation of a marketing authorization application file, allow obtaining initial information on the safety of the vaccine and determining the doses or ranges of doses to be administered to humans during subsequent clinical trials, taking into account the toxicity thresholds determined in animals.

Clinical Trials

When conducting clinical trials, the vaccine candidate is experimented on humans, in healthy or sick volunteers, to evaluate safety and efficacy. In order to be carried out, these clinical trials must be authorized by the relevant regulatory authorities, following the advice of independent ethics committees.

Clinical trials are performed in three Phases:

- Phase I is designed to conduct a short-term evaluation in healthy volunteers of the safety and immunogenicity (triggering of an immune response) of the experimental vaccine.
- Phase II is conducted in a limited number of sick or infected volunteers, to evaluate the safety and immunogenicity of the product and to identify the therapeutic index (ratio between the active dose and the dose that induces side effects). At this stage, if the therapeutic activity and tolerance of the vaccine are confirmed, the decision can be made to conduct Phase III clinical trials.
- Phase III is the final pre-marketing phase. Carried out on a large number of patients, it provides additional significant statistical data on clinical efficacy, safety, consistency of clinical batches, and other information based on regulatory recommendations. At the end of this Phase, the competent authority determines whether the vaccine can be marketed. If so, a Marketing Authorization is issued(2).

Note: There is also a Phase IV, which is performed after the product is marketed. Its objective is to document the vaccine over the long term (including from a safety and efficacy standpoint) under real-life conditions of use.

(1) See Sections 1.1.2, 1.1.3, 1.3 and 1.4.4.
(2) See hereinafter the paragraph "Marketing Authorization".

Performance of clinical trials requires compliance, in most countries, with the standards of Good Clinical Practice as promoted by the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH). This process is also based on a fundamental principle of patient consent, which requires, in particular, that the patient be informed of the full course and purpose of the study, as well as the expected benefits and any constraints or risks that may arise during the study.

Marketing Authorization

In order to be marketed, all pharmaceutical products must first obtain a Marketing Authorization issued by the competent national or supranational regulatory authorities.

The application for a marketing authorization is based on the submission of a file which contains manufacturing and control procedures and specifications as well as pre-clinical and clinical data from previous development phases. The objective of the authorities is then to verify, with regard to the proposed indication for treatment, to what extent the criteria of quality (aspects related to the industrial manufacture of the product), safety (*in vivo* behavior of the product in the non-human organism) and efficacy (study of the conditions of use defined for the product and assessment of the benefit/risk ratio established on the basis of clinical data) are met.

A Marketing Authorization thus granted certifies that the benefit/risk ratio, as reported in the marketing authorization file, is satisfactory, regardless of any economic considerations.

Note: there are exceptions to the usual procedures for granting Marketing Authorizations, allowing a product to be developed and marketed faster, in particular when it addresses unmet medical needs for serious or rare diseases, or if the product is of major interest from a public health point of view. This is the case, for example, with the Conditional Marketing Authorization(1) or Accelerated Assessment(2) procedure in Europe, or the Fast Track procedure in the United States(3).

Good Manufacturing Practice (GMP)

The European Union has established a system of manufacturing to ensure that pharmaceutical products authorized on the European market are manufactured/imported only by authorized manufacturers, whose activities are regularly inspected by the competent authorities, using Quality Risk Management principles. Manufacturing authorizations are therefore required by all pharmaceutical manufacturers in the European Union whether the products are sold within or outside of the Union.

Good Manufacturing Practice is that part of Quality Management which ensures that products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the Marketing Authorization, Clinical Trial Authorization or product specification. In this respect, the European Commission adopted two directives laying down principles and guidelines of Good Manufacturing Practices for medicinal products, including Directive 2003/94/EC which applies to medicinal products for human use. Detailed guidelines in accordance with those principles are published in the Guide to Good Manufacturing Practice provided by the Commission(4). This Guide shall be used in assessing applications for manufacturing authorizations and as a basis for inspection of manufacturers of medicinal products.

The United States has also established rules very similar to the European GMP (GMP 21CFR Parts 210 and 211)(5).

Transparency of links

Relationships between pharmaceutical companies and Healthcare Professionals are strictly regulated, since it is necessary to ensure that these relationships do not generate conflicts of interest. A system known as "Transparency of links" has thus been put in place, notably in the United States since 2010 (U.S. Sunshine Act), but also in France since 2011.

Companies producing or marketing products for human health purposes must now, in an increasing number of countries, disclose financial information on contracts they enter into with Healthcare Professionals, indicating the compensation and benefits awarded to these Healthcare Professionals.

*

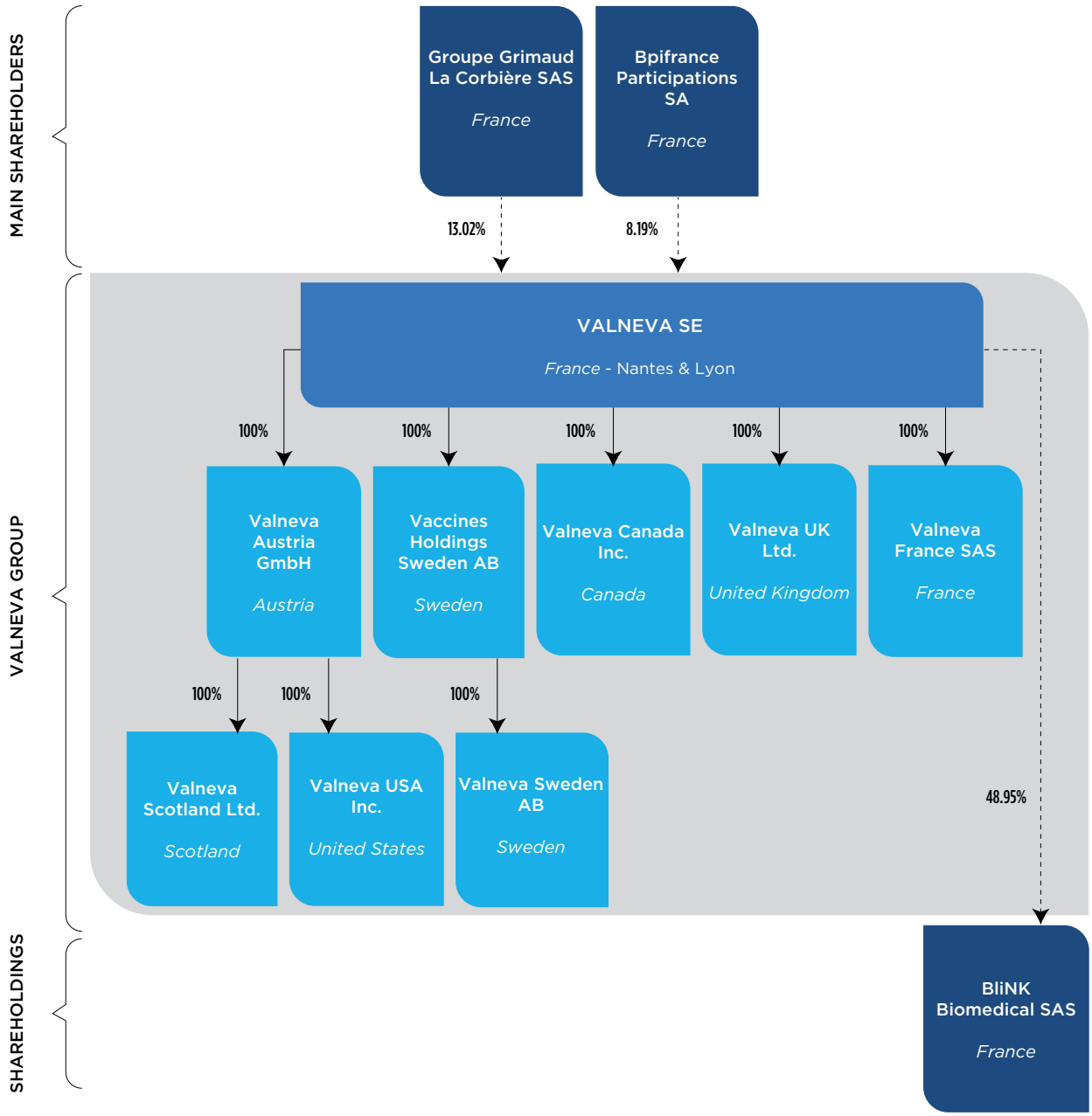
Risks related to the Group's regulatory environment - Litigation

A description of the risks related to the Group's regulatory environment, as well as current litigation (or threats of litigation, as the case may be), is included in the "Specific risks relating to the Group's business" and "Litigation" Sections of this URD(6).

(1) https://www.ema.europa.eu/en/human-regulatory/marketing-authorisation/conditional-marketing-authorisation
(2) https://www.ema.europa.eu/en/human-regulatory/marketing-authorisation/accelerated-assessment
(3) https://www.fda.gov/patients/fast-track-breakthrough-therapy-accelerated-approval-priority-review/fast-track
(4) https://ec.europa.eu/health/documents/eudralex/vol-4_en
(5) https://www.fda.gov/drugs/pharmaceutical-quality-resources/current-good-manufacturing-practice-cgmp-regulations
(6) See Sections 1.5.1 and 1.5.3.

1.2.2. Organization of the Group

(a) Organization at December 31, 2021



Percentages correspond to the percentage of ordinary capital held in each company, except for the shareholding of Valneva SE in BliNK Biomedical SAS, which is comprised of approximately 5.5% of preferred shares A2 (with voting rights) and approximately 10% of preferred shares A1 (without voting rights). Therefore, the Company owns 43.29% of the total voting rights in BliNK Biomedical SAS.

The subsidiaries and shareholdings of the Company only concern companies that are member of the consolidation scope of the Group[1]. The financial impacts of the companies that are members of the consolidation scope of the Group are included in the Notes to the Group's consolidated financial statements for the fiscal year 2021[2]. Additional financial information is also provided in the parent entity financial statements for the fiscal year 2021[3].

(b) Description of Valneva SE's subsidiaries

Valneva Austria GmbH

Valneva Austria GmbH is a fully-owned research subsidiary of Valneva SE, focusing on vaccines and preclinical and clinical development activities. The site is located at the Campus Vienna Biocenter, a melting pot of biotechnology and life sciences in Vienna. The facilities accommodate departments for vaccine research, (technical/clinical) product development, quality and regulatory affairs, marketing and sales functions as well as general and administrative functions.

In addition to using its latest-stage laboratory facilities for R&D activities, the site holds a certificate of Good Manufacturing Practice from the Austrian Agency for Health and Food Safety (AGES) for its Quality Control laboratories, and was successfully licensed by the US Food and Drug Administration.

At December 31, 2021, the site had a total of 256 people (including Management Board Members) mainly focusing on R&D and supporting commercialization of Valneva's Japanese encephalitis vaccine, IXIARO®, as well as DUKORAL®, FLUAD™, FLUCELVAX TETRA™, ENCEPUR® and RABIPUR® [4].

The financial highlights of the subsidiary at December 31, 2021 are:

- Shareholders' equity: €201,566,857.87
- Operating result: € -26,837,760.35
- Net result: € -35,350,494.10
- Total balance sheet: €649,140,621.46

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not available at the filing date of this URD.)

Valneva Austria GmbH currently owns two fully-owned subsidiaries, Valneva Scotland Ltd. and Valneva USA Inc.:

Valneva Scotland Ltd.

Valneva Scotland Ltd. is primarily involved in the production of Valneva's Japanese encephalitis vaccine, IXIARO®/JESPECT®, the production of the VLA1553 Chikungunya vaccine candidate and the production of the VLA2001 SARS-CoV-2 vaccine candidate.

At December 31, 2021, the site had a total of 251 people.

The financial highlights of the subsidiary at December 31, 2021 are:

- Shareholders' equity: GBP 12,942,028.66
- Operating result: GBP 1,687,415.62
- Net result: GBP 1,512,901.86
- Total balance sheet: GBP 325,667,065.30

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not available at the filing date of this URD.)

Valneva USA Inc.

The team in Gaithersburg (United States) is focusing on marketing and sales of Valneva's Japanese encephalitis vaccine, IXIARO®, to the US military and the US private market.

At December 31, 2021, the site had a total of 16 people.

The financial highlights of the subsidiary, at December 31, 2021, are:

- Shareholders' equity: USD -9,343,761.70
- Operating result: USD -3,214,973.11
- Net result: USD -3,769,698.85
- Total balance sheet: USD 19,108,655.26

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not required by law.)

Vaccines Holdings Sweden AB

Vaccines Holdings Sweden AB is a fully-owned subsidiary of Valneva SE.

The financial highlights of the subsidiary, at December 31, 2021, are:

- Shareholders' equity: SEK 210,375,856.78
- Operating result: SEK -4,560.44
- Net result: SEK 8,842.69
- Total balance sheet: SEK 210,375,856.78

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not available at the filing date of this URD.)

Vaccines Holdings Sweden AB owns a fully-owned subsidiary Valneva Sweden AB.

Valneva Sweden AB

Valneva Sweden AB is based in Solna (Sweden) and manufactures the DUKORAL® vaccine, distributes this vaccine in the Nordic countries as well as the *Japanese encephalitis* vaccine IXIARO®. In addition, Valneva Sweden AB provides fill and finish services for the VLA2001 SARS-CoV-2 vaccine candidate.

At December 31, 2021, the site had a total of 175 people.

(1) For a description of this scope, please refer to the Note 1 to the Group's consolidated financial statements for the fiscal year 2021, in Section 4.1.5 of this URD.
(2) See Section 4.1.5 of this URD.
(3) See in particular Section 4.2.5 (d) of this URD.
(4) See Section 2.7.9 of this URD.

The financial highlights of the subsidiary, at December 31, 2021, are:

- Shareholders' equity: SEK 1,960,087.36
- Operating result: SEK -19,253,244.02
- Net result: SEK -29,569,227.19
- Total balance sheet: SEK 763,926,227.44

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not available at the filing date of this URD.)

Valneva Canada, Inc.

Valneva Canada, Inc. is a fully-owned subsidiary of Valneva SE. Valneva Canada, Inc. is headquartered in Montreal (Quebec), and performs marketing and sales activities in Canada in relation to the IXIARO®, DUKORAL®, and RABAVERT® vaccines and KAMRAB immunoglobulins.

At December 31, 2021, the site had a total of 5 people.

The financial highlights of the subsidiary, at December 31, 2021, are:

- Shareholders' equity: CAD 4,452,697.55
- Operating result: CAD 540,312.31
- Net result: CAD 223,734.61
- Total balance sheet: CAD 11,290,901.85

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not required by law.)

Valneva UK Ltd.

Valneva UK Ltd. is a fully-owned subsidiary of Valneva SE. Valneva UK Ltd. sells DUKORAL®, IXIARO® and RABIPUR® vaccines in the United Kingdom, as well as MOSKITO GUARD® products.

At December 31, 2021, the site had a total of 5 people.

The financial highlights of the subsidiary, at December 31, 2021, are:

- Shareholders' equity: GBP 1,019,149.31
- Operating result: GBP -20,781.34
- Net result: GBP -125,699.95
- Total balance sheet: GBP 7,964,167.24

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not available at the filing date of this URD.)

Valneva France SAS

Valneva France SAS is a fully-owned subsidiary of Valneva SE, created in 2019. Valneva France sells the DUKORAL®, IXIARO®, ENCEPUR® and RABIPUR® vaccines in France, Belgium and the Netherlands.

At December 31, 2021, the site had a total of 4 people.

The financial highlights of the subsidiary, at December 31, 2021, are:

- Shareholders' equity: € -260,551.49
- Operating result: € -163,578.03
- Net result: € -171,747.17
- Total balance sheet: €3,538,884.38

(Figures according to IFRS reporting, as the GAAP-based financial statements of the subsidiary are not available at the filing date of this URD.)

(c) Description of Valneva SE's shareholdings

BliNK Biomedical SAS

BliNK Biomedical SAS specializes in antibody-based therapeutics. BliNK Biomedical SAS's initial technology resulted from the combination of the IVV platform contributed by the company BliNK Therapeutics Ltd. and the VIVA|Screen® platform contributed by Valneva SE.

Today, BliNK Biomedical SAS is owned by:

- Valneva SE, for 48.95% of the share capital (*i.e.* 43.29% of the total voting rights); and
- the historic investors of BliNK Therapeutics:
  - Kurma Biofund I, a professional investment fund,
  - different investment funds managed by the company Idinvest Partners,
  - the company Cancer Research Technology, and
  - the funders of BliNK Therapeutics,

  together, for 51.05%.

BliNK Biomedical SAS' Board (*Comité de supervision*) is chaired by its CEO and also includes a representative of Kurma Biofund I's management company (Kurma Partners), as well as a representative of Valneva SE.

As of today, BliNK Biomedical SAS has ceased its research activities, but remains the holder of contracts pursuant to which it has given a license to certain antibodies.

1.2.3. Property, plant and equipment

The Company's registered office is located at 6 rue Alain Bombard, 44800 Saint-Herblain (France). The Group has key manufacturing facilities located in Scotland and Sweden. The Group believes that its existing facilities are adequate for its near-term needs and that suitable additional or alternative manufacturing and office space will be available as required in the future to face the Group's needs.

At the filing date of this URD, the Group owns the following facilities:

- a 3,178 m^2 building located at 6 rue Alain Bombard in Saint-Herblain (France), used as laboratories and offices. Currently, about 127.5 m^2 are subleased to Vital Meat SAS, a Groupe Grimaud's affiliate; and
- two neighboring facilities in Livingston, Scotland, United Kingdom, used primarily for vaccine production, storage, and offices. One of these facilities is fully operational with a size of 3,547 m^2. The second facility was added in August 2020 is being expanded. On conclusion of construction, the site will have a size of approximately 5,000 m^2.

At the filing date of this URD, the Group leases the following facilities:

- a 10,725 m^2 building located in Vienna (Austria) used as laboratories and offices (of which 461 m^2 are currently subleased to Haplogen Bioscience GmbH);
- premises of about 315 m^2 located in Lyon (France) dedicated to sales and marketing activities. Valneva France SAS subleases around 152 m^2 to Valneva for offices;
- 10,739 m^2 located in Solna (Sweden), breaking down as follows:
  - industrial operation manufacturing: 4,005 m^2 for production activities and also housing laboratories, engineering and offices,
  - clinical trial manufacturing unit: 1,450 m^2 of space for the development and manufacture of Clinical Trial Material in addition to laboratories and office space,
  - supply chain, warehouse and customer service: around 1,504 m^2 including pick and pack activities in addition to office space,
  - quality control: about 1,206 m^2 of laboratories and offices, and
  - 2,574 m^2 of office space for commercial operations, quality assurance, administration, legal, IT and other support functions;
- since 2020, another facility is leased at Solna of around 4,000 m^2 breaking down as follows:
  - around 630 m^2 are used for industrial operation manufacturing, including fill and finish and GMP area;
  - approximately 3,370 m^2 used for Clean Not Classified areas, media production, cool rooms, goods receipt and offices for industrial operations and quality assurance;
- 27 m^2 of offices located at Fleet (UK) dedicated to sales and marketing activities;
- six offices and warehouses in Livingston, Scotland (UK), in the vicinity of the Group owned sites. These facilities together combine office and warehouse space with a total size of approximately 5,500 m^2;
- about 136 m^2 of offices located at Kirkland, Quebec (Canada), dedicated primarily for sales and marketing activities;
- approximately 352 m^2 of offices in Gaithersburg, Maryland (USA) dedicated for sales and marketing activities.

*

For environmental factors having a potential impact on uses by Valneva of its intangible assets, please refer to the Company's CSR Report.(1)

(1) See Section 3 of this URD.

1.3. Description of the Group's activities

1.3.1. Products and technologies of the Group

(a) IXIARO®/JESPECT®

Active substance and indications

Valneva's Japanese encephalitis vaccine is a purified, inactivated vaccine, administered in a convenient two-dose schedule. Each dose of IXIARO®/JESPECT® contains approximately 6 µg of purified and inactivated proteins of the Japanese encephalitis vaccine and 250 µg of aluminium hydroxide. The vaccine is indicated for the prevention of the disease for people who travel to, or live in, endemic areas. It has received marketing approval in the United States, Europe, Canada, Hong Kong, Singapore, and Israel under the trade name IXIARO® and in Australia and New Zealand where it is marketed as JESPECT®. It is the only vaccine available to the US military for Japanese Encephalitis. IXIARO® is approved for use in individuals two months of age and older in the US and EU member states, Canada, Norway, Liechtenstein, Iceland, Singapore, Hong Kong, and Israel. In all other licensed territories, IXIARO®/JESPECT® is indicated for use in persons aged 18 years or more.

Research and development

The US Food and Drug Administration and the European Commission granted marketing authorization for IXIARO® in the United States in March 2009 and in the 27 countries of the European Union in April 2009, respectively.

In June 2012, the Group submitted applications for the pediatric indication of the vaccine to the European Medicines Agency and the FDA. Following this submission, the pediatric indication was granted Orphan Drug Status by the FDA.

In December 2012, the Committee for Medicinal Products for Human Use of the EMA came to a positive opinion on the marketing authorization for IXIARO® in children. In February 2013, the vaccine received approval by the European Commission for use in children from the age of 2 months.

In May 2013, the FDA also granted a marketing authorization for the pediatric indication of the vaccine before granting a seven-year orphan drug market exclusivity for the pediatric indication in October 2013.

In May 2015, the European Medicines Agency approved an accelerated IXIARO® vaccination schedule of two doses administered seven days apart, compared to the previous 28-Day schedule. The accelerated IXIARO® vaccination schedule was also approved by Health Canada in March 2018 and the FDA in October 2018 for adult travelers aged 18-65 years. These approvals come in addition to the previously approved schedule.

In March 2020, the U.S. Food and Drug Administration (FDA) approved the extension of the shelf life of IXIARO® from 24 months to 36 months.

Marketing

IXIARO® is the only Japanese encephalitis vaccine licensed and available in the United States, Canada and Europe.

In 2015, Valneva took the strategic decision to build its own commercial network and to terminate the IXIARO®-related marketing & distribution agreement which had been signed with Novartis in 2006, and transferred to GSK in 2015 following an asset swap between Novartis and GSK. The Group now has its own dedicated sales and marketing organizations with offices in the United States, Canada, UK, France, Sweden and Austria.

To complement its own commercial sales infrastructure and ensure broad geographic availability of its products, Valneva entered into a number of country-specific marketing & distribution agreements with leading local distribution partners. In June 2020, Valneva entered into an agreement with Bavarian Nordic to commercialize the Group's products in Germany and Switzerland.

Sales of IXIARO® were €45.1 million in 2021 compared to €48.5 million in 2020. Sales in 2021 continued to be significantly impacted by the impact of the pandemic on the travel industry.

In September 2020, the US Defense Logistics Agency, or DLA, awarded Valneva a new contract for the supply of IXIARO®. The terms of the agreement, as subsequently amended in September 2021, contemplate an initial base year followed by two option years, each with a range of minimum and maximum potential dose orders. The base year had a minimum value of approximately $53 million for 370,000 doses, and the first option year, which DLA has exercised in September 2021, has a minimum value of approximately $28.8 million for 200,000 doses. The second option year, if exercised, has a minimum value of approximately $36 million for 250,000 doses.

Intellectual property

Please refer to the paragraph "Intellectual property" of this URD(1).

(b) DUKORAL®

In February 2015, Valneva acquired the DUKORAL® vaccine, together with the associated production assets and a vaccine distribution business in the Nordic countries.

(1) See Section 1.3.3 (b).

Active substance and indications

DUKORAL® is indicated for active immunization against disease caused by *Vibrio cholerae* serogroup O1 in adults and children from 2 years of age and over travelling to endemic/epidemic areas.

Depending on the country, DUKORAL® is indicated for protection against cholera or against cholera and *Enterotoxigenic escherichia coli* (ETEC), or against diarrhea caused by LT-ETEC and cholera.

- Countries in which DUKORAL® is indicated for protection against cholera: the European Union (including Iceland and Norway) Australia, Hong Kong, South Korea, Indonesia and the United Arab Emirates.
- Countries in which DUKORAL® is indicated for protection against cholera and ETEC bacteria contamination: Bangladesh, Benin, Brazil, Burkina Faso, Cameroon, Chile, Congo (Brazzaville), Curacao, Gabon, Ivory Coast, Kenya, Madagascar, Malaysia, Mauritius, Mexico, New Zealand, the Philippines, Senegal, Singapore, South Africa, Switzerland, Tanzania, Thailand, Trinidad and Tobago, Uruguay and Zanzibar.
- Countries in which DUKORAL® is indicated against diarrhea caused by LT-ETEC and cholera: Canada.

DUKORAL® is taken orally with bicarbonate buffer, which protects the antigens from the gastric acid. The vaccine acts by inducing antibodies against both the bacterial components and CTB. The antibacterial intestinal antibodies prevent the bacteria from attaching to the intestinal wall, thereby impeding colonization of *Vibrio cholerae* O1. The anti-toxin intestinal antibodies prevent the cholera toxin from binding to the intestinal mucosal surface, thereby preventing the toxin-mediated diarrheal symptoms.

Research and development

Approximately 50 clinical trials, involving more than 250,000 subjects, were conducted on DUKORAL®.

DUKORAL® was first granted authorization for use in Sweden in 1991.

In 2004, DUKORAL® was granted a marketing authorization by the European Commission (through the "centralized" procedure) for European Union members (including Norway and Iceland) and also was pre-qualified by the World Health Organization.

Today, DUKORAL® is authorized for use in more than 50 countries.

Marketing

DUKORAL® is currently the only approved cholera vaccine available for Canadian and Australian travelers. It is also approved for European travelers along with another vaccine called Vaxchora. Other vaccines approved for this indication are produced locally and their use is strictly limited to the national territory concerned (for example, Shanchol™, mORCVAX™ and OraVacs).

DUKORAL® is commercialized by Valneva's own marketing and distribution network, and by leading local distribution partners.

In 2021, Valneva reported DUKORAL® sales of €2.4 million compared to €13.3 million in 2020. Sales in 2021 continued to be significantly impacted by the ongoing COVID-19 pandemic.

Intellectual property

Please refer to the section "Intellectual property" of this URD(1).

(c) Technologies and services

The Technologies and Services segment mainly includes revenues from the Group's technologies (EB66® cell line and vaccine adjuvant IC31®), as well as R&D services provided by Valneva to third parties including process and assay development, production and testing of Clinical Trial Material (CTM).

EB66® cell line

Derived from duck embryonic stem cells, the EB66® vaccine production platform provides an alternative to the use of chicken eggs for large scale manufacturing of human and veterinary vaccines. More than 20 different families of viruses have been shown to efficiently propagate in EB66® cells.

Five EB66®-based vaccines have been approved worldwide both in human and animal health.

IC31® adjuvant

Valneva's IC31® adjuvant is a synthetic vaccine adjuvant targeting antigens to improve immune response. Valneva has granted IC31® licenses to leading pharmaceutical companies including GSK, Statens Serum Institut, Aeras, Sanofi Pasteur and Altimmune.

R&D Services

Valneva leverages its capabilities in product development and clinical trial materials manufacturing with third parties, including:

- technical development (process and assay development for viral and bacterial vaccines);
- clinical immunology assay development and sample testing services;
- clinical manufacturing;
- *in-vivo* testing for pre-clinical proof of concept (PoC);
- immunogenicity and safety assessments;
- general facility services; and
- clinical strategy and operations for clinical-stage vaccine programs.

(1) See Section 1.3.3 (b).

In June 2020, Valneva and Batavia Biosciences entered into a collaboration agreement to accelerate market-access of a low-cost inactivated polio vaccine (IPV). Under the terms of the agreement, as amended, Valneva will store and handle polio materials in its state-of-the-art GMP polio manufacturing facility operated under GAPIII polio containment in Solna, Sweden.

In 2018, Valneva Sweden AB and Hookipa Pharma Inc. entered into a three-year collaboration and manufacturing agreement. Under the terms of the agreement, Valneva Sweden AB has provided analytical services, developed process scale-up and produced Good Manufacturing Practices (GMP) clinical trial material to support the development of new immunotherapies based on Hookipa's Vaxwave® and TheraT® arenavirus vector-technologies. The agreement expired on January 31, 2022.

Intellectual property

Please refer to the paragraph "Intellectual property" of this URD(1).

1.3.2. Market and strategies

(a) Main markets

General information

The biotech and vaccine industry is highly competitive and has experienced an increased level of horizontal and vertical concentration in recent years. Because of extremely high development costs mostly coupled with little revenue in the years of development, many biotech companies are being taken over by big pharmas or are part of further industry consolidation. In addition, significant changes in the sales and marketing of pharmaceutical products are currently occurring in the US and European pharmaceutical markets, including a decrease in the flexibility of pricing and a strengthening of cost control measures as health care cost management has now become a priority worldwide.

The Group's strategy is to focus its research and development program on the development of new products for unmet medical needs and where the health economic benefits are self-evident.

However, for certain product candidates, the Group may have to compete with other pharmaceutical companies developing similar products.

Competitive position

Human vaccine market

Having re-emerged over the last decade as a growing business area within the life science sector, the global vaccine market offers significant opportunity for future growth.

Key growth drivers in the market are anticipated to be:

- favorable cost/benefit profile to governments and other healthcare providers;
- limited risk from generic competition;
- additional recommendations and increased coverage rates;
- new therapeutic areas like hospital infections, allergy and cancer which are currently dominated by pharmaceutical treatments.

In addition, the COVID-19 pandemic has prompted significant demand for vaccines against SARS-CoV-2.

Travel vaccines market

A significant number of travelers journey from developed countries to regions with endemic diseases. The global travel vaccines market was worth around $5.2 billion in 2019(2). However, the COVID-19 pandemic has significantly disrupted the travel industry and as a consequence also the market for travel vaccines. It is anticipated that the travel vaccines market will recover in parallel with the overall travel industry, though the timing of this recovery remains uncertain.

Key growth drivers in the market, once the COVID-19 pandemic is over, are anticipated to be:

- an elevation of travel health awareness amongst lay-public;
- an increase in the vaccination rate in response to improved awareness about the illness and up-to-date recommendations;
- the availability of more effective and safer vaccines;
- expanded indications, for infants or older persons for example;
- a change in geographical reach for the vector transmission of the illness (for example for chikungunya, Lyme disease, etc.).

Vaccines market analysis

The worldwide vaccine market is dominated by four major players (Pfizer, Merck, Sanofi Pasteur, GSK) who together account for nearly 70% of revenues.

Japanese encephalitis vaccines

Valneva's commercial vaccine against Japanese encephalitis (IXIARO®/JESPECT®) is the only approved and available vaccine for EU and US travelers going to Japanese encephalitis-endemic areas and for the US military personnel deployed to those areas.

(1) See Section 1.3.3 (b).
(2) IMARC. Travel Vaccines Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2020-2025.

In the different endemic territories, a number of locally manufactured and approved first generation, mouse-brain derived Japanese encephalitis vaccines are on the market. Several second generation Japanese encephalitis vaccines have also been approved in certain territories (Biken (Japan) -inactivated vero-cell based; Chengdu (China) – live-attenuated; Kaketsuken (Japan) – inactivated vaccine; Sanofi Pasteur (Australia/some Asian territories) – live-attenuated, chimeric Yellow Fever backbone-based vaccine). None of these vaccines is currently approved for sale in the European Union or the United States. In Australia, which is the only country where the Company's Japanese encephalitis vaccine (JESPECT®) is in direct competition (with Sanofi's IMOJEV), Valneva has approximately a 50% market share (in volume).

Cholera vaccines

Valneva's DUKORAL® vaccine is the only vaccine against cholera available for travelers of the European Union, Canada and Australia (countries in which the vaccine received WHO prequalification) and with an approved indication for ETEC in certain countries. Canada, Nordic countries and Australia account for approximately 75% of the vaccine sales.

The DUKORAL® market can be segmented between the travelers market and the market for endemic illnesses. The endemic illness market is not currently a target market for the Group, as it currently represents less than 3% of sales.

Sales trends are driven by typical factors associated with travelers' vaccines, including the number of travelers in endemic regions, national recommendations, awareness about the illness and the perception of risk by health practitioners and tourists. An indication for LT-ETEC diarrhea in Canada, in conjunction with educational and promotional efforts, has resulted in higher penetration rates in this market.

Other cholera vaccines distributed locally do exist, including vaccines by EuBiologics (Korea), Vabiotech (Vietnam), Shanta (India) and United Biotech (China). These four vaccines are approved for local use. Asian manufacturers dominate the distribution in local markets, and in particular for the cholera vaccine.

US firm PaxVax (acquired by Emergent BioSolutions Inc. – EBSI – in August 2018) has developed, with the support of public grants, a frozen oral cholera vaccine, Vaxchora, that is available in the United States and has been approved but not yet commercialized in Europe. The trial demonstration of the vaccine's protection against ETEC was not successful in the Phase 1 study, which limits a potential competition of the vaccine with DUKORAL® in key markets (such as Canada, for example).

Lyme disease vaccines

Currently, there is no vaccine available to protect humans against Lyme disease, the most common tick-transmitted infection in the Northern hemisphere.

Valneva has the only Lyme disease vaccine program in clinical development today. Valneva is also aware of potential non-vaccine treatments to prevent Lyme disease that are in early clinical development.

According to the U.S. Centers for Disease Control and Prevention (CDC), approximately 476,000 Americans are diagnosed and treated for Lyme disease each year with at least a further 200,000 cases in Europe. Studies indicate that Lyme disease costs up to approximately $1.3 billion each year in direct medical costs in the United States alone.

The market for potential Lyme disease vaccine is estimated to reach a value of $1 billion globally by 2030 [(1)].

Chikungunya vaccines

Chikungunya is considered a major public health threat with no preventive vaccines or effective treatments available.

As of 2017, there had been more than one million reported cases in the Americas[(2)] and the economic impact is considered significant (e.g. Colombia outbreak of 2014: $73.6 million[(3)]). The medical burden is expected to grow as the distribution of the chikungunya virus through primary mosquito vectors continues to spread further geographically.

Three other companies are conducting clinical trials to develop a vaccine against chikungunya, but Valneva is the only one to have announced positive topline Phase 3 data.

Valneva plans to take this vaccine to market with the prospect of leveraging major manufacturing and commercial synergies. While the Group will focus its efforts on the traveler vaccine market, it has also partnered with the Instituto Butantan in Brazil, in collaboration with CEPI, to meet the needs of Low and Middle-Income Countries.

The global market potential for chikungunya vaccines is estimated to reach up to $500 million annually by 2032[(4)].

(1) Lyme Disease. L.E.K. interviews, research and analysis for traveler vaccine market.
(2) PAHO/WHO data: Number of reported cases of Chikungunya Fever in the Americas - EW 51 (December 22, 2017).
(3) Cardona-Ospina et al., Trans RSoc Trip Med Hyg 2015.
(4) VacZine Analytics Chikungunya virus vaccines Global demand analysis, February 2020.

COVID-19 vaccines

Over 70 COVID-19 vaccines have been tested in clinical trials[1]. As of March 1, 2022, COVID-19 vaccines from five companies were already approved for emergency use in the European Union or the United Kingdom: Pfizer-BioNTech, Moderna, AstraZeneca, Johnson & Johnson, and Novavax. The vaccines from Pfizer-BioNTech and Moderna are based on mRNA technology. The vaccines from AstraZeneca and Johnson & Johnson use a viral vector technology. Novavax's vaccine is based on recombinant protein technology. In addition to the Group's COVID-19 vaccine candidate, VLA2001, the following vaccines were under rolling review by the European Medicines Agency as of March 1, 2022: Sputnik V from the Gamaleya Institute (based on viral vector technology), Sinovac's vero cell inactivated vaccine, and Vidprevtyn from Sanofi Pasteur (based on recombinant protein technology). The Group's VLA2001 vaccine candidate is the first inactivated whole virus vaccine candidate in clinical development in Europe. The inactivated vaccine is a proven approach that has been used for decades.

(b) Strategy of the Group

Mid-Term Strategy

The Group's strategy is based on an integrated business model that has allowed it to build a portfolio of differentiated clinical and pre-clinical assets as well as a robust commercial portfolio. The Group is focused on utilizing its proven and validated product development capabilities to rapidly advance its late-stage clinical programs to regulatory approval and commercialization.

The Group has historically entered into strategic partnerships with other well-established pharmaceutical companies to leverage their clinical and commercial capabilities to optimize the potential value of select assets and plans to continue to pursue opportunities for similar partnerships in the future.

As the Group advances its late stage portfolio, it also remains focused on investing in its research and development pipeline in order to develop its earlier stage assets as well as identify new targets and indications where the Group believes it can make a significant difference.

The Group plans to continue to promote sales of its proprietary products, IXIARO® and DUKORAL®. To date, sales of these products, as well as products that the Group markets for third parties, such as RABIPUR® and ENCEPUR® on behalf of Bavarian Nordic, have generated revenues that the Group has been able to reinvest in its research and development programs and use to build the necessary infrastructure to support the manufacturing of its vaccine candidates.

R&D

Valneva's research and development teams are committed to developing vaccine candidates in high medical need indications and to offering innovative solutions for the benefit of patients and society.

The Group's main R&D assets are :

- VLA15, the only vaccine in clinical development against Lyme disease, the most common tick-borne infection in the northern hemisphere;
- VLA1553, a single injection vaccine against chikungunya, a mosquito-borne disease that is highly prevalent in tropical and subtropical regions;
- VLA2001, the only COVID-19 inactivated and adjuvanted whole-virus vaccine currently in clinical development in Europe.

As of the date of this URD, VLA2001 has received an Emergency Use Authorization from the National Health Regulatory Authority of Bahrain, and regulatory review processes are ongoing with the European Medicines Agency and the Medicines and Healthcare products Regulatory Agency in the United Kingdom.

Valneva plans to develop its COVID-19 and chikungunya vaccines alone until they are marketed with the intention of deriving significant commercial and/or industrial synergies. It has also entered into a partnership with Pfizer for the late-stage development and commercialization of its Lyme disease vaccine.

(1) New York Times. COVID-19 Vaccine tracker.

1.3.3. Research and development, patents, licenses

(a) Research and development

Valneva's vaccine candidates

Valneva's clinical portfolio is composed of three highly differentiated vaccine candidates that are designed to provide preventative solutions to diseases with high unmet need.

VLA15 is a vaccine candidate targeting Borrelia, the bacterium that causes Lyme disease. VLA15 is under development in collaboration with Pfizer, and it is the only active vaccine candidate against Lyme disease currently undergoing clinical trials. VLA15 has received Fast Track designation from the US FDA. Valneva has completed recruitment and reported initial results of three Phase 2 clinical trials of VLA15 in over 900 healthy adults, and interim analysis has demonstrated the presence of high titers of antibodies against all six strains of Borrelia targeted by the vaccine.

Valneva's clinical portfolio also includes VLA1553, a vaccine candidate targeting the chikungunya virus, which has spread to more than 100 countries and infected more than 3 million people in the Americas since first arriving there in 2013. VLA1553 is the first and only chikungunya vaccine candidate to report positive Phase 3 data, and the Company believes that VLA1553 is differentiated from other clinical stage chikungunya vaccine candidates since it is the only live-attenuated vaccine, which makes it particularly well-suited to target long-term protection with a single administration. VLA1553 has received Fast Track and Breakthrough Therapy designation from the FDA and PRIME designation from the EMA. The Company reported positive final results for its pivotal Phase 3 clinical trial of VLA1553 in March 2022.

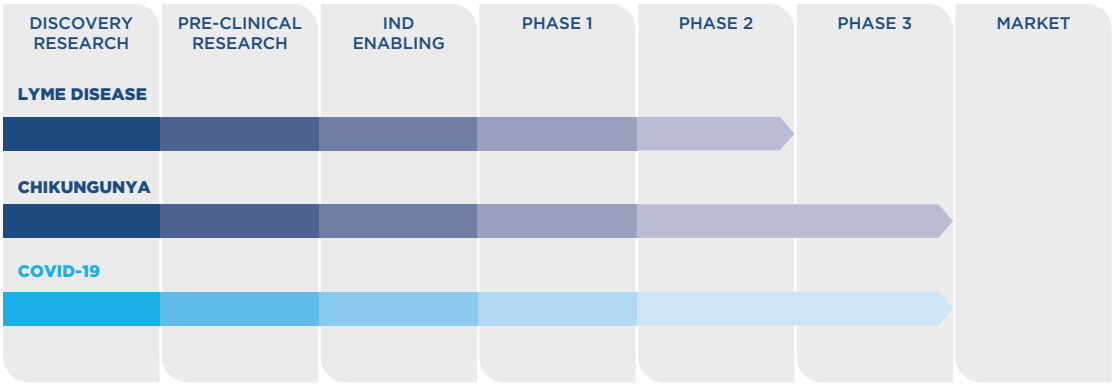
Valneva is also advancing VLA2001, a highly purified, inactivated and adjuvanted vaccine candidate against the SARS-CoV-2 virus that causes COVID-19 in order to address the urgent, global need for billions of doses of vaccines. VLA2001 is the only inactivated vaccine candidate for COVID-19 currently in clinical development in Europe. Valneva reported positive initial results from its pivotal Phase 3 clinical trial of VLA2001 in October 2021. In December 2021, Valneva announced positive homologous booster data showing an excellent immune response after a third dose of VLA2001 was administered seven to eight months following completion of primary vaccination with VLA2001, and in January 2022, Valneva announced data from a laboratory study showing that a third dose of VLA2001 produced neutralizing antibodies against the Delta and Omicron variants of the virus. Valneva has signed agreements to supply VLA2001 to the European Commission and to the Kingdom of Bahrain, and Bahrain's National Health Regulatory Authority granted an Emergency Use Authorization for VLA2001 in February 2022.

Valneva's advanced clinical portfolio is supported by its significant development, manufacturing and commercial capabilities. The Company believes that its deep understanding of the regulatory requirements in various countries and strong connections to key stakeholders in select geographies such as the United States, Europe and Canada strengthen its expertise in product development and set it up for success. The Company also has a robust manufacturing and laboratory platform in place with facilities across Europe to meet its clinical and commercial needs, including three BioSafety Level 3 research and development facilities. Additionally, sales of Valneva's proprietary products, IXIARO® and DUKORAL®, as well as products that it commercializes on behalf of third parties have given Valneva the ability to reinvest in its research and development programs and to build the necessary infrastructure to support manufacturing of its product candidates.

Valneva's Clinical Portfolio

Valneva has a broad portfolio that consists of assets at all stages of development including late and early stage clinical assets, pre-clinical assets and commercial assets. Each of the assets in the Company's portfolio target diseases currently lacking a preventative and effective therapeutic treatment option or that the Company believes may have meaningful therapeutic advantages relative to other existing vaccine and treatment options. The Company develops its vaccine candidates with the mechanism of action it believes will be most effective against the targeted disease. As a result of this strategy and the Company's ability to mobilize expertise to achieve rapid product candidate selection and development, Valneva believes that two of its vaccine candidates, VLA15 and VLA1553, are the leading candidates against their target diseases.

A portfolio of vaccine candidates for infectious diseases with major unmet needs:



Lyme disease vaccine candidate, VLA15

Valneva has developed VLA15, a vaccine candidate against Borrelia, the bacterium that causes Lyme disease. VLA15 is a multivalent recombinant protein vaccine that targets six serotypes of Borrelia representing the most common strains found in the United States, Canada and Europe. More specifically, VLA15 generates antibodies targeting the OspA protein on the surface of Borrelia, killing the bacteria before it can be transmitted from an infected tick. VLA15 is the only active vaccine candidate against Lyme disease currently undergoing clinical trials. Valneva has completed recruitment and reported initial results for three Phase 2 clinical trials of VLA15 in over 900 healthy adults, in which Valneva observed high levels of antibodies against all six strains of Borellia. In April 2020, Valneva announced a collaboration with Pfizer pursuant to which Pfizer will lead late phase development of VLA15. If VLA15 is approved, Pfizer will have sole control over its commercialization. and Valneva will be eligible to receive milestone and royalty payments.

As part of the collaboration with Pfizer, Valneva announced in December 2020 that it had accelerated the pediatric development of VLA15 with an additional Phase 2 clinical trial, which began in March 2021. The dosing of the first subject in this trial triggered a milestone payment from Pfizer of $10 million. Valneva announced positive data from this additional Phase 2 clinical trial in February 2022.

Together with Pfizer, Valneva expects that the Phase 3 pivotal, placebo-controlled field efficacy trial will start in the third quarter of 2022 to ensure administration of VLA15 in time for the 2023 tick season. The dosing of the first subject of the Phase 3 trial will trigger a $25 million milestone payment from Pfizer. Initial data, based on the first tick season of the trial, may be reported by the end of 2023. If the results from these clinical trials are positive, Valneva expects Pfizer to submit a biologics license application, or BLA, and marketing authorization application, or MAA. VLA15 has received Fast Track designation from the FDA.

Results of clinical trials of VLA15

Phase 1 Trials

Valneva evaluated VLA15 in a partially randomized, multi-center dose escalation Phase 1 clinical trial conducted in Belgium and the United States in 179 healthy adults below 40 years of age. The first 24 subjects were included in an open-label trial in which they participated in a staggered dose escalation design. The remaining 155 subjects were enrolled in one of six blinded treatment groups, receiving VLA15 at a dose of either 12 µg, 48 µg or 90 µg, with or without alum as an adjuvant, by intramuscular injection on Days 0, 28 and 56. The trial was designed to investigate the safety and tolerability as well as immunogenicity of VLA15. The primary endpoint was safety and tolerability of VLA15 up to three months after enrollment (Day 84).

The final Phase 1 data supported the tolerability profile observed at all time-points, as reported in the interim analysis. The Phase 1 trial met its study endpoints in terms of safety and immunogenicity. The majority of adverse events were mild or moderate and there were no vaccine-related serious adverse events, allergic reactions or reactions potentially related to Lyme borreliosis observed. The most common local adverse events were injection site pain (67%) and tenderness (84.4%). Solicited systemic adverse events were reported by 58.1% (48 µg with alum group, 90 µg with alum group) to 76.7% (90 µg without alum group) of subjects.

The most common solicited systemic adverse events were headache (44.7%), excessive fatigue (25.1%) and myalgia (25.1%). Adverse event rates following subsequent doses in the primary series declined compared to the first dose, indicating no enhanced reactogenicity risk with subsequent vaccinations.

In addition, the final Phase 1 immunogenicity results indicated that the alum-adjuvanted formulations elicited higher immune responses at all time-points, confirming interim data findings as compared to respective non-adjuvanted groups of the same dose level. As expected, based on the interim Phase 1 data, antibody titers declined post Day 84 across all groups, trending towards baseline at approximately one year post initial vaccination.

For some vaccines, immunity begins to decline after a certain period of time, at which point a "booster" dose is needed to raise immunity levels. To evaluate the benefit of a booster dose, 64 subjects across the two higher dose groups (48 µg and 90 µg, both with and without alum) from the Phase 1 trial received a booster in the period 12 to 15 months after their initial dose in the primary immunization. Safety and immunogenicity of VLA15 was evaluated up to month 19, with an interim analysis at month 14. This booster dose resulted in a significant anamnestic response, yielding OspA antibody titers at levels from 2.7-fold for ST2 and ST3 to 5.8- fold for ST1 over the initial titers observed at Day 84. Additional data about a booster dose follow in the Phase 2 discussion below.

Phase 2 Trials

Valneva has evaluated the safety and immunogenicity of VLA15 at different dosage levels and schedules in two Phase 2 clinical trials, VLA15-201 and VLA15-202, in Europe and the United States. Together, these trials enrolled 818 healthy adults of 18 to 65 years of age. Valneva also commenced a third Phase 2 clinical trial in the United States in March 2021 as part of its collaboration with Pfizer. This trial, VLA15-221, incorporates a shorter dosing schedule and includes pediatric participants.

VLA15-201 Clinical Trial and Results

The first Phase 2 trial, VLA15-201, was a randomized, observer-blind, placebo-controlled, multi-center Phase 2 clinical trial conducted in Belgium, Germany and the United States, consisting of a "run-in phase" and a "main study phase." In the run-in phase, a total of 120 subjects aged 18-40 were randomized into one of four groups: a placebo group and three groups at different dosage levels of VLA15 with alum (90 µg,135 µg or 180 µg). The subjects received intramuscular injections on Days 1, 29 and 57. Based on the elicited higher antibody responses across all serotypes observed from the run-in phase, the Company selected the two higher VLA15 dose levels to be evaluated in the main study phase.

A total of 452 subjects aged 18-65 were randomized 2:2:1 to receive one of two VLA15 doses (135 µg or 180 µg) or placebo, and received intramuscular injections on Days 1, 29 and 57. The primary endpoint for the trial was geometric mean titers (GMTs) for immunoglobulin G (IgG) against each OspA serotype, one through six. GMT calculates the average antibody across a set of subjects. Secondary endpoints examined SCR, geometric mean fold rise (GMFR) and occurrence of adverse events.

In July 2020, the Company announced statistically significant results from the Phase 2 clinical trial of VLA15-201 in which VLA15 was observed to be immunogenic across all dose groups tested. Compared to results from the Phase 1 clinical trial, the higher doses used in the Phase 2 trial elicited higher antibody responses across all serotypes than those observed after the primary dose in the Phase 1 trial. SCR in the highest dose ranged from 81.5% (serotype 1) to 95.8% (serotype 2) on Day 85. No statistically significant differences between the 135 µg and 180 µg treatment groups were observed in the GMTs for OspA-specific IgG.

In the age group comparable to the age group investigated in the Phase 1 clinical trial (18-39 years), SCRs ranged from 85.6% to 97%. The immunological response in older adults (50-65 years), one of the main target groups for a Lyme vaccine, had SCRs ranging from 71.9% to 93%. Results indicated that prior exposure to Lyme *Borrelia burgdorferi sensu lato* (Bb sl), the bacteria that causes Lyme disease (baseline Bb sl sero-positivity) did not have an impact on immunogenicity or safety.

VLA15 was generally well tolerated across all dose and age groups tested. No serious adverse events (SAEs) related to VLA15 were observed in any treatment group. The most common solicited local adverse events were injection site pain (68.4%) and tenderness (76.6%), whereas the most common solicited systemic adverse events were headache (33.2%), fatigue (31.6%) and muscle pain (myalgia) (41.1%).

The proportion of adverse events decreased with subsequent vaccinations and were transient. Overall, the tolerability profile including rates of fever appeared to be comparable to what has been observed in third-party trials of other lipidated recombinant vaccines or lipid-containing formulations.

VLA15-202 Clinical Trial and Results

The second Phase 2 trial, VLA15-202, is a randomized, observer-blind, placebo-controlled multi-center Phase 2 clinical trial conducted in the United States with 246 healthy volunteers aged 18-65. The subjects were randomized 2:2:1 to receive either VLA15 with alum (either 135 µg or 180 µg) or placebo, administered through intramuscular injection at month zero, two and six. The primary endpoint of the trial was GMTs for IgG against each OspA serotype, measured at month 7 to highlight the importance of further increases in OspA-specific IgG titers after the primary immunization series, which are likely necessary to achieve a successful vaccine candidate. Secondary endpoints evaluated SCRs, GMFRs and the occurrence of adverse events.

On October 20, 2020, Valneva reported statistically significant interim results from VLA15-202. Compared to VLA15-201, immunogenicity was further enhanced using an immunization schedule of vaccinating at zero, two and six months. SCRs, after completion of the primary vaccination series, showed similar responses and ranged from 93.8% (serotype 1) to 98.8% (serotype 2, serotype 4).

Antibody responses were comparable in the two dose groups tested. The immunological response in older adults, one of the main target groups for a Lyme vaccine, was consistent with the Company's observations in VLA15-201. Furthermore, results did not indicate that prior exposure to Lyme (sero-positivity) has an impact on immunogenicity or safety, also consistent with the Company's observations in VLA15-201.

Unlike the Company's previous trials of VLA15, VLA15-202 also included a Serum Bactericidal Assay (SBA) assessing the functional immune response against Lyme disease after vaccination with VLA15. Assays, such as SBAs, are commonly used to enable a potential prediction of vaccine efficacy via the measurement of vaccine induced functional immune responses. Over the course of the trial, the SBAs demonstrated functionality of antibodies against all OspA serotypes.

VLA15 was generally well tolerated across all doses and age groups tested in VLA15-202. The tolerability profile including fever rates was comparable to what has been observed in trials of other lipidated recombinant vaccines or lipid containing formulations. Overall, 232 of 246 participants (94.3%) reported any adverse event, solicited or unsolicited, up to Day 208. Rates of participants who experienced adverse events were similar in the VLA15 treatment groups: 96.9% (135 µg group) and 99% (180 µg group), compared with 80.4% in the placebo group. Most adverse events were mild or moderate in severity and no related serious adverse events were reported. A total of 6.1% of participants experienced severe related adverse events; 5.7% of participants experienced at least one severe solicited Grade 3 reactogenicity event, and as such, were considered to be related, including 6.2% in the 135 µg group, 7.1% in the 180 µg group, and 2% in the placebo group. One participant in the 135 µg group experienced a severe unsolicited adverse event of ventricular extrasystoles 13 days after the second vaccination, which was assessed as possibly related to the study vaccine by the investigator. The participant had a history of benign premature ventricular contractions, was treated with propranolol and recovered after 39 days. Six unrelated serious adverse events were reported: 3.1% in the 135 µg group (invasive ductal breast carcinoma, prostate cancer, and vertigo) and 2% in the 180 µg group (intervertebral disc protrusion, osteoarthritis). One case of Lyme disease (135 µg group) was reported as an adverse event of significant interest: erythematous rash, developed approximately two weeks after the first vaccination.

On September 28, 2021, the Company announced further positive results from VLA15-202. Continued evaluation at Month 18 showed that antibody titers declined thereafter across all dose groups, remaining above baseline and confirming the need for a booster strategy. Participants who received a complete primary vaccination series with the 180 µg dose of VLA15 were invited to continue the trial in a booster extension phase and were randomized 2:1 to receive an additional 180 µg dose of VLA15 or placebo at Month 18. VLA15's acceptable safety profile was confirmed through one-month post-booster. No related serious adverse events were observed in any treatment group. Administration of the booster dose elicited a strong anamnestic response yielding a 2.9-fold (ST3) to 4.2-fold (ST1, ST4) increase (GMT) in anti-OspA IgG antibody titers compared with titers observed after primary immunization. All participants seroconverted to anti-OspA IgG after the booster dose, meaning SCRs were 100% for all OspA serotypes. SCR was defined as the rate of subjects that changed from seronegative at baseline to seropositive. Additionally, subjects who were seropositive at baseline needed to show at least a 4-fold increase in anti-OspA IgG compared to baseline titer. Functionality of elicited antibodies was demonstrated by SBA, leading to SCRs ranging from 86.8% (ST2) to 100% (ST3) after the booster. The trial is continuing to monitor persistence of antibody responses.

VLA15-221 Clinical Trial and Results

On December 2, 2020, Valneva announced the acceleration of the pediatric development of VLA15. The Phase 2 clinical trial VLA15-221, which commenced in March 2021, is the first clinical trial of VLA15 that includes a pediatric test population between 5 and 17 years old. Valneva announced completion of recruitment for VLA15-221 in July 2021 and reported topline data in February 2022. The dosing of the first subject in this trial triggered a milestone payment from Pfizer of $10 million.

VLA15-221 is a randomized, observer-blind, placebo-controlled Phase 2 clinical trial. A total of 625 participants, 5 to 65 years of age, have been randomized to receive VLA15 at Month 0-2-6 or Month 0-6 (approximately 200 volunteers each) or placebo at Month 0-2-6 (approximately 200 volunteers). The trial is conducted at sites in the US which are located in areas where Lyme disease is endemic and has enrolled volunteers with a cleared past infection with Borrelia burgdorferi as well as Borrelia burgdorferi-naïve volunteers. Participants received VLA15 at a dose of 180µg, which was selected based on data generated in the two previous Phase 2 clinical trials.

The main safety and immunogenicity readout was performed approximately one month after completion of the primary vaccination schedule (i.e. at Month 7), when peak antibody titers are anticipated. A subset of participants will receive a booster dose of VLA15 or placebo at Month 18 (Booster Phase) and will be followed for three additional years to monitor antibody persistence. The objective of the trial is to show safety and immunogenicity down to 5 years of age and to evaluate the optimal vaccination schedule for use in Phase 3 clinical development.

In the sub-analysis of participants 18-65 years old who received VLA15 in either the two-dose schedule (N=90) or the three-dose schedule (N=97), performed one month after the last vaccination dose, VLA15 was found to be immunogenic with both vaccination schedules tested. These data are consistent with the strong immunogenicity profile observed for this age group in previous Phase 2 studies. However, the induction of anti-OspA IgG (anti-outer surface protein A immunoglobulin G) antibody titers was higher in participants who received the three-dose primary series than those who received the two-dose primary series. Based on these results, Valneva and Pfizer plan to proceed with a three-dose primary series vaccination schedule in the planned Phase 3 clinical trial discussed below. The analysis was also consistent with the acceptable safety and tolerability profile observed in previous studies of VLA15. No vaccine-related serious adverse events were observed.

The VLA15-221 trial is ongoing to assess the safety and immunogenicity of VLA15 in 5-17 year old participants. Initial pediatric data from VLA15-221 are expected in the first half of 2022.

Phase 3 Clinical Trials

Valneva is working closely with Pfizer on a large-scale efficacy trial which will be conducted in the United States, Canada and countries in the European Union. The pivotal field efficacy trial will evaluate the ability of a VLA15 vaccine regimen to prevent Lyme disease compared to a placebo regimen. Valneva anticipates that this trial will start in the third quarter of 2022, subject to feedback from regulatory authorities. Initial data, based on the first tick season of the trial, may be reported by the end of 2023. If the results from this Phase 3 trial are positive, Valneva expects Pfizer to submit a BLA and MAA.

The planned Phase 3 field efficacy trial is expected to be a fully randomized, placebo-controlled clinical trial in which participants will be randomized to receive either VLA15 180µg, with alum, or placebo, with a three-dose primary immunization schedule (0-1-6 month). A booster vaccination will be given to all participants 12 months after receiving the last dose of the primary vaccinations. The planned primary endpoint for the Phase 3 clinical trial will be the efficacy of VLA15 compared to placebo in preventing confirmed Lyme disease during the first tick season after completing the primary series vaccination (i.e., April to October 2023). In case this endpoint is not met after the first tick season, efficacy of VLA15 in preventing confirmed Lyme disease in the second Lyme disease season after participants also receive the 12-month booster dose (i.e., April to October 2024) will be the basis for potential vaccine licensure. Enrollment in this trial is expected to begin in the third quarter of 2022 and primary vaccinations are expected to be completed by March 2023, prior to start of the tick season.

About Lyme disease

Lyme disease is a systemic infection caused by Borrelia bacteria transmitted to humans by infected Ixodes ticks[1]. It is considered the most common vector borne illness in the Northern Hemisphere. According to the US Centers for Disease Control and Prevention, approximately 476,000 Americans are diagnosed and treated for Lyme disease each year[2] with at least a further 200,000 cases in Europe[3].

Early symptoms of Lyme disease (such as a gradually expanding erythematous rash called Erythema migrans or more unspecific symptoms like fatigue, fever, headache, mildstiff neck, arthralgia or myalgia) are often overlooked or misinterpreted. Left untreated, the disease can disseminate and cause more serious complications affecting the joints (arthritis), the heart (carditis) or the nervous system. The medical need for vaccination against Lyme disease is steadily increasing as the disease footprint widens[4].

Currently no Lyme disease vaccine is available to protect humans from this devastating illness.

Chikungunya vaccine candidate, VLA1553

VLA1553 is a vaccine candidate for chikungunya virus, or CHIKV, a mosquito-borne virus that has spread to more than 100 countries with the potential to rapidly expand further through infected travelers who carry the virus to their home countries. The risk of a significant outbreak is increasing particularly in the southern United States and Europe, where tiger mosquitoes, which are particularly associated with the spread of the disease, are established. There are no preventive vaccines or effective treatments available and VLA1553 is the first and only chikungunya vaccine candidate that has reported positive Phase 3 data. Chikungunya is considered to be a major public health threat, and the global market for a chikungunya vaccine is estimated to exceed $500 million annually by 2032.

VLA1553 is a live-attenuated, single dose vaccine candidate for protection against chikungunya disease. VLA1553 has been designed by deleting a part of the chikungunya virus genome. As a live-attenuated vaccine, VLA1553 is particularly well suited to target long-lasting protection which differentiates it when compared to other chikungunya assets that are being evaluated in clinical trials.

In the Phase 1 clinical trial, Valneva observed that VLA1553 led to the development of antibodies to chikungunya virus resulting in 100% seroconversion of the 120 healthy participants in the trial and that these levels were sustained after 12 months. Based on this Phase 1 dataset, Valneva was able to advance directly into Phase 3 clinical development and has concluded a pivotal Phase 3 trial in over 4,000 healthy adults.

VLA1553 has received Fast Track and Breakthrough Therapy designation from the FDA and PRIME designation from the EMA. Valneva has also received confirmation for its proposal to seek licensure of VLA1553 under the accelerated approval pathway from the FDA. Under this pathway, Valneva plans to seek licensure of VLA 1553 based on a surrogate of protection agreed with the FDA and the EMA. The surrogate of protection is an immune response that predicts protection against clinical endpoints and is reasonably likely to predict protection from chikungunya infection. This eliminates the need to execute a time-intensive and costly field trial where a group of patients receiving a placebo is compared to groups of patients receiving VLA1553. The rates of infection are observed and compared at various points in time across each of the various trial groups. The final Phase 3 clinical trial data that Valneva announced in March 2022 indicated a seroprotection rate of 98.9% compared to the 70% threshold surrogate of protection (for non-acceptance) agreed with the FDA.

The sponsor of the first chikungunya vaccine BLA to be approved in the United States will be eligible to receive a Priority Review Voucher. Valneva reported positive topline results of its pivotal Phase 3 trial involving over 4,000 healthy adults in August 2021 and reported final results, including six-month follow-up data, in March 2022. These final results confirmed a very high level of seroprotection, with 98.9% of participants achieving protective levels of CHIKV neutralizing antibodies one month after receiving a single vaccination, and 96.3% of participants showed protective CHIKV neutralizing antibody titers six months after this single vaccination. These reported seroprotection levels far exceeded the 70% threshold (for non-acceptance) based on a surrogate of protection agreed with the FDA under the accelerated approval pathway. If VLA1553 is approved, Valneva intends to market it as a traveler vaccine in North America and Europe.

In May 2020, Valneva partnered with the Instituto Butantan in Brazil to develop, manufacture and market VLA1553 in low and middle income countries. As part of this collaboration, Valneva has commenced an adolescent clinical trial of VLA1553 in 750 healthy volunteers in Brazil in 2022, which has been approved by the local regulatory agency, ANVISA, and is sponsored by Instituto Butantan. Valneva has been awarded up to $23.4 million in funding from CEPI in relation to this partnership.

(1) Stanek et al. 2012, The Lancet 379:461-473.
(2) https://www.cdc.gov/lyme/stats/humancases.html
(3) Estimated from available national data. Number largely underestimated based on WHO Europe Lyme Report, as case reporting is highly.
(4) New Scientist, Lyme disease is set to explode and we still don't have a vaccine ; March 29, 2017.

Pre-clinical study

A comprehensive pre-clinical assessment of VLA1553 for advancing to clinical trials as a single administration observed the following:

- It was highly immunogenic and induced a strong and long lasting neutralizing antibody response in non-human primates (NHPs) models after a single administration;
- It was protective in NHPs that received a high-dose of wild-type, or WT, chikungunya virus after vaccination;
- It was not observed to cause any of the clinical manifestations such as viremia, fever and rash that NHPs typically develop after infection with the WT.

To assess the ability of VLA1553 to prevent chikungunya infection in NHPs, immunized animals were challenged with a dose of chikungunya that was 100-fold higher than the dose typically required to induce viremia in 50% of the animals. Whereas unimmunized animals showed a rapid increase in viral load within one day of the challenge, there was no detectable viremia in any of the immunized animals. There was also no increase in body temperature in immunized animals upon chikungunya challenge compared to unchallenged controls.

Phase 1 Clinical Trial

Valneva also conducted a single blind, randomized dose escalation Phase 1 clinical trial of VLA1553 in 120 adults, at multiple centers in the United States, the results of which were published in Lancet in 2020. In this trial, the Company examined three doses of VLA1553: a low dose having a viral titer of 3.2 x 103, a medium dose of 3.2 x 104, and a high dose of 3.2 x 105. Participants in the low and medium dose cohorts and half of the patients in the high-dose cohort received a single dose of VLA1553 on Day 0 through intramuscular injection and a re-vaccination at 12 months. Half of the patients in the high-dose cohort received a re-vaccination at six months instead of 12 months.

The primary endpoint of the Phase 1 trial was evaluation of safety measures including frequency and severity of injection site and systemic reactions. Chikungunya virus neutralizing antibodies as determined with a µNT assay were observed in 100% of patients for 12 months at all three of the doses evaluated. A single vaccination was sufficient to induce sustaining high-titer neutralizing antibodies at twelve months post vaccination. Individuals that received a single high dose of VLA1553 did not exhibit an increase in antibody titers following subsequent re-vaccination at month six. Similarly, none of the dose levels that were re-vaccinated at month 12 exhibited an increase in antibody titers after re-vaccination. This result suggests that a single dose of VLA1553 could offer sufficient protection with no additional booster required.

The titer of these neutralizing antibodies was assessed by determining how far the antibodies in the plasma could be diluted and still reduce in vitro viral infection by 50%, a commonly used parameter referred to as the neutralization titer or NT50. Seroconversion was defined as having an NT50 of 20 or greater, meaning that dilution by 20-fold or greater still resulted in inhibiting the virus-induced cytopathic effects by at least half. Valneva found that 100% of participants had seroconverted by day 14 at all three of the doses tested and this seroconversion persisted for one year across all dose groups. Plasma of the trial volunteers was screened for viremia, which peaked at day three in all groups and was lower in the low-dose and medium-dose groups. No viremia was detected in any participant after any re-vaccination, suggesting that a single dose provides sufficient protection.

The majority of adverse events across the dose group were assessed as mild or moderate and were reported after the single vaccination. No adverse event of special interest, meaning adverse events resembling a chikungunya-like infection, and no vaccine-related SAEs were reported. Injection site reactogenicity was low, with less than 7% of individuals in the high-dose group reporting any local adverse event, all of which were mild in severity. Systemic adverse events were predominantly headache (32.5%), fever (26.7%) and fatigue (24.2%), followed by muscle pain (20%) and joint pain (13.3%), all of which were transient and are typical reactions after immunization and similar to those reported after vaccination with other vaccines in the general population. Severe fever (a temperature of 102.1°F or higher) was reported by seven participants. Adverse events decreased on re-vaccination at month six.

The Company received agreement from the FDA and the EMA on its proposal to utilize the accelerated approval pathway, which will enable Valneva to potentially submit a BLA for VLA1553 based on clinical trial data on an immunological surrogate of protection, rather than observing natural rates of infection between trial participants receiving VLA1553 and the placebo. This eliminates the need to execute a time-intensive and costly field trial where a group of patients receiving a placebo is compared to groups of patients receiving VLA1553 and rates of infection are observed and compared at various points in time across each of the various trial groups. As part of the accelerated approval pathway, the Company will be required to conduct a confirmatory trial.

Phase 3 Clinical Trials

VLA1553-301 Clinical Trial

In September 2020, Valneva initiated its pivotal Phase 3 clinical trial, VLA1553-301, in the United States. In this double-blind, multicenter, randomized Phase 3 clinical trial, 4,115 participants aged 18 years and older were randomized 3:1 into two groups to receive either VLA1553 0.5mL or placebo. Immunogenicity was determined with a µPRNT50 assay.

The primary endpoint was safety and immunogenicity 28 days after a single vaccination with VLA1553. The trial met its primary endpoint, inducing protective CHIKV neutralizing antibody titers in 98.9% of participants 28 days after receiving a single injection (263 of 266 subjects from the per-protocol subgroup tested for immunogenicity, 95% CI: 96.7-99.8). The seroprotection rate result of 98.9% exceeded the 70% threshold agreed with the FDA. The seroprotective titer was agreed with the FDA to serve as a surrogate for protection that can be utilized in a potential FDA submission for approval of VLA1553 under the accelerated approval pathway. The excellent immunogenicity profile was maintained over time, with 96.3% of participants showing protective CHIKV neutralizing antibody titers six months after receiving a single vaccination (233 of 242 subjects from the per-protocol subgroup tested for immunogenicity, 95%CI: 93.1-98.3). VLA1553 was highly immunogenic, with a GMT of approximately 3,362, confirming the immunogenicity profile observed in the Phase 1 clinical trial.

VLA1553 was generally well tolerated across all age groups among the 3,082 subjects evaluated for safety. An independent Data Safety Monitoring Board, or DSMB, continuously monitored the study and identified no safety concerns. The topline data safety profile is consistent with results from the Phase 1 clinical trial. The majority of solicited adverse events were mild or moderate and resolved within 3 days. 2% of study participants reported severe solicited adverse events, most commonly fever. Approximately 50% of trial participants experienced solicited systemic adverse events, most commonly headache, fatigue and myalgia. The local tolerability profile showed that approximately 15% of participants experienced solicited local adverse events.

Additionally, VLA1553 was highly immunogenic in elderly study participants (aged 65 or older), who achieved equally high seroprotection rates and neutralizing antibody titers over time as younger adults.

A dedicated antibody persistence trial, VLA1553-303, will monitor a subset of VLA1553-301 study participants for a period of at least five years to confirm the anticipated long-term protection after a single vaccination.

VLA1553-302 Clinical Trial

Valneva also initiated a lot-to-lot consistency Phase 3 trial, VLA1553-302, in February 2021 in 410 subjects aged 18 to 45 to show manufacturing consistency of VLA1553. Valneva announced completion of recruitment for this trial in June 2021 and announced positive topline data from this trial in December 2021.

VLA1553-302 is a prospective, multicenter, randomized, pivotal Phase 3 clinical trial. Participants in the VLA1553-302 trial have been randomized and will be followed for a total of six months. The objective of the trial is to show manufacturing consistency of the vaccine by demonstrating that three consecutively manufactured lots elicit equivalent immune responses measured by neutralizing antibody titers on Day 29 after vaccination. Lyophilized VLA1553 are administered as a single intramuscular immunization. Equivalence of immune responses will be determined based on neutralizing antibody titers. The primary objective of the trial is to evaluate a pair-wise comparison of the 95% CI on the ratio of GMTs on Day 29 after vaccination in the three vaccine lots. The two-sided 95% CI on the GMT ratio should be within 0.67 and 1.5 in order to demonstrate consistency.

The VLA1553-302 trial met its primary endpoint, demonstrating that three consecutively manufactured vaccine lots elicited equivalent immune responses measured by neutralizing antibody titer GMT ratios on Day 29 after vaccination. The trial included 408 participants aged 18 to 45 and confirmed the excellent immunogenicity profile observed in the pivotal Phase 3 trial, VLA1553-301. All three lots were equally well tolerated and the safety profile was consistent with results in VLA1553-301. The trial therefore confirmed clinical equivalence as well as manufacturing consistency of the three lots.

VLA1553-302 will continue to run in parallel to VLA1553-301. Final trial results of the lot-to-lot trial are expected in the second quarter of 2022. The lot-to-lot data will be part of our submission to the FDA planned for later in 2022.

VLA1553-303 Clinical Trial

In April 2021, Valneva initiated an antibody persistence trial that will follow up to 375 subjects in the immunogenicity subset of the VLA1553-301 trial for a period of five years. VLA1553-303 is a prospective, multicenter trial. The primary objective is to evaluate persistence of antibodies annually for five years after a single immunization. Subjects will have annual follow-up visits at Months 12, 24, 36, 48 and 60 after immunization. Secondary outcome measures include frequency and relatedness of any serious adverse events, immune response as measured by CHIKV-specific neutralizing antibody titers post-vaccination, proportion of subjects with seroconversion, fold increase of CHIKV-specific neutralizing antibody titers post-vaccination as compared to baseline, and proportion of subjects reaching at least 4-fold, 8-fold, 16-fold or 64-fold increase in CHIKV-specific neutralizing antibody titers post-vaccination as compared to baseline.

VLA1553-321 Clinical Trial

In January 2022, Valneva announced the initiation of a Phase 3 trial of VLA1553 in adolescents. The VLA1553-321 trial is funded by CEPI and is intended to support the label extension in this age group following a potential initial regulatory approval in adults from the FDA. This trial is also expected to support licensure of VLA1553 in Brazil, which would be the first potential approval for use in endemic populations.

Conducted in Brazil by Instituto Butantan, VLA1553-321 is a prospective, double-blinded, multi-center, randomized and placebo-controlled Phase 3 trial. 750 adolescents from 12 to 17 years old will be randomized at a 2:1 ratio to receive either VLA1553 or placebo. The primary objective of the trial is to evaluate safety and immunogenicity following a single vaccination with VLA1553. Participants will be evaluated after 28 days and followed up to 12 months. The study will also provide safety and immunogenicity data in participants previously exposed to chikungunya.

About Chikungunya

Chikungunya is a mosquito-borne viral disease caused by the chikungunya virus (CHIKV), a Togaviridae virus, transmitted by Aedes mosquitoes. Infection leads to symptomatic disease in 72-92% of humans after 4 to 7 days following the mosquito bite.

While mortality with CHIKV is low, morbidity is high. Clinical symptoms include acute onset of fever, debilitating joint and muscle pain, headache, nausea and rash. 4.1%-78.6% of infections develop into chronic arthralgia (> 3 months).

Chikungunya virus often causes sudden large outbreaks with high attack rates, affecting one-third to three-quarters of the population in areas where the virus is circulating.

The highest risk areas of infection for travelers are places where chikungunya virus-carrying mosquitos are endemic, including the Americas, parts of Africa, and Southeast Asia. As of September 2020, there have been more than 3 million reported cases in the Americas and the economic impact is considered to be significant (e.g. Colombia outbreak 2014: $73.6 million).

The medical and economic burden is expected to grow as the primary mosquito vectors continue to further spread geographically.

There are no preventive vaccines or effective treatments available and, as such, chikungunya is considered to be a major public health threat.

COVID-19 vaccine candidate, VLA2001

Valneva is developing VLA2001, an inactivated, whole virus SARS-CoV-2 vaccine candidate based on the platform and technical capabilities derived from Valneva's marketed IXIARO® vaccine. Valneva believes there is an opportunity, particularly among competitors based in the United States and Europe, to commercialize a vaccine based on an inactivated whole virus, a technology that has been well-validated in the clinic and commercial market for other viral diseases.

Valneva initiated a pivotal Phase 3 clinical trial of VLA2001, Cov-Compare, in April 2021 and reported positive topline data from this trial in October 2021. In this trial, Valneva observed that VLA2001 demonstrated superiority against the comparator vaccine, AstraZeneca's AZD1222, in terms of GMT for neutralizing antibodies, as well as non-inferiority in terms of seroconversion rates (SCR above 95% in both treatment groups) at two weeks after the second vaccination. Valneva also observed that VLA2001 induced broad T-cell responses with antigen-specific IFN-gamma-producing T-cells against the S, M and N proteins. VLA2001 was generally well tolerated, demonstrating a statistically significant better tolerability profile compared to AZD1222.

Additionally, Valneva reported positive homologous booster data in December 2021 and announced initiation of further booster studies in January 2022. Valneva also announced in January 2022 that a laboratory study had confirmed that VLA2001 produced neutralizing antibodies against both the Delta and Omicron variants of the SARS-CoV-2 virus.

The results of the Cov-Compare clinical trial have been submitted as part of the regulatory review processes with the MHRA in the United Kingdom, the EMA, and the Bahraini NHRA. VLA2001 received an Emergency Use Authorization from the Bahraini NHRA in February 2022, and Valneva believes that it may expect a potential conditional marketing authorization from the EMA in April 2022. Further submissions to other regulatory agencies may take place in 2022.

While a number of vaccines against COVID-19 have already been approved for use and multiple candidates remain in late stage development, VLA2001 currently is the only inactivated, whole virus vaccine candidate in clinical trials in Europe. Valneva believes VLA2001 could potentially offer clear benefits in terms of safety, cost, ease of manufacture and distribution compared to previously approved vaccines in territories where it may be approved and could also be adapted to offer protection against mutations of the virus.

Other inactivated SARS-CoV-2 vaccines have shown efficacy and safety comparable to other types of vaccines against SARS-CoV-2. When taking safety into account, Valneva believes that VLA2001 may offer advantages compared to vaccines using other technologies. The inactivated whole SARS-CoV-2 virus cannot replicate inside human cells and therefore cannot cause illness. For example, the novel mRNA vaccines tend to be more reactogenic (causing adverse effects) than traditional inactivated vaccines. An inactivated virus vaccine may also offer advantages in manufacturing, storage and distribution. For example, Valneva expects VLA2001 to be stable at 2 to 8 degrees Celsius, the temperature of a standard refrigerator, and to have a longer shelf life than current mRNA vaccines. In addition to these advantages, Valneva believes that its flexible approach to the clinical and manufacturing development of VLA2001 will facilitate its ability to meet the needs of future customers, including playing a key role in providing supply for any potential booster programs.

Valneva has entered into a collaboration with Dynavax Technologies for the use of their adjuvant CpG 1018, a component of their FDA- and EMA-approved hepatitis B vaccine, in VLA2001. Clinical trials with hepatitis B vaccination consistently demonstrated more pronounced induction of protective antibody titers with CpG 1018 compared to alum. Valneva believes that the use of alum and CpG 1018 could further enhance the broader immune response that Valneva expects from VLA2001 as an inactivated whole virus vaccine.

VLA2001 is produced from SARS-CoV-2 grown on Vero cells, the same cells used to produce IXIARO®. The highly purified whole virus is then inactivated using ß-propiolactone. Valneva commenced manufacturing of VLA2001 at itsfacility in Livingston that has been producing FDA/EMA/MHRA approved commercial-grade travel vaccines for more than a decade. Valneva began expanding its Livingston facility in 2020 in order to accommodate manufacturing of VLA2001, and Valneva anticipates completing that expansion in 2022. Valneva is targeting an annual manufacturing capacity of 100 million doses of VLA2001, including the production that has been outsourced to IDT Biologika in Germany.

Pre-clinical Trial and Results

In pre-clinical experiments, Valneva evaluated the immunogenicity of VLA2001 using female BALB/c-strain mice, which were immunized two times subcutaneously with a dose of 100 µL VLA2001 vaccine on days 0 and 21.

The mice were dosed in three groups, one that received a placebo (buffer with alum adjuvant only or buffer with alum and CpG 1018 only), one that received VLA2001 with alum in 3 different dose levels, and one that received VLA2001 with alum and CpG 1018 in the same three different dose levels.

Blood samples were collected from the mice on days 14, 28 and 35 and immune responses were measured as follows: ELISA (enzyme-linked immunosorbent assay) titers for total IgG and antibody neutralization titers by PRNT (plaque reduction neutralization test). The Th1 (IgG2a)/Th2 (IgG1) response was determined in a subclass ELISA. IgG2a is associated with a Th1 response. IgG1 is associated with a Th2 response. A strong Th1 response is important to minimize potential risks for vaccine mediated enhanced respiratory disease (VAED) or antibody disease enhancement (ADE) upon infection, as one potential cause for VAED or ADE may be a strong Th2 response.

Valneva observed that the alum+CpG 1018 adjuvant formulation of VLA2001 consistently induced higher IgG antibody titers in mice than the alum-only formulation. With regards to the functional antibody response, sera from BALB/c mice immunized with VLA2001 plus alum and CpG 1018 showed neutralization titers close to the ones present in serum from human convalescent COVID-19 patients.

When determining the ratio for IgG subclasses (amount of IgG2a/ amount of IgG1), Valneva observed that the addition of CpG 1018 led to a significant shift of the immune response towards a Th1 response (ratio >1), whereas VLA 2001 formulated with alum only induced a Th2-skewed immune response.

Immunogenicity and efficacy of VLA2001 in non-human primates

To investigate the immunogenicity and efficacy of VLA2001 in non-human primates, groups of eight cynomolgus macaques were vaccinated twice with placebo, a medium dose of VLA2001 (7 antigen units, or AU), or a high dose of VLA2001 (35 AU). The vaccinations were administered on day 0 and 21 of the study and the animals were subsequently challenged on day 47 or 49 with 105 PFU of SARS-CoV-2 (strain BetaCoV/ France/IDF/0372/2020) through simultaneous intranasal and intratracheal infection. Sera were collected at several time points during the study and analyzed for the presence of antibodies that bind SARS-CoV-2 antigens by ELISA. Significant levels of antibodies that bind the spike glycoprotein, the receptor-binding domain of the spike protein, and the nucleoprotein were seen after the first vaccination with both the medium and high dose. The second vaccination on day 21 clearly boosted the magnitude of the antibody responses against all three antigens. There was not a significant difference between the medium and high dose in this assay.

The sera were also used to assess virus-neutralizing responses using a cytopathic-effect based microneutralization assay. Two vaccinations were required to induce a significantly neutralizing response compared to control animals. Further, the high dose elicited a significantly stronger neutralizing response than the medium dose (p=0.0119). Sera taken at the peak of the immune response from vaccinated animals was also compared in the same neutralization assay to a WHO standard serum preparation (NIBSC 20/136). The responses in vaccinated animals were at least as strong as this international standard.

Peripheral blood mononuclear cells (PBMCs) were isolated from each animal 14 days after the second vaccination and analyzed by IFNγ ELISpot. PBMCs were restimulated with peptide pools for the spike (S) protein and the nucleoprotein (N). Both the medium and high dose of the vaccine elicited cellular immune responses.

The PBMCs were further characterized using intracellular cytokine staining to assess the Th1/Th2 bias of the response. Cells were restimulated and stained with antibodies specific for different cellular markers (e.g. CD4) and cytokines. For this analysis, the cytokines IFNγ, TNFα, and IL-2 were considered representative of a Th1 response and IL-13 of a Th2 response. Whereas cells expressing IFNγ, TNFα, or IL-2 were abundant, cells expressing IL-13 were practically not detectable. Thus, consistent with the Company's observations in mice, the non-human primate response to VLA2001 vaccination was heavily Th1-biased.

Following challenge, tracheal and nasopharyngeal swabs were taken from the animals to monitor the presence of viral subgenomic RNA using RT-qPCR. While several of the control animals showed signs of viral replication, i.e. presence of viral RNA, none of the vaccinated animals had detectable viral RNA at any time point.

The non-human primate study demonstrated that VLA2001 elicits both spike- and nucleoprotein-binding antibodies, a potently neutralizing serological response, and a Th1-biased cellular response. The immune response induced by vaccination prevented evident viral replication, measured using sub-genomic viral RNA as a surrogate, in the upper respiratory tract.

Passive transfer data for VLA2001

To investigate whether antibodies elicited by vaccination of human subjects with VLA2001 can neutralize SARS-CoV-2 infection, Valneva passively transferred pooled sera from participants in the Phase 1/2 trial of VLA2001 to Syrian gold hamsters. The study was performed by Public Health England. Three different serum pools were used either neat or diluted to achieve a range of neutralizing activities transferred to 7 different groups of hamsters. Negative human serum was used as a control. The hamsters were challenged intranasally one day after serum transfer with 5×104 PFU of the Victoria/1/2020 strain of SARS-CoV-2. The body weights of the animals was recorded once daily and clinical signs twice daily for 7 days post challenge. Animals in Group 1 that received the highest dose of passively transferred antibodies (50% neutralizing dose of 1,699) were significantly protected against weight loss. Hamsters in other groups were protected against weight loss to an extent that approximately correlated with the dose of transferred neutralizing antibodies. There was also a trend of protection against clinical signs of distress.

This passive transfer experiment demonstrated that vaccination of humans with VLA2001 elicits neutralizing serological responses that can prevent clinical manifestations of SARS-CoV-2 infection in a passive transfer hamster model.

Cross-Neutralization Studies

Valneva is in the process of evaluating the ability of VLA2001 to neutralize variants of the SARS-CoV-2 virus.

In January 2022, Valneva announced results from an initial laboratory study in which Valneva observed that serum antibodies induced by three doses of VLA2001 neutralized the Delta and Omicron variants of the SARS-CoV-2 virus.

Sera from 30 participants in the Phase 1/2 trial VLA2001-201 were used in a pseudovirus assay to analyze neutralization of the ancestral SARS-CoV-2 virus as well as the Delta and Omicron variants. To assess neutralization, pseudoviruses expressing the spike (S) protein from either the ancestral SARS-CoV-2 virus, the Delta variant, or the Omicron variant were pre-incubated with serial dilutions of individual serum samples and then used to infect target cells. Neutralization was calculated from the reduction of infection efficiency at different serum dilutions compared to a no serum control.

All 30 samples (100%) presented neutralizing antibodies against the ancestral virus and Delta variant, and 26 samples (87%) presented neutralizing antibodies against the Omicron variant. The mean fold reduction of neutralization relative to the ancestral virus was 2.7-fold for Delta and 16.7-fold for Omicron.

VLA2001 Phase 1/2 Clinical Trial and Results

VLA2001-201 (Primary Vaccination)

Valneva initiated VLA2001-201, its Phase 1/2 randomized, dose-finding trial to evaluate the safety, tolerability and immunogenicity of its inactivated, adjuvanted VLA2001 vaccine candidate in healthy subjects in December 2020. In January 2021, Valneva announced full enrollment in the trial; a total of 153 healthy adults between 18 and 55 years of age were recruited. Valneva has commenced the Phase 2 portion of the trial.

The trial design consists of a randomized, dose-escalation, multi-center study with three dose groups (low, medium and high dose), each with 51 subjects who received intramuscular injections three weeks apart. The study is being conducted in two parts: Part A (Day 1 to Day 36) and Part B (Day 37 to Day 208). Part A was divided into an open-label, staggered recruitment for the first 15 subjects and a blinded, randomized part of the study for all remaining 135 subjects. Part B has been initiated following positive data from Part A.

The primary safety endpoint of the study was the frequency and severity of solicited adverse events (AEs) within seven days after each vaccination. Secondary safety endpoints included frequency and severity of any unsolicited AE, any vaccine-related AE, any serious AE and any AE of special interest. Additionally, the study included various immunogenicity endpoints: immune response as measured by neutralizing antibody titers against SARS-CoV-2; proportion of participants with seroconversion (in participants negative for SARS-CoV-2 at screening); fold increase of SARS-CoV-2 neutralizing antibody titers compared with baseline; GMTs for IgG against SARS-CoV-2, determined by ELISA; proportion of subjects with seroconversion in terms of IgG antibodies against SARS-CoV-2 as determined by ELISA; and exploratory endpoints on cellular immune response parameters (e.g. T-cell responses against S-, M- and N- antigens of SARS-CoV-2).

For safety reasons, the first 15 subjects were included into the study in an open-label, not randomized manner following a staggered dose escalation of VLA2001. Dose escalation was done at a single site to ensure permanent oversight on safety data by one principal investigator during the recruitment of the 15 sentinel subjects. A Data Safety and Monitoring Board, or DSMB, reviewed the accrued safety data at Day 4 of all 15 sentinel subjects.

The remaining 138 subjects were enrolled, screened and randomized in a 1:1:1 fashion to the three dose groups in the blinded part of the study. Subjects were observed for 30 minutes post-vaccination on Day 1. An unscheduled safety telephone call was performed in case a Grade 3 adverse event or serious adverse event was reported by the subject via eDiary. All subjects were followed by eDiary for seven days post vaccination, starting on the day of vaccination. Subjects returned to the study site on Day 8 (visit 2). After approximately 20 subjects per dose group had been randomized and followed up with seven days post first vaccination, the DSMB reviewed the accrued safety data and continued to review such data periodically up to Day 36 for all randomized subjects. All subjects received their second vaccination on Day 22 (visit 3) and received follow-ups on Day 36 (visit 4), 14 days after the second vaccination. The DSMB reviewed safety and immunogenicity data up to Day 36. In Part B, participants will be invited for on-site visits on Day 106 (visit 5) and Day 208 (visit 6), six months after the second vaccination.

VLA2001 was observed to be highly immunogenic, with more than 90% of all study participants developing significant levels of antibodies to the SARS-CoV-2 virus spike protein compared to baseline across all dose groups tested. Seroconversion rates for S protein binding IgG antibodies were 89.8% in the medium dose and 100% in the high dose group. Two weeks after completion of the two dose schedule, Geometric Mean Fold Rise from baseline were 26 in the medium dose and 86 in the high dose group.

The IgG antibody response was highly correlated with neutralization titers in a micro-neutralization assay (MNA50) (r=0.79, p<0.001). VLA2001 induced a dose-dependent response with statistically significant higher GMTs for both IgG and neutralizing antibodies in the high dose group compared to the low and medium dose groups on Day 36. In the high dose group, the GMT of neutralizing antibody titers measured two weeks after completion of the two-dose schedule was at or above levels for a panel of convalescent sera (GMT 530.4 (95% CI: 421.49, 667.52)). The ratio of antibodies, measured by GMT, produced by VLA2001 compared to those present in convalescent sera was greater than or equal to 1, which suggests that VLA2001 induced antibodies that have a better neutralization capacity than the antibodies in those individuals who were infected naturally. Other COVID-19 vaccines that have reported 80% efficacy or higher have achieved a similar ratio.

VLA2001 also induced broad T-cell responses across participants with antigen-specific IFN-gamma producing T-cells against the S-protein, M and N protein detected in 75.6 %, 35.6% and 48.9% of study participants, respectively.

VLA2001 was generally well tolerated across all dose groups tested, with no safety concerns identified by the DSMB. There were no statistically significant differences between dose groups and no differences between first and second vaccinations in terms of reactogenicity. Overall, 85% of participants experienced an adverse event and 81.7% of adverse events were solicited. The most frequent solicited systemic adverse events were headache (46.4%), fatigue (39.2%) and muscle pain (32.7%). The majority of adverse events were mild or moderate and only two subjects reported severe solicited adverse events (headache and fatigue). All solicited adverse events were transient. Only 17.6% of unsolicited adverse events up to Day 36 were considered related to the vaccine and no severe unsolicited adverse events were reported. One adverse event of special interest was observed (chilblains) but was determined by the investigator to be unrelated to the vaccination. No serious related adverse events were reported.

In Part B of the study, which is ongoing as of the date of this URD, all subjects will be further followed up on Day 106 (visit 5) and Day 208 (visit 6), six months after the second vaccination.

VLA2001-201 (Booster Extension)

The original VLA2001-201 protocol was amended to include study participants who have completed the primary immunization schedule (two vaccinations) and were invited to participate in a Booster Phase of the trial to investigate the immunogenicity and safety of a booster dose of VLA2001 administered at least six months after completing the primary immunization schedule. This expansion will support future clinical development strategies and allow for potential approval and label expansions. Valneva announced in September 2021 that it had started to provide boosters to the volunteers, and in December 2021, Valneva reported initial results confirming that VLA2001 significantly boosted immunity in participants who had received VLA2001 as a primary vaccination.

In this booster study, 77 of the 153 original Phase 1/2 study participants, aged 18-55, received a booster dose of VLA2001 seven to eight months after completion of their primary immunization with either a low, medium or high dose of VLA2001. All participants received a single booster vaccination with VLA2001 at the same (high) dose level used in the pivotal Phase 3 trial. IgG antibody titers (spike protein-based) were measured at the time of the booster as well as two weeks after the booster dose.

A third dose of VLA2001 elicited an excellent anamnestic response, with similar antibody levels observed whether participants were initially vaccinated with a low, medium or high dose (GMT 9,699.3 (95% CI: 8,497.76, 11,070.71)). This represents a strong boosting effect, increasing levels of antibodies against the Wuhan virus 42- to 106-fold, depending on the pre-boosting levels of antibodies. Antibody levels measured two weeks after the booster dose were approximately four-fold higher compared to those observed two weeks after primary immunization.

45 of the 77 boosted participants were included in the final analysis. 27 of the excluded participants had also received another COVID-19 vaccine, and five experienced a COVID-19 infection during the study.

Valneva is undertaking a further homologous booster study as part of its Phase 3 trial, as described further below.

Phase 3 Clinical Trials

VLA2001-301 Clinical Trial (Cov-Compare)

Trial Design

Based on the initial data from VLA2001-201, in April 2021, the Company commenced a pivotal, comparative immunogenicity Phase 3 clinical trial, Cov-Compare. This Phase 3 clinical trial used the high dose treatment from VLA2001-201 and the Company reported initial results in October 2021.

Cov-Compare is a randomized, observer-blind, controlled, comparative immunogenicity trial in 4,012 adults. The two co-primary endpoints are to demonstrate the superiority of VLA2001 compared to AstraZeneca's AZD1222, administered in a two dose immunization schedule four weeks apart, in terms of superiority of GMT as well as non-inferiority of the seroconversion rate with regards to neutralizing antibodies (SCR above 95% in both treatment groups) at two weeks after the second vaccination (i.e., Day 43) in adults aged 30 years and older. It will also evaluate the safety and tolerability of VLA2001 at two weeks after the second vaccination in adults aged 18 years and older. The trial is being conducted at approximately 26 sites in the UK. 2,972 participants 30 years of age and older (through 71 years in the enrolled population) were randomized in a 2:1 ratio to receive two intramuscular doses of either VLA2001 (n=1,977) or AZD1222 (n=995) at the recommended dose level, 28 days apart, on Days 1 and 29. For immunogenicity analyses, samples from 990 participants (VLA2001: n=492, AZD1222: n=498) who tested sero-negative for SARS-CoV-2 at screening were analyzed. 1,040 participants that were under 30 years of age were placed in a non-randomized treatment group and received VLA2001 28 days apart.

Initial Results

In October 2021, Valneva announced positive Phase 3 initial results in which VLA2001 met both of the co-primary endpoints of the trial. The trial recruited a total of 4,012 participants aged 18 years and above across 26 trial sites in the United Kingdom. VLA2001 demonstrated superiority against AZD1222 in terms of GMT for neutralization antibodies as measured on Day 43 (GMT ratio=1.39, p<0.0001), with VLA2001 having GMT of 803.5 in adults aged 30 years and above (95% CI: 748.48, 862.59) and AZD1222 having GMT of 576.6 (95% CI: 543.59, 611.66). VLA2001 also achieved non-inferiority in terms of SCR on Day 43, with each treatment group achieving SCR above 95% at two weeks after the second vaccination in adults aged 30 years and older (VLA2001: 97.4%, AZD1222: 98.9% in the per protocol population).

A key secondary endpoint was assessment of T-cell responses in a subset of patients. In this trial, VLA2001 induced broad antigen-specific IFN-gamma producing T-cells reactive against the S- (74.3%), N- (45.9%) and M- (20.3%) protein, compared to AZD1222 S- (86.5%), N- (1.4%) and M- (0%) protein.

VLA2001 was generally well tolerated and its tolerability profile was more favorable compared to AZD1222. Participants aged 30 and older reported significantly fewer solicited adverse events up to seven days after vaccination, both with regards to injection site reactions (73.2% VLA2001 compared to 91.1% AZD1222, p<0.0001) and systemic reactions (70.3% VLA2001 compared to 91.3% AZD1222, p<0.0001). Statistically significantly fewer participants experienced any unsolicited adverse event with VLA2001 (27.9% in the VLA2001 aged 30 and older group compared to 32.7% in the AZD1222 group, p=0.0075). Rates of participants with unsolicited serious adverse events (0.3% for VLA2001 compared to 0.2% for AZD1222) or medically attended unsolicited adverse events (7.2% for VLA2001 compared to 6.5% for AZD1222) were comparable between the adults aged 30 years and older who received VLA2001 and the participants who received AZD1222. No unsolicited treatment-related serious adverse events have been reported. Less than 1% reported an adverse event of special interest in both treatment groups, and the majority of solicited and unsolicited adverse events were mild or moderate. Participants under 30 years old who were vaccinated with VLA2001 showed an overall safety profile comparable to the group aged 30 years and older.

The rates of occurrence of COVID-19 cases, an exploratory endpoint, were similar between treatment groups (VLA2001: 0.3% after the first dose and 3.5% after the second dose; AZD1222: 0.2% after the first dose and 2.4% after the second dose). The complete absence of any severe COVID-19 cases may suggest that both VLA2001 and AZD1222 prevented severe COVID-19 caused by the circulating variant(s) (predominantly Delta).

Adolescent Recruitment

Additionally, Valneva announced in September 2021 that recruitment of adolescents for participation in the VLA2001-301 clinical trial had begun in the United Kingdom and Mexico. Adolescents, aged 12 to 17 years, were enrolled in an open label, non-randomized format. Subject to safety review, remaining participants were randomized to receive two doses of either VLA2001 or a placebo 28 days apart, followed by a booster dose seven months after enrolling into the trial. Approximately 660 participants were recruited for this trial. Participants randomized to the placebo arm will have the opportunity to receive a course of VLA2001 following the initial safety assessment. The Company also intends a further expansion of the clinical development to include volunteers younger than 12 years old, subject to data from the adolescent group.

Booster Extension

In January 2022, Valneva announced the start of booster vaccinations in adult participants from the Cov-Compare trial. This booster extension is intended to provide both homologous and first heterologous booster data to complement the results of the booster extension from the Phase 1/2 trial described above.

The trial extension will evaluate a booster dose of VLA2001 in adults, aged 18 and above, who received primary vaccination with two doses of VLA2001, as well as participants, aged 30 and above, who received two doses of AZD1222. All participants in the Cov-Compare trial were offered a third vaccination, except those who already received a licensed COVID-19 vaccine outside of the study. The VLA2001 booster vaccination will be given at least seven months after completion of the primary vaccination series. Follow-up visits will be performed 14 days and six months after the booster vaccination. In addition to evaluating tolerability of a VLA2001 booster dose, blood samples will be taken for immunogenicity analysis from a subset of adults who received primary vaccination with two doses of VLA2001, as well as from a subset of participants who received two doses of AZD1222 for primary immunization.

The trial is currently ongoing in the UK and is expected to provide topline data during the second quarter of 2022.

VLA2001-304 Clinical Trial

In August 2021, Valneva announced the initiation of a further Phase 3 clinical trial, VLA2001-304. This clinical trial will enroll two cohorts of participants and be conducted at approximately 10 trial sites in New Zealand. In both cohorts, vaccinations will be administered in a 2-dose immunization schedule 28 days apart. Data from VLA2001-304 are expected to complement ongoing clinical trials and support additional regulatory submissions.

Cohort 1 has fully recruited approximately 306 volunteers aged 56 years and older who received two vaccination 28-days apart in an open-label manner in order to generate safety and immunogenicity data for this age group. Valneva announced the completion of recruitment for Cohort 1 in September 2021 and expects to announce topline data from this cohort in early in the second quarter of 2022.

Additional Planned Clinical Trials

The Company is in the planning stage for additional clinical trials of VLA2001.

The Company is planning to continue its evaluation of VLA2001 in the pediatric population with a Phase 3 clinical trial (VLA2001-321) in approximately 2,200 children aged 2 through 11, including dose-finding in children aged 2 to 5 and a full dose of VLA2001 in children aged 5 and above.

In addition, Valneva is considering a Phase 3 clinical trial to further evaluate VLA2001 as a booster approximately six months after people had a primary vaccination with a number of other licensed vaccines or who have had COVID-19. The estimated sample size for this trial is 200-300 participants, aged 12 years and above.

The Company may also explore development of new versions of VLA2001 to address variants.

About the Novel Coronavirus SARS-CoV-2 and COVID-19 Disease

COVID-19 is a disease caused by infection with SARS-CoV-2, a strain of coronavirus. Respiratory illness is the most common symptom associated with COVID-19, with a severity ranging from mild disease to life-threatening acute respiratory distress syndrome. Patients with advanced age, comorbidities such as obesity, diabetes and cardiovascular disease, or an immunocompromised state are at increased risk for poor outcomes. COVID-19 has been declared a pandemic by the World Health Organization, or WHO. As of March 1, 2022, there have been more than 434 million confirmed cases of COVID-19, including nearly six million deaths, reported to the WHO. As of March 1, 2022, more than 10 billion vaccine doses have been administered worldwide.

Zika vaccine candidate, VLA1601 (on hold)

Valneva has developed VLA1601, a highly purified inactivated vaccine candidate using the same manufacturing platform as IXIARO®, its approved Japanese encephalitis vaccine.

Valneva has concluded the Phase 1 trial and the results obtained will allow Valneva to design a Phase 2 trial if it chooses to continue this program.

Valneva currently has this program on hold, as cases of Zika have significantly declined since 2016. The Group has chosen to prioritize its development programs to focus on viruses that are currently a greater health crisis, but may choose to reactivate this program in the future if warranted.

Clostridium difficile vaccine candidate, VLA84 (on hold)

Valneva has developed VLA84, a vaccine candidate against *Clostridium difficile*, a leading cause of life-threatening, healthcare-associated infections worldwide. The Group has completed Phase 2 development of VLA84 and could advance into Phase 3 if it chooses to reactivate this program and find a suitable partner.

Other R&D assets

In addition to its clinical-stage assets, Valneva is advancing a series of pre-clinical vaccine candidates against disease targets that reflect its strategy of providing prophylactic solutions to significant diseases that lack a preventative and effective therapeutic treatment option.

Human MetaPneumoVirus (hMPV) Vaccine Candidate VLA1554

Human metapneumovirus, or hMPV, is a major worldwide respiratory pathogen that causes acute upper and lower respiratory tract infection in the pediatric population. hMPV is also a common cause of worldwidemorbidity and mortality in immunocompromised patients and older adults.

Repeated infections occur often, demonstrating a heavy medical burden. However, there is currently no hMPV-specific prevention treatment.

Valneva is currently in pre-clinical proof of concept studies and received the first readouts in the fourth quarter of 2021. Valneva is currently analyzing these results and additional data are expected in the second half of 2022 in order to proceed towards a proof of concept. Valneva is also considering developing a potential combination vaccine that would protect against both hMPV and respiratory syncytial virus, or RSV. Despite the high frequency of pneumoviral infections and over 50 years of research in this field, no licensed vaccine against hMPV or RSV is currently available. This lack of effective vaccine candidates against hMPV can be explained by the recent discovery of the virus, but also by the lack of asuccessful vaccine against closely related RSV that could serve as a base for vaccine design.

Epstein-Barr virus (EBV) Program

Epstein-Barr virus (EBV), also known as human herpes virus 4, is a member of the herpes virus family. It is one of the most common human viruses and is found all over the world. Most people get infected with EBV at some point in their lives. EBV spreads most commonly through bodily fluids, primarily saliva. EBV can cause infectious mononucleosis, also called mono, and other illnesses. Valneva is currently in an evaluation phase and working closely with external scientific experts to define next steps.

Campylobacter Program

Campylobacter is a Zoonotic Gram negative bacteria, and the two main species responsible for human cases are C. jejuni (90%) and C. coli (10%). Foodborne transmission can occur via ingestion of uncooked meat (especially poultry), contaminated water or milk. The onset of disease symptoms usually occurs 2 to 5 days after infection with the bacteria, but can range from 1 to 10 days. The most common clinical symptoms of Campylobacter infections include diarrhea (frequently bloody), abdominal pain, fever, headache, nausea, and/or vomiting. Death from campylobacteriosis is rare and is usually confined to very young children or elderly patients, or to those already suffering from another serious disease such as AIDS. Complications such as bacteraemia (presence of bacteria in the blood), hepatitis, pancreatitis (infections of liver and pancreas, respectively), and miscarriage have been reported with various degrees of frequency. Post-infection complications may include reactive arthritis (painful inflammation of the joints which can last for several months) and neurological disorders such as Guillain-Barré syndrome, a polio-like form of paralysis that can result in respiratory and severe neurological dysfunction in a small number of cases. Valneva is currently in an evaluation phase and working closely with external scientific experts to define next steps.

Parvovirus B19 program

Parvovirus B19 is a virus that infects humans with a range of symptoms depending on age and overall health. About two out of 10 people who get infected with this virus will be asymptomatic or display no symptoms. Others may have only mild, rash illness. Parvovirus B19 most commonly causes fifth disease, a mild rash illness that usually affects children and adults. Less common symptoms of parvovirus B19 infection include painful or swollen joints (polyarthropathy syndrome), which is more common in adults, and severe anemia (a condition in which the body does not have enough healthy red blood cells). In rare cases, some of these symptoms can persist for several years. Valneva is currently in an evaluation phase and working closely with external scientific experts to define next steps.

Norovirus program

Norovirus is the leading cause of acute viral gastroenteritis in all age groups in the U.S. Each year, on average, norovirus causes 19 to 21 million cases of acute gastroenteritis and leads to 56,000 to 71,000 hospitalizations and 570 to 800 deaths, mostly among young children and older adults.

Typical symptoms include dehydration, vomiting, diarrhea with abdominal cramps and nausea. In a study conducted by the University of Pittsburgh and the U.S. Centers for Disease Control and Prevention in 2012, the total economic burden of norovirus in the U.S. was estimated at $5.5 billion. Valneva is currently in an evaluation phase and working closely with external scientific experts to define next steps.

Capitalized research and development expenditures

Please refer to the Group's consolidated financial statements for the fiscal year 2021[1].

(1) See Note 12, in Section 4.1.5 of this URD.

(b) Intellectual property

Valneva's commercial success depends in part on obtaining and maintaining patent, trade secret and other intellectual property and proprietary protection of Valneva's technology, current and future products and product candidates and methods used to develop and manufacture them. Valneva cannot be sure that patents will be granted with respect to any of the pending patent applications or to any patent applications that Valneva files in the future, nor can Valneva be sure that any of Valneva's existing patents or any patents that may be granted to us in the future will be sufficient to protect Valneva's technology or will not be challenged, invalidated or circumvented. Valneva's success also depends on Valneva's ability to operate Valneva's business without infringing, misappropriating or otherwise violating any patents and other intellectual property or proprietary rights of third parties.

Valneva manages its intellectual property by:

- seeking protection for its products, technologies and processes by actively using the patent, trademark, copyright and trade secrets systems in Europe, the United States, Japan, China and other jurisdictions where Valneva might have business interests;
- defending, and if needed, enforcing its property rights in selected jurisdictions; and
- reviewing and monitoring third party patent rights and challenging and invalidating such rights where applicable, in order to establish and ensure the unrestricted use and operation of its products, product candidates and technologies, in those jurisdictions where Valneva has business interests.

Patents and patent applications

Valneva considers protecting technologies and products through patents and patent applications, essential to the success of its businesses.

As of December 31, 2021, Valneva had a portfolio of 398 issued patents, including 73 granted in Germany, France, the United Kingdom, Spain and Italy, and 34 issued in the United States, as well as 149 pending patent applications, including 21 pending in Europe and 10 pending international (or PCT) patent applications.

In countries where Valneva seeks legal protection through patents, the duration of legal protection for a particular product, method or use, is generally 20 years from the filing date. This protection may be extended in some countries, particularly in the European Union, China, Japan, South Korea, Australia, Canada and the United States. The protection, which may also vary by country, depends on the type of patent and its scope. In most industrialized countries, any new active substance, formulation, indication or manufacturing process may be legally protected. Valneva conducts ongoing checks to protect its inventions and to act against any infringement of its patents.

IXIARO®

In regards to its Japanese encephalitis marketed vaccine, IXIARO®, as of December 31, 2021, Valneva owns a patent family that includes 5 issued U.S. patents (9,884,115, 9,895,437, 9,913,898, 10,668,146, and 11,110,170) with claims covering the aqueous composition of IXIARO® and methods for preparing IXIARO®, and one pending U.S. patent application. This patent family also includes one granted European patent with claims directed to compositions comprising IXIARO® and methods for preparing IXIARO®, and two pending European patent applications. This patent family also includes a granted European patent with claims that were directed to compositions comprising an aluminum component (with low heavy metal impurities and in particular low copper impurities) and a protein within formaldehyde inactivated virus particles, and to methods for preparing such compositions that was opposed at the EPO. In the subsequent oral hearing held in March 2020 before the EPO opposition division, Valneva was able to defend its claims to the method of preparing said composition as granted. Valneva and the opposer each filed a notice of appeal. The appeal procedure is pending, and an oral hearing took place on March 13, 2022. The appeal procedure could ultimately result in a revocation, narrower or broader scope of protection being upheld compared to that maintained by the opposition division, or a withdrawal of the patent. Patent applications, if granted, and patents in this family shall expire in 2032, without giving effect to any potential patent term extensions and patent term adjustments and assuming payment of all appropriate maintenance, renewal, annuity or other governmental fees.

Valneva also owns a pending PCT application with claims covering the manufacturing processes of IXIARO®. Patent applications claiming the benefit of this PCT application, if granted, shall expire in 2040, without giving effect to any potential patent term extensions and patent term adjustments and assuming payment of all appropriate maintenance, renewal, annuity or other governmental fees.

DUKORAL®

In regards to its DUKORAL® product, as of December 31, 2021, Valneva owns an International patent application with claims directed to stable pharmaceutical compositions covering a current non-commercialized formulation of DUKORAL® and methods of use thereof, where patent applications claiming priority to this application, if issued, shall expire in 2041, without giving effect to any potential patent term extensions and patent term adjustments and assuming payment of all appropriate maintenance, renewal, annuity or other governmental fees. Patents covering the composition of matter of DUKORAL® are expired.

Valneva also owns a pending PCT application with claims covering the use of the cholera bacteria used in DUKORAL® in the treatment or prevention of an autoimmune disease. Patent applications claiming the benefit of this PCT application, if issued, are expected to expire in 2041, without giving effect to any potential patent term extensions and patent term adjustments and assuming payment of all appropriate maintenance, renewal, annuity or other governmental fees. Valneva also owns a further US patent application directed to the use of the cholera bacteria used in DUKORAL® in the treatment or prevention of cancer. Patent applications claiming the benefit of this PCT application, if issued, are expected to expire in 2041, without giving effect to any potential patent term extensions and patent term adjustments and assuming payment of all appropriate maintenance, renewal, annuity or other governmental fees.

Lyme disease vaccine candidate

In regards to its *Borrelia* vaccine candidate VLA15 which is currently licensed to Pfizer, as of December 31, 2021, Valneva owns a patent family which includes three issued U.S. patents and two European patents as well as 21 foreign patents and 7 patent applications with claims covering the composition of matter of VLA15. Valneva further owns a second patent family which includes two issued U.S. patents and one granted European patent as well as 15 foreign patents and 6 patent applications with claims covering the composition of matter of VLA15. Patents applications, if issued, and patents in these families are expected to expire in 2033 and 2035, without giving effect to any potential patent term extensions and patent term adjustments and assuming payment of all appropriate maintenance, renewal, annuity or other governmental fees.

Valneva also owns a patent family with claims directed to immunogenic polypeptides with C-terminus domains of OspA to induce a protective immune response that includes patent applications pending in the U.S., Canada, Europe, and Hong Kong. Patent applications, if issued, in this family are expected to expire in 2038, without giving effect to any potential patent term extensions and patent term adjustments and assuming payment of all appropriate maintenance, renewal, annuity or other governmental fees.

As of December 31, 2021, Valneva also owns three International patent applications with claims directed to compositions comprising OspA fusion proteins including uses thereof and to improved methods for producing a vaccine. Patent applications claiming priority to these patent applications, if issued, are expected to expire in 2041, without giving effect to any potential patent term extensions and patent term adjustments and assuming payment of all appropriate maintenance, renewal, annuity or other governmental fees.

Chikungunya vaccine candidate

In regards to its chikungunya vaccine candidate, VLA1553, as of December 31, 2021, Valneva owns two patent families that include three granted U.S. patents with claims covering methods of preparing and methods of purifying VLA1553 and two pending European patent applications. Patents applications, if issued, and patents in this family are expected to expire in 2036, without giving effect to any potential patent term extensions and patent term adjustments and assuming payment of all appropriate maintenance, renewal, annuity or other governmental fees.

Valneva also owns a patent family with claims directed to pharmaceutical compositions of VLA1553 that includes over 20 pending patent applications in such jurisdictions as the U.S., Europe, Australia, Canada, China, India, Japan, and Mexico. Patent applications, if issued, in this family are expected to expire in 2038, without giving effect to any potential patent term extensions and patent term adjustments and assuming payment of all appropriate maintenance, renewal, annuity or other governmental fees.

Valneva also owns two pending PCT applications with claims covering formulations and manufacturing processes of VLA1553. Patent applications claiming the benefit of these PCT applications, if issued, are expected to expire in 2040, without giving effect to any potential patent term extensions and patent term adjustments and assuming payment of all appropriate maintenance, renewal, annuity or other governmental fees.

COVID-19 vaccine candidate

In regards to its COVID-19, SARS-CoV-2 vaccine candidate, VLA2001, as of December 31, 2021, Valneva owns one International patent application and 8 foreign patent applications with claims relating to the antigen and processes of preparing the antigen of VLA2001. Valneva also co-owns, together with Dynavax, two International patent and three national patent applications with claims related to adjuvant formulation and processes of preparing the formulation of VLA2001. These patents applications, if issued, are expected to expire in 2041, without giving effect to any potential patent term extensions and patent term adjustments and assuming payment of all appropriate maintenance, renewal, annuity or other governmental fees.

Zika vaccine candidate

In regards to its Zika vaccine candidate VLA1601, as of December 31, 2021, Valneva owns a patent family with two granted U.S. patents with claims covering the formulation VLA1601, one pending U.S. patent application, and over 10 pending foreign patent applications. Patent applications, if issued, and patents in this family are expected to expire in 2036, without giving effect to any potential patent term extensions and patent term adjustments and assuming payment of all appropriate maintenance, renewal, annuity or other governmental fees. Valneva recently received a third party observation against the European patent application of the above case.

Valneva also owns two patent families that include one granted U.S. patent and three pending U.S. patent applications with claims covering methods of preparing and methods of purifying VLA1601 and two pending European patent applications. Patent applications, if issued, and patents in this family are expected to expire in 2036, without giving effect to any potential patent term extensions and patent term adjustments and assuming payment of all appropriate maintenance, renewal, annuity or other governmental fees.

Clostridium difficile candidate

In regards to its *C. difficile* candidate VLA84, as of December 31, 2021, Valneva owns a patent family with three granted U.S. patents with claims covering the composition of matter of VLA84 and methods of use thereof, two pending U.S. patent applications, 10 granted foreign patents in such jurisdictions as Australia, China, and Japan, and three pending foreign patent applications. This patent family also includes a granted European patent validated in over 35 countries that has been opposed and appealed. The European Patent Office maintained Valneva's European patent in amended form, which still covers VLA84. A second European patent has not been opposed. Patent applications, if issued, and patents in this family are expected to expire in 2031, without giving effect to any potential patent term extensions and patent term adjustments and assuming payment of all appropriate maintenance, renewal, annuity or other governmental fees.

Valneva also filed an opposition in a European patent owned by a third party that has claims that might cover VLA84. The European Patent Office revoked this patent, and an appeal has been filed and is currently pending. Valneva also filed a further opposition against a European patent derived from the revoked patent that has claims that might cover VLA84, and this opposition is currently pending.

EB66® cell platform

Valneva obtained several patents covering (i) the establishment of embryonic derived cell lines, (ii) their use for the production of biologicals including their use in virus replication, and (iii) in some jurisdictions the cell line *per se*.

Adjuvant IC31®

Valneva's IC31® technologies have been protected by a number of Intercell proprietary patents and patent applications. A certain number of patents covering the use of the IC31® technology in various aspects are granted in several territories, including Europe and the United States.

Other protection mechanisms

Valneva's core technologies, products and many of its projects for the development of products candidates depend upon the knowledge, experience and skills of its scientific and technical personnel. In order to protect its trade secrets, proprietary know-how and technologies, Valneva generally requires all employees, contractors, advisors and collaborators to enter into confidentiality agreements. These agreements prohibit the disclosure of its confidential information. Agreements with employees and consultants also require disclosure and assignment to Valneva of any ideas, developments, discoveries and inventions.

The expiration of a patent for a product may result in significant competition, due to the emergence of biosimilar or similar products, and in a strong reduction of product sales which benefited from patent protection. However, the vaccine field is largely protected from direct substitutions, as regulatory and manufacturing complexity has for now blocked the pathway in developed markets for vaccine biosimilars. However, this is not the case regarding similar products relying on a full or abbreviated regulatory approval process and this situation may also change in the future, thus opening a pathway to biosimilars. Nevertheless, in many cases, Valneva may still continue to reap commercial benefits from its product manufacturing secrets, even when the patents for such product have expired.

Trademarks

The trademark rights Valneva holds are national, international and European-wide in scope. The rights are generally granted for a period of ten years and are indefinitely renewable, although in some cases, their validity is contingent on the trademark's continued use. Valneva holds the title to the names of the products used and those associated therewith.

Valneva's trademarks benefit primarily from protection for pharmaceutical products included in Class 5 and for services in Class 42 of the International Classification of Products and Services.

Valneva's key products, technologies and product candidates, namely IXIARO®, JESPECT®, DUKORAL®, EB66® and IC31®, and the number of trademarks related to these products held by Valneva on December 31, 2021 are shown in the table below.

Trademarks – Number of registrations

Trademarks	Number of registrations or applications
IXIARO®, IXIARO logo	136
JESPECT®	19
DUKORAL®	55
EB66®	11
IC31®	8
Valneva®, Valneva logos	78
SBL trademarks	20
IXCHIQ	13

Valneva also holds registrations for its different entities' names, as well as the slogan and logo which constitute its graphic charter. Valneva defends its trademark rights by filling a notice of opposition against applications for identical or similar trademarks, and initiates, if such is the case, legal actions to have its rights recognized.

VALNEVA trademark

Valneva SE and the company KRKA, tovarna zdravil, d.d., Novo Mesto (KRKA) signed a co-existence agreement on January 20, 2014, with respect to KRKA's earlier trademark DALNEVA covering goods of Class 5. Valneva agreed on restricting the specification of goods for the trademark Valneva, by adding the limitation "none of the afore-mentioned goods for the treatment of cardiovascular diseases" to the European Union Trademark (EUTM) application No. 011441268, and to any future applications.

Moreover, the Company also filed a notice of opposition before the European Union Intellectual Property Office (EUIPO) against the trademark application VALNECOR (application No. 13.519889) of the Company Vetpharma Animal Health SL, for Class 5, invoking Articles 8(1)b and 8(4) of the Regulation (EC) No. 207/2009 on the Community trademark (EUTMR – as amended). On February 19, 2016, the Opposition Division of the EUIPO decided in favor of Valneva SE and upheld the opposition (No. B 2508755) for all the contested goods in Class 5.

A letter of undertakings effective as of July 25, 2016 has been signed by VALNÉVA, a French Simplified Joint Stock company, and Valneva SE, in order to:

- acknowledge the Company's prior rights; and
- record VALNÉVA's undertaking never to contest or challenge the Company name and the trademarks Valneva – registered or filed – for any goods and services.

VALNÉVA further agreed not to use the name VALNÉVA for scientific R&D in the fields of medicine, antibodies and vaccines.

Valneva and Boehringer Ingelheim International GmbH also signed a prior rights agreement on July 28, 2016. Pursuant to this agreement, the Company undertakes not to use the trademark Valneva as a product name or part of a product name for the identification of specific products, but only to identify the fabricant of the product ("house mark" or "manufacturers brand"). The Company also undertakes to limit the registration of the mark "Valneva" in Class 5 to the "Pharmaceutical products for human and veterinary use, namely vaccines and antibodies and fragments thereof, blood serum, adjuvants for medical or veterinary use", only if so specifically requested by Boehringer Ingelheim.

The Company filed a notice of opposition before EUIPO against the trademark application VALNOBI No.17579525 made in Class 5 in the name of Bayer AG. On February 4, 2019, the Opposition Division of the EUIPO decided in favor of Valneva SE and upheld the opposition (No. B 3 047 941) for all the contested goods in Class 5.

Valneva filed notices of opposition against the EU trademark application VALNEVA No. 017895207 and the Austrian trademark application VALNEVA No. 295810. The Austrian trademark application was withdrawn and the EU trademark application was rejected to a large part of the contested goods and services, and in particular to all of the goods in class 5.

IXIARO trademark

On October 30, 2015, Valneva Austria GmbH acquired from GSK (GlaxoSmithKline Biologics SA, GlaxoSmithKline GmbH and CO.KG) the trademark IXIARO and the related trademarks and domain names, for all jurisdictions. No co-existence or prior rights agreements exist for the trademark IXIARO.

DUKORAL trademark

Various prior rights agreements related to the trademark DUKORAL were executed in the years 1996 to 2002. A further prior rights and delimitation agreement between Crucell Sweden AB, now Valneva Sweden AB, and Berlin-Chemie AG was signed on June 29, 2012. For mutual settlement of the opposition filed by then Crucell Sweden AB, Berlin Chemie AG undertakes not to derive any rights from the registration and use of their German trademark DUCORA against the Community Trademark registration of DUKORAL, and to tolerate new applications and modifications of the prior DUKORAL trademark, provided that Crucell Sweden AB shall not apply for the trademark DUCORA. Berlin-Chemie AG restricted the goods and services of their German registration of DUCORA. Crucell agreed to the registration or use of German trademark DUCORA under the conditions specified and to withdraw the opposition. Since this agreement is effective worldwide, the party who possesses prior rights in any country agrees to consent to the registration or use of the other party's respective mark under the same conditions as mentioned in this agreement.

Domain names

On December 31, 2021, the Group held 97 domain names (reserved or in the process of being reserved).

(c) Dependence of the Group on patents and licenses, on industrial, commercial or financial contracts, or on new manufacturing processes

Please refer to the Section "Risk Factors" of this URD(1).

(1) See Section 1.5.

1.3.4. Investments

(a) Research and development expenses

Research and development expenses include the costs associated with R&D conducted by the Group or for the Group by outside contractors, research partners or clinical study partners, and expenses associated with R&D carried out by Valneva in connection with strategic collaboration and licensing agreements. The most expensive stages in the regulatory approval process in the United States and the European Union are late-stage clinical trials, which are the longest and largest trials conducted during the approval process. By contrast, pre-clinical R&D expenses primarily depend on the number of scientific staff employed.

The following table sets forth the research and development expenses for the Group's approved vaccines and the major product candidates, for the years ended December 31, 2019, 2020 and 2021[1]:

	Year ended December 31,		
In € thousand	2021 (unaudited)	2020 (unaudited)	2019 (unaudited)
Lyme (VLA15)	3,761	25,948	14,783
Chikungunya (VLA1553)	43,975	31,746	14,460
COVID-19 (VLA2001)	113,907	18,962	-
hMPV	2,111	1,327	2,052
IXIARO®	1,125	1,373	1,904
DUKORAL®	969	1,338	1,633
Other research projects[2]	7,434	3,760	3,188
TOTAL	**173,283**	**84,454**	**38,020**

(b) Additions to intangible assets

Additions to intangible assets in the year ended December 31, 2021 amounted to €0.9 million (2020: €0.5 million).

(c) Main current and planned investments

In the year ended December 31, 2021 the investments in tangible fixed assets amounted to €95.8 million (2020: €18.9 million) and comprised mainly investments in manufacturing buildings and manufacturing equipment related to the COVID-19 vaccine candidate as well as research equipment. Planned investments are mainly dedicated to construction activities and acquisition of manufacturing and laboratory equipment related to the COVID-19 vaccine candidate. Further investments will be made to acquire or develop software, for quality software systems. These investments will mostly be financed by the Group's own funds.

(1) Source: Valneva Internal information.
(2) In 2021 and 2020, Other research projects included €3.7 million and €1.4 million, respectively of expenses related to IFRS 2 (share-based and cash-based compensation) programs, which have not been allocated to the projects.

1.4. Analysis and comments on the activities conducted in 2021

1.4.1. Business development, results and financial position of the Company and Group

(a) Valneva Group (IFRS)

Key financial information

	12 months ended December 31,	
In € thousand	2021	2020
Product Sales	62,984	65,938
Total Revenues	348,086	110,321
Net profit/(loss)	(73,425)	(64,393)
EBITDA	(47,108)	(45,181)
Cash	346,686	204,435

Full Year 2021 Financial review

Revenues

Valneva's total revenues were €348.1 million in 2021 compared to €110.3 million in 2020, an increase of 216%.

Product sales decreased by 4.5% to €63 million in 2021 compared to €65.9 million in 2020 as the travel industry continued to be impacted by the COVID-19 pandemic. On a constant exchange rate (CER) basis, product sales also decreased by 4.5% in 2021 as compared to 2020.

IXIARO®/JESPECT® product sales decreased by 6.9% (5.7% at CER) to €45.1 million in 2021 compared to €48.5 million in 2020. The impact of the COVID-19 pandemic was mitigated by sales to the U.S. Government's Department of Defense (DoD) during the period. DUKORAL® product sales declined by 81.7% (82.4% at CER) to €2.4 million in 2021 compared to €13.3 million in 2020. Third Party product sales grew by 271% to €15.4 million in 2021 from €4.2 million in 2020. The increase in Third Party product sales was driven by incremental sales related to Valneva's distribution agreement with Bavarian Nordic for the sales of Rabipur®/RabAvert® and Encepur®, which commenced in certain territories in 2021.

Other Revenues amounted to €285.1 million in 2021 compared to €44.4 million in 2020. This increase was attributable to revenues recognized in relation to the terminated UK COVID-19 vaccine supply agreement for non-refundable payments received up to December 31, 2021.

Operating result and EBITDA

Costs of goods and services sold (COGS) were €187.9 million in 2021. Gross margin on product sales was 36.5% compared to 36.6% in 2020. €22.6 million of COGS were related to IXIARO®/JESPECT® product sales, yielding a product gross margin of 50%. €7.6 million of COGS were related to DUKORAL® product sales, causing a negative product gross margin. Of the remaining 2021 COGS, €9.9 million were related to the Third-Party product distribution business, €122.8 million to the COVID-19 business and €25.1 million to cost of services. COGS for the COVID-19 business in 2021 included write-offs of materials and onerous purchase agreements resulting from the termination of the UK VLA2001 supply agreement. In 2020, overall COGS were €54.3 million, of which €41.8 million related to cost of goods and €12.5 million related to cost of services.

Research and development investments continued to increase in 2021, growing to €173.3 million compared to €84.5 million in 2020. This was mainly driven by investments in Valneva's COVID-19 vaccine candidate, VLA2001, as well as Phase 3 clinical study costs for Valneva's chikungunya vaccine program, VLA1553. Excluding COVID-19, research and development investments amounted to €59.4 million in 2021 compared to €65.5 million in 2020. Marketing and distribution expenses in 2021 amounted to €23.6 million compared to €18.3 million in 2020. Marketing and distribution expenses in 2021 notably included €3.8 million of expenses (compared to €0.6 million in 2020) related to the launch preparation costs of the chikungunya vaccine candidate, VLA1553, and also included higher expenses related to the Company's employee share-based compensation programs, which offset cost containment measures taken as a result of the pandemic's impact on the travel vaccine business. In 2021, general and administrative expenses increased to €47.6 million from €27.5 million in 2020, mainly driven by increased costs to support corporate transactions such as the Company's initial public offering on Nasdaq, increased resources in support of incremental COVID-19 activities, and higher costs related to the Company's employee share-based compensation programs.

Other income, net of other expenses, increased to €23 million in 2021 from €19.1 million in 2020. This increase was mainly driven by increased R&D tax credits directly resulting from increased R&D spending.

Valneva recorded an operating loss of €61.4 million in 2021 compared to an operating loss of €55.1 million in 2020. EBITDA loss in 2021 was €47.1 million compared to an EBITDA loss of €45.2 million in 2020.

Net result

In 2021, Valneva generated a net loss of €73.4 million compared to a net loss of €64.4 million in 2020.

Finance expense and currency effects in 2021 resulted in a net finance expense of €8.6 million, compared to a net finance expense of €10 million in 2020. This was mainly a result of foreign exchange gains amounting to €8.1 million in 2021 primarily driven by revaluation gains of non-Euro denominated balance sheet positions compared to a net foreign exchange gain (including gains on derivative financial instruments) of €0.6 million in 2020. Interest charges increased to €17 million in 2021 compared to €10.7 million in 2020. This growth was mainly driven by increased interest charges related to refund liabilities.

Cash flow and liquidity

Net cash generated by operating activities amounted to €76.9 million in 2021 compared to €137.7 million in 2020, mainly driven by pre-payments related to the vaccine supply agreement signed with the European Commission. Net cash generated by operating activities in 2020 mainly derived from the $130 million upfront payment received from Pfizer related to the Lyme R&D collaboration agreement, as well as payments received from the UK government in relation to the UK VLA2001 supply agreement.

Cash outflows from investing activities amounted to €93.1 million in 2021 compared to €19.3 million in 2020 mainly as a result of COVID manufacturing related construction activities across production sites in Scotland and Sweden, as well as equipment purchases.

Net cash generated from financing activities amounted to €154.5 million in 2021, which was mainly a result of proceeds from the issuance of new shares in the U.S. initial public offering and European private placement (Global Offering). Cash inflows in 2020 amounted to €21.7 million and mainly consisted of net proceeds from the financing arrangement with U.S. healthcare funds Deerfield and OrbiMed, offset by €20 million of repayments of borrowings to the European Investment Bank.

Liquid funds increased to €346.7 million as of December 31, 2021, compared to €204.4 million as of December 31, 2020. The cash increase resulted from significant cash in-flows most notably COVID related payments received from UK Government and EC member states as well as net proceeds from the Global Offering in May and October 2021.

Non-IFRS Financial Measures

Management uses and presents IFRS results as well as the non-IFRS measure of EBITDA to evaluate and communicate its performance. While non-IFRS measures should not be construed as alternatives to IFRS measures, management believes non-IFRS measures are useful as an aid to further understand Valneva's current performance, performance trends, and financial condition. EBITDA is a common supplemental measure of performance used by investors and financial analysts. Management believes this measure provide additional analytical tools. EBITDA is defined as earnings (loss) from continuing operations before interest expense, income taxes, depreciation and amortization. A reconciliation of EBITDA to operating loss, the most directly comparable IFRS measure, is set forth below:

	12 months ending December 31	
€ in million (Unaudited)	2021	2020
Operating Loss	**(61.4)**	**(55.1)**
Add:		
Amortization	6.6	6.0
Depreciation	7.7	3.8
Impairment of Tangible Assets	-	0.1
EBITDA	**(47.1)**	**(45.2)**

(b) Valneva SE (French GAAP accounts)

The Company's financial statements for the fiscal year 2021 were prepared in accordance with French generally accepted accounting principles as defined by the French accounting standards Committee (*Comité de la réglementation comptable*).

Operating income

Operating income amounted to €6.2 million at December 31, 2021, up from €7.3 million for the fiscal year 2020.

Revenues amounted to €3.60 million in 2021, compared to €3.38 million in 2020. Operating grants amounted to €0 million in 2021, compared to €0.003 million in 2020.

Other operating income (mainly licensing income) amounted to €2.4 million in 2021, compared to €3.7 million in 2020.

Operating expenses

Operating expenses amounted to €36.9 million at December 31, 2021, compared to €22.4 million for the prior fiscal year.

Purchases of raw materials and external expenses amounted to €26.4 million in 2021, compared to €14.6 million in 2020, mainly due to fees and insurance related to the IPO on the Nasdaq stock market.

Employee benefits expense amounted to €7.4 million in 2021, compared to €4.8 million in 2020. This increase is due to the recognition of employee benefit expenses following the definitive allocation of convertible preferred shares.

Amortization charges amounted to €2.3 million in 2021, compared to €2.5 million in 2020.

Operating loss from ordinary activities

The operating loss from ordinary activities for the fiscal year 2021 was €-30.8 million, compared to €-15.1 million for the fiscal year 2020.

Net financial result

Net financial income/(loss) amounted to €+1 million for the fiscal year 2021, compared to €-0.8 million for the fiscal year 2020.

Net exceptional result

Net exceptional result amounted to €-0,3 million for the fiscal year 2021, compared to €+0,2 million for the fiscal year 2020.

Corporate income tax

The negative 2021 income tax corresponds to a Research Tax Credit (Crédit d'Impôt Recherche) charge of €1.8 million. The negative 2020 income tax corresponded to a Research Tax Credit charge of €1.1 million.

Net loss

Net loss for the fiscal year 2021 was €28.2 million, compared to €14.6 million in the prior fiscal year.

Fixed assets

Fixed assets increased from €165.4 million in 2020 to €164.6 million in 2021 (net value).

Current assets

Current assets amounted to €191.7 million in 2021, compared with €37.8 million in 2020.

This increase is mainly due to the increase in cash position for €125 million and the increase in other receivables for €26 million, mainly related to the amounts recorded in current accounts with the various Group subsidiaries.

Shareholders' equity

Shareholders' equity decreased from €169.1 million at December 31, 2020 to €307.2 million at December 31, 2021. A detailed description is provided in the Notes to the parent-entity financial statements for the fiscal year 2021.

Liabilities

Total debt decreased by €13.8 million, from €28.4 million at December 31, 2020 to €42.3 million at December 31, 2021.

Operating payables increased by €3.8 million, from €4.1 million for the fiscal years 2020 to €7.9 million in 2021. The increase is mainly due to trade payables, insurance invoices not due at December 31, 2021, and social security liabilities, employer contributions on definitive allocations of convertible preferred shares.

Other debts increased by €10.6 million, from €20 million at December 31, 2020 to €30.6 million at December 31, 2021, corresponding to the increase in amounts recognized in current accounts with the various Group subsidiaries.

Cash

Total cash amounted to €140.6 million at December 31, 2021, compared to €15.8 million on the previous fiscal year.

Net cash provided by operating activities represented an outflow of €-40.6 million at December 31, 2021, compared to an outflow of €-0.1 million at December 31, 2020, reflecting:

- a €-25.9 million outflow in cash flows for the fiscal year 2021;
- the increase in other receivables and other payables for €-15.8 million.

Net cash generated by investment flows is negligible in 2021 as in 2020.

The net cash generated from financing activities amounted to €165.2 million in 2021, compared to €-20.4 million in 2020. It mainly stems from the two capital increases in May and November 2021, which were described in detail in the notes to the parent-entity financial statements prepared for the fiscal year 2021.

Results (and other key aggregates) of the Company for the last five years

	Year ended December 31				
Nature of items	2017	2018	2019	2020	2021
I- CAPITAL AT THE END OF THE YEAR					
Share capital *(in euros)*	11,816,042.64	13,816,042.74	13,819,938.99	13,645,584.30	15,785,862.75
Number of ordinary shares[1]	77,583,714	90,917,048	90,923,298	90,950,048	105,190,223
Maximum number of shares to be created by conversion of bonds	0	0	0	0	0
II- OPERATIONS AND INCOME FOR THE YEAR *(in euros)*					
Revenue excluding tax and financial income	3,223,001.34	3,876,876	4,641,374	4,075,352	5,669,070
Income before tax employee profit-sharing and depreciation allowance and provisions	(16,241,804.98)	(18,567,302.98)	(28,166,330.72)	(13,764,375.19)	(27,668,325.07)
Tax on profit (income if negative)	(1,781,781)	(1,727,572)	(1,866,427)	(1,073,156)	(1,773,649)
Employee profit-sharing due for the year	0	0	0	0	
Income after tax employee profit-sharing and depreciation allowance and provisions	(15,276,741.54)	(16,847,324)	(27,991,662)	(14,564,023)	(28,222,330
Distributed income	0	0	0	0	0
III- EARNINGS PER SHARE *(in euros)*					
Income after tax and employee profit-sharing, but before depreciation allowances and provisions	(0.19)	(0.19)	(0.29)	(0.14)	(0.25)
Income after tax employee profit-sharing and depreciation allowance and provisions	(0.20)	(0.19)	(0.31)	(0.16)	(0.27)
Dividend per share (indicate if gross or net)	0	0	0	0	0
IV- PERSONNEL					
Average headcount for the period	46	49	48	42	46
Annual payroll *(in euros)*	3,616,368.82	3,946,840.33	3,682,931.40	3,396,356.44	3,716,165.23
Total of amounts paid for social benefits for the year (social security, social welfare programs, etc.) *(in euros)*	1,496,564.75	1,593,324.98	1,586,429.08	1,416,443.11	3,639,222.00

(1) The figures do not include the convertible preferred shares of the Company, for the total amount of 789 for the fiscal years 2017 and 2018, then increased to 20,514 for the fiscal years 2019 and 2020, and increased again to 48,862 for the fiscal year 2021).

1.4.2. Major agreements and partnerships

(a) Department of Defense Contracts

In September 2020, the U.S. Department of Defense, Defense Logistics Agency (***DLA***) awarded Valneva a new contract for the supply of IXIARO®. The terms of the agreement, as subsequently amended in September 2021, contemplate an initial base year followed by two option years, each with a range of minimum and maximum potential dose orders. The base year had a minimum value of approximately $53 million for 370,000 doses, and the first option year, which DLA exercised in September 2021, has a minimum value of approximately $28.8 million for 200,000 doses. The second option year, if exercised, has a minimum value of approximately $36 million for 250,000 doses. Like most governmental agreements, this contract can be terminated by DLA for convenience at any time.

Valneva will also provide additional inventory after September 2023 to mitigate the potential impact of unused stock that may expire. This replacement inventory will be provided without cost to DLA and resulted in a contract liability amounting to $5.4 million recognized as of December 31, 2021.

(b) Pfizer License Agreement

In April 2020, Valneva Austria GmbH entered into a research collaboration and license agreement (***the Pfizer License***) with Pfizer. In connection with the Pfizer License, Valneva granted to Pfizer (a) an exclusive, worldwide, sublicensable license under certain patents, know-how, and materials and (b) a non-exclusive, worldwide, sublicensable license under all patents, know-how or other intellectual property rights controlled by Valneva, in each case to use, have used, develop, have developed, manufacture, have manufactured, commercialize, have commercialized and otherwise exploit VLA15 and related products for all therapeutic, diagnostic and prophylactic human and veterinary use. Under the Pfizer License, Valneva also obtained, during the development term, a non-exclusive, royalty-free, fully paid-up, worldwide license with the right to sublicense to subcontractors under certain patents and know-how controlled by Pfizer and patents and know-how developed under the Pfizer License to perform development activities relating to VLA15 and related products.

Valneva is obligated to grant licenses or sublicenses that are consistent with the Pfizer License directly to affiliates of Pfizer upon Pfizer's written request. Each party also granted the other a non-exclusive, irrevocable, perpetual, royalty-free, fully paid-up worldwide license for research purposes with the right to sublicense to affiliates under its know-how, materials and confidential information disclosed under the agreement.

In connection with the Pfizer License, Valneva may not develop or exploit a competing product, and it must use commercially reasonable efforts to perform assigned obligations under a development plan. As partial consideration for the license grant, Pfizer paid Valneva a one-time upfront payment of $130 million. Valneva and Pfizer will each contribute towards development costs, and Pfizer is obligated to pay Valneva up to $178 million in development milestones and low double-digit tiered royalties starting at 19% on net sales of licensed products, subject to specified offsets and reductions. Royalties are payable on a licensed product-by-licensed product and country-by-country basis beginning with the first commercial sale of such licensed product in such country and ending on the last to occur of the date on which the sale, offer for sale or importation of such licensed product in such country would infringe, but for the license granted here, a valid claim covering such licensed product in such country and fifteen years after the first commercial sale of such licensed product in such country.

The Pfizer Agreement expires on a country-by-country and licensed product-by-licensed product basis upon the expiration of the last royalty term for any licensed product in such country. Pfizer may terminate the agreement (a) on a licensed product-by-licensed product and country-by-country basis or in its entirety for convenience or any uncured material breach by Valneva, (b) in whole or relevant part for certain violations of global trade control laws prior to the first regulatory approval of a licensed product, or (c) for Valneva's breach of certain representations and warranties or other failure to comply with specified laws. Valneva may terminate the agreement on a licensed product-by-licensed product and country-by-country basis for any uncured material breaches by Pfizer of any of its diligence obligations, or in its entirety for any uncured material breach of the agreement by Pfizer.

(c) European Commission Supply Agreement

In November 2021, Valneva Austria GmbH entered into an advance purchase agreement (***the EC APA***) for Valneva's SARS-CoV-2 vaccine candidate (***the Product***) with the European Commission (***EC***). The EC APA includes an order for approximately 24.3 million doses of the Product for delivery to Participating Member States in 2022 and provides an option for Participating Member States to purchase up to approximately 35.7 million doses of the Product for delivery in 2023. Participating Member States will contribute up-front payments equal to a certain percentage of the total purchase price for their respective quantities of the Product, and such up-front payments would apply to the Product purchased following exercise of the 2023 option.

Valneva is obligated to manufacture the Product within the European Union and European Economic Area and to deliver the Product according to a specified delivery timeline. The EC APA provides that, if delivery of the Product is delayed by a certain period of time, any Participating Member State may cancel its purchase of the delayed doses of the Product, which would require Valneva to reimburse certain amounts of the up-front payment associated with such delayed and cancelled doses to such Participating Member State and, in certain circumstances, make Valneva subject to claims for liquidated damages. Delivery of the Product is subject to first obtaining a marketing authorization for the Product from the EMA, and Valneva is required to use best reasonable efforts to obtain this marketing authorization as soon as reasonably possible. The EC may terminate the EC APA in the event that Valneva does not receive a marketing authorization by April 30, 2022. In such case, the EC and Participating Member States must notify Valneva within 15 days whether they intend to terminate the agreement on this

basis, and Valneva shall have 30 days to obtain a marketing authorization or otherwise propose an acceptable remediation plan. Further, the EC APA provides that, if Valneva does not obtain a marketing authorization covering the entire adult population (adults aged 18 and older) by June 30, 2022, any Participating Member State shall have the right to cancel its purchase of a certain percentage of doses, which would require Valneva to reimburse to such Participating Member State the equivalent percentage of its up-front payment.

The EC APA will remain in place until all quantities of the Product ordered thereunder have been delivered. In addition to the termination provisions mentioned above, the EC may terminate the EC APA if delivery of all doses ordered for 2022 has not taken place by December 31, 2022. In the event of such a termination, Valneva would be required to repay any unspent and uncommitted amounts of up-front payments received from the Participating Member States. The EC may also terminate the EC APA in case of Valneva's material uncured breach of its provisions or in the event of certain insolvency situations, breaches of tax or social security contribution obligations, conflicts of interest, fraud, or force majeure. Valneva may terminate the EC APA in the event of an uncured material breach of the EC or force majeure, and Valneva may terminate the order of any Participating Member State in the event of an uncured material breach or such Participating Member State or force majeure.

(d) IDT Biologika Agreements

In November 2021, Valneva Austria GmbH entered into a non-exclusive commercial manufacturing services agreement (***the IDT Agreement***) with IDT Biologika GmbH (***IDT***), pursuant to which IDT will manufacture VLA2001 and provide other contract manufacturing services under separate product schedules. A separate product schedule pertaining to VLA2001 (***the IDT Product Schedule***) provides that IDT will manufacture a certain number of batches of VLA2001 during the year ending December 31, 2022. The IDT Agreement provides an option for IDT to manufacture additional batches during 2023. The maximum value of the IDT Product Schedule, including the exercise of the maximum amount under the option, is approximately €280.6 million. Valneva and IDT may enter into further product schedules, each of which would set the pricing terms applicable to the manufacturing and services to be provided thereunder.

The IDT Product Schedule for VLA2001 will be in effect until December 31, 2023 unless otherwise extended or terminated. The IDT Agreement will expire in November 2026 unless previously terminated. Valneva may terminate the IDT Agreement or the IDT Product Schedule for convenience. Either party may terminate the IDT Agreement or the IDT Product Schedule, in whole or in part, in case of material breach, insolvency, or certain compliance failures.

(e) UK Supply Agreement

In September 2020, Valneva Austria GmbH entered into a supply agreement (***the UK Supply Agreement***) with the Secretary of State for Business, Energy and Industrial Strategy of the United Kingdom, or ***the UK Authority***, pursuant to which the Group was obligated to develop, manufacture and supply SARS-CoV-2 vaccines to the UK Authority in the United Kingdom of Great Britain and Northern Ireland, or ***the UK***, including an obligation for the Group to upgrade its manufacturing facilities in Scotland. Valneva received notice in September 2021 of the UK Authority's decision to terminate the UK Supply Agreement, and the termination became effective in October 2021, as described below.

Under the UK Supply Agreement, Valneva was obligated to use commercially reasonable efforts to develop the vaccine candidate, to secure marketing authorization (and to prosecute the application for minimum viable marketing authorization) in the UK, to conduct assigned activities in accordance with the facility and manufacturing plans and to perform other activities, including working with third parties to maintain sufficient manufacturing capacity. Pursuant to the terms of the UK Supply Agreement, the UK Authority placed an initial order for 60 million doses to be delivered in 2021 and was granted an option for a further 40 million doses to be delivered in 2022 and a further 90 million doses, in aggregate, from 2023 to 2025. In January 2021, the UK Authority exercised its option to order 40 million doses for delivery in 2022. The UK Supply Agreement required the UK Authority to pay Valneva advance payments to fund certain manufacturing-related expenses over the life of the project, subject to Valneva's continued supply of product in accordance with the terms of the UK Supply Agreement. As of December 31, 2021, the Group had received advance payments totaling £359.2 million (€408.3 million). Valneva is obligated to pay the UK Authority a low single-digit royalty on net sales, to non-UK customers, of product manufactured using any facilities used under the UK Supply Agreement, subject to a maximum royalty payment of €100 million, and this requirement survives termination of the UK Supply Agreement.

Following the close of business on September 10, 2021, Valneva received notice of the UK Authority's decision to terminate the UK Supply Agreement. Valneva had not received any indication from the UK Authority, prior to this time, of the UK Authority's intention to serve the notice. In the termination notice, the UK Authority purported to terminate the contract on one of two different bases, each with different potential or actual consequences for the Group.

First, the UK Authority purported to terminate the UK Supply Agreement on the common law (non-contractual) ground that Valneva would allegedly, at some time in the future, breach its obligations regarding the delivery schedule under the UK Supply Agreement. The Group strongly disputes the UK Authority's purported termination based on an alleged anticipated breach of the UK Supply Agreement and does not consider such termination to be valid. However, if the UK Authority were to successfully bring proceedings for damages against Valneva in respect of the alleged anticipatory breach, it could be argued that the applicable contractual cap on the Group's liability under the UK Supply Agreement could be as high as an amount equivalent to the sums paid to Valneva by the UK Authority prior to termination. However, the Group believes that it is very unlikely that any such claim by the UK Authority will be successful. In any event, the UK Authority has not notified Valneva of any specific claim for damages in connection with the purported termination for alleged anticipatory breach nor has it indicated the amount of any possible claim.

Second, the UK Authority purported to terminate the UK Supply Agreement on 30 days' notice based on its discretionary right under the UK Supply Agreement to terminate for convenience. Valneva acknowledged the UK Authority's termination of the UK Supply Agreement on the basis of this discretionary right, and, as such, the termination became effective on October 10, 2021. The UK Supply Agreement provides that, in the case of termination for convenience by the UK Authority, Valneva shall not be obliged to refund or repay any amount paid by the UK Authority. Valneva remains obligated to pay the UK Authority a low single-digit royalty on net sales, as noted above.

The impact of the termination of the UK Supply Agreement was assessed at the end of 2021. Payments received, where the likelihood of repayment is remote, totaled €253.3 million and were recognized as other revenues in 2021. For amounts with uncertainties and a repayment likelihood, which is more than remote, a refund liability of €166.9 million was recognized for the royalty on sales and other certain obligations which survive the termination of the UK Supply Agreement. Moreover, provisions for the present obligation under the onerous purchase agreements and write-downs for materials of COVID-19 vaccine were recognized.

(f) Dynavax Supply Agreement

In September 2020, Valneva Scotland Limited and Valneva Austria GmbH entered into a supply agreement (the ***Dynavax Agreement***) with Dynavax Technologies Corporation (***Dynavax***) pursuant to which Dynavax is obligated to manufacture and supply Valneva with all of its requirements for certain component materials of Valneva's proprietary SARS-CoV-2 vaccine (the ***Antigen***) for use in the manufacture, commercialization, and supply of a product containing or comprising the Antigen and Dynavax's proprietary adjuvant, which together with the Antigen is referred to as the Product, to prevent, treat, or ameliorate COVID-19 in humans, including for such use in connection with the UK Supply Agreement. Valneva shall jointly own with Dynavax all patents that relate to the combination of the Antigen and Dynavax's adjuvant. Valneva obtained an exclusive (even as to Dynavax), worldwide, fully-paid-up, sublicensable (including through multiple tiers), transferable, royalty free license under these joint patents to make, use, develop, sell, and otherwise commercialize the Product or biosimilar versions thereof. The Dynavax Agreement included an initial purchase order commitment amount of up to $136.8 million. On October 28, 2021, Valneva entered into an amendment to the Dynavax Agreement. This amendment cancelled two previously placed purchase orders and included one further purchase order.

As amended, the Dynavax Agreement will continue until Dynavax has delivered all of the Product ordered by Valneva, unless terminated earlier in accordance with the terms of the agreement. Either party may terminate the agreement upon an uncured material breach of the agreement by or insolvency of the other party.

(g) CEPI Funding Agreement

In July 2019, Valneva SE entered into a funding agreement (***the CEPI Agreement***) with CEPI. In connection with the CEPI Agreement, Valneva was awarded up to $23.4 million in funding (paid in a series of six-month tranches) to further develop a chikungunya vaccine, or the product, and Valneva is obligated to provide equitable access to project results on the terms and conditions of the CEPI Agreement. Under the CEPI Agreement, equitable access means the regular supply of chikungunya vaccines in all Non-Traveler's Market Countries (as defined in the CEPI Agreement, covering mostly low and middle income countries) that have a demand for the vaccines at an affordable price (as defined in the CEPI Agreement) and, in the context of an outbreak or increased outbreak preparation need, means that vaccines are first available to populations in the affected territory when and where they are needed. In addition, Valneva granted CEPI a limited non-exclusive, fully paid-up, sublicensable license, referred to as the Public Health License, under the project results and other intellectual property necessary to enable CEPI or a third party designated by CEPI to develop, manufacture, market and/or supply the product worldwide solely to end users in an affected territory in preparation for or response to an outbreak. Such Public Health License shall only be effective upon specified license triggers.

Valneva is obligated to pay CEPI up to $7 million in commercial and related milestones and to supply CEPI with specified quantities of the chikungunya drug product or investigational product in case of an outbreak or increased outbreak preparation need. This includes maintaining at Valneva's cost a one-year rolling safety stock comprised of not less than 200,000 doses of chikungunya vaccines (the ***Safety Stock***). In case the Safety Stock is used to address an outbreak or increased outbreak preparation need, and CEPI wishes to replenish such Safety Stock, CEPI shall pay Valneva the related production costs.

Either party may terminate the CEPI Agreement upon an uncured material breach of the agreement or insolvency of the other party. CEPI may also terminate the agreement if Valneva is unable to discharge its obligations, for safety, regulatory or ethical issues, if Valneva does not satisfy specified criteria for funding, if there are material changes to the development plan without CEPI's prior written consent, or during the term any affiliate to whom Valneva has assigned or transferred the agreement ceases to be its affiliate. Valneva may also terminate the agreement (in whole or with respect to certain markets) for convenience at any time after 10 years following the grant of U.S. marketing approval for the product, at any time after three years following the grant of U.S. marketing approval for the product if Valneva is unable to sell the product at a viable price, or if CEPI transfers or assigns the agreement other than to specified entities. Following the last to occur of (a) the granting of U.S. marketing approval for the product and (b) such approval in the first low income country, in the event Valneva undergoes a change of control or sells the entire chikungunya business, Valneva may also terminate the agreement. In each of these terminations by Valneva, Valneva has obligations to collaborate with CEPI for two years to find a third party supplier to whom its obligations under the CEPI Agreement will be assigned and to transfer the drug substance and drug product technology and related intellectual property (with the exception of trademarks) to such third party supplier. In lieu of such transfer, after two years following termination, the CEPI Agreement will be suspended, except for certain continuing obligations, until Valneva and CEPI agree to continue the programme appropriate to the circumstances.

In connection with its obligations under the CEPI Agreement, and following the execution of a binding termsheet in April 2020, in January 2021 Valneva Austria GmbH entered into definitive agreements with Instituto Butantan, a Brazilian public institute, and Fundacao Butantan, a Brazilian non-profitable private foundation of the Instituto Butantan, which are referred to jointly as Butantan, engaged in the research, development, manufacture and commercialization of vaccines in Brazil, pursuant to which Valneva and Butantan intend to collaborate to transfer Valneva's drug product technology to Butantan, to enable Butantan to develop, manufacture and commercialize Valneva's chikungunya vaccine in low and middle income countries and obtain WHO prequalification. In turn, Butantan will provide certain clinical and Phase 4 observational studies that Valneva will use to meet regulatory requirements with the FDA. Butantan will also have to comply with certain CEPI requirements, among others, equitable access to the product and outbreak related obligations, including maintaining a Safety Stock.

(h) GSK Distribution Agreement

In December 2015, Valneva Austria GmbH entered into a distribution agreement (***the GSK Distribution Agreement***) with GlaxoSmithKline GmbH (as a successor in interest to Novartis Vaccines and Diagnostics, Inc.) (***GSK***) pursuant to which Valneva granted GSK an exclusive right to import, market, promote, distribute and sell IXIARO® in Germany, including sub-distribution rights in accordance with the terms of the GSK Distribution Agreement. The GSK Distribution Agreement expired on December 31, 2021 as part of the planned transition of distribution services to Bavarian Nordic, as described further below.

Under the GSK Distribution Agreement, Valneva had a co-exclusive right to deliver, distribute, market, sell, promote, and import IXIARO® in Germany solely with respect to certain non-profit organizations. Pursuant to the GSK Distribution Agreement, GSK was required to use reasonable commercial efforts to promote, sell and distribute IXIARO® in Germany and was required to purchase an agreed upon minimum quantity of IXIARO® doses during each year of the agreement. Valneva was obligated to supply (or designate a third-party entity to supply) GSK with all of its IXIARO® supply requirements, subject to Valneva's reserved right to modify or discontinue manufacture and sale of IXIARO® at its discretion. The GSK Distribution Agreement further provided that GSK must not manufacture, market, file applications for regulatory approval, distribute, sell or promote, in Germany a directly competing product that is a generic substitute for IXIARO®.

(i) Bavarian Nordic Distribution Agreements

In November 2020, Valneva Austria GmbH (Valneva Austria) entered into a distribution agreement (***the IXIARO® Distribution Agreement***) with Bavarian Nordic A/S (BN) pursuant to which Valneva Austria granted BN an exclusive right to import, market, promote, distribute and sell IXIARO® in Germany. In parallel Valneva Sweden AB (Valneva Sweden) entered into a distribution agreement (***the DUKORAL® Distribution Agreement***) with Bavarian Nordic A/S pursuant to which Valneva Sweden granted BN an exclusive right to import, market, promote, distribute and sell DUKORAL® in Germany. The IXIARO® Distribution Agreement and the DUKORAL® Distribution Agreement together are referred to as ***the BN Distribution Agreements***.

The BN Distribution Agreements include sub-distribution rights. Each of Valneva Austria and Valneva Sweden has a co-exclusive right to deliver, distribute, market, sell, promote, and import IXIARO® and DUKORAL®, as applicable, in Germany solely with respect to certain non-profit organizations.

Pursuant to the BN Distribution Agreements, BN is required to use reasonable commercial efforts to promote, sell and distribute IXIARO® and DUKORAL® in Germany and is required to purchase an agreed upon minimum quantity of IXIARO® and DUKORAL® doses during each year of the BN Distribution Agreements.

The BN Distribution Agreements shall commence on January 1, 2022 and continue until December 31, 2024 (Initial Term). Unless terminated earlier the Initial Term will automatically extend by two years to terminate on December 31, 2026.

(j) VaccGen Sublicense Agreement

In April 2003, Valneva (through its predecessor company Intercell Biomedical Ltd.) entered into a sublicense agreement (***the VaccGen Agreement***) with VaccGen International, LLC (***VaccGen***.) The VaccGen Agreement was subsequently amended in October 2003, June 2004, March 2005, October 2005, April 2006, November 2006, December 2006, August 2007, and February 2010. Pursuant to this agreement, Valneva obtained (a) an exclusive, worldwide (except the Caribbean), sublicensable sublicense under a prophylactic vaccine for Japanese encephalitis, the Vaccine, related patents and other intellectual property related to improvements made during the term of the agreement to develop, gain regulatory approval for, manufacture, have manufactured, distribute, use, offer for sale, import, sell, market, and otherwise commercially exploit the Vaccine and (b) an exclusive, worldwide (except for the Caribbean), royalty-free, transferable, sublicensable right and license under VaccGen's interest in certain Vaccine information to use, reproduce, distribute, display, prepare derivative works of and otherwise modify, make, sell, offer to sell, import and otherwise use and exploit such information in connection with the foregoing license.

Valneva is obligated to use commercially reasonable efforts to develop, manufacture, gain regulatory approval for and launch the Vaccine and to maximize net sales of the Vaccine worldwide (except the Caribbean). In connection with the VaccGen Agreement, Valneva paid VaccGen an initial license fee of $350,000, a second license fee of $450,000, and $50,000 upon execution of the August 2007 amendment, pursuant to which the licensed territory was expanded to include the Republic of Korea. Additionally, Valneva paid VaccGen $3.45 million in development and regulatory milestones and is obligated to pay VaccGen mid to high single-digit royalties on net sales of the Vaccine based on the entity making such sale, subject to specified reductions, and, in each case, subject to a minimum royalty payment ranging from mid six figures to low seven figures. Royalties on net sales of the Vaccine in specified countries are payable from January 1, 2010 until fourteen years thereafter or fourteen years from the date of regulatory approval in a specified country, based on the country of sale, marketing, or distribution. Royalties on other net sales of the Vaccine where the sale does not infringe, but for the sublicense granted to Valneva under the VaccGen Agreement, a valid claim of the vaccine patents licensed to VaccGen issued in a country are payable to VaccGen until seven years from the first commercial sale of such Vaccine in such country. Royalties on other net sales of the Vaccine where the sale infringes a valid claim of the vaccine patents licensed to VaccGen issued in a country are payable to VaccGen beginning upon commercialization of such Vaccine and continue until the expiration or final determination of invalidity of the last such valid claim that would be infringed by such sale in such country. A further reduced royalty for a period of seven years from such expiration or final determination of invalidity of the last such valid claim that would be infringed by such sale in such country is due. Valneva is also obligated to pay VaccGen a low double-digit percentage within a range of ten percentage points of any sublicensing income Valneva receives.

The VaccGen Agreement expires upon the earlier of the expiration of the last royalty or payment obligation or when Valneva no longer develops, markets, or sells the Vaccine for at least twelve consecutive months. Either party may terminate the agreement upon an uncured material default of or material breach of any material condition or covenant of the agreement. VaccGen may terminate the agreement for Valneva's insolvency, if Valneva does not fund the development plan in accordance with the terms of the agreement or if Valneva acquires a competing vaccine.

(k) Vetter Supply Agreement

In March 2008, Valneva (through its predecessor company Intercell Biomedical Ltd. and Intercell AG) entered into a commercial supply agreement (***the Vetter Agreement***) with Vetter Pharma-Fertigung GmbH and Co. KG (***Vetter***) pursuant to which Vetter is obligated to produce and supply to Valneva vaccine-filled syringes for use in connection with Japanese encephalitis throughout the world, excluding Japan. The Vetter Agreement renews automatically until either party notifies the other of its intention to not renew the agreement. Either party may terminate the agreement upon an uncured material default of the agreement by, including insolvency of, the other party.

(l) Agreements for Japanese encephalitis vaccine

In 2005, Valneva signed an agreement with the leading Indian biopharmaceutical Company Biological E. Ltd. for the development, manufacturing, marketing and distribution in India and the Indian subcontinent of the Group's Japanese encephalitis vaccine. The product was successfully approved by the Indian regulatory authorities in 2011 under the trade name JEEV®.

(m) Agreements and partnerships on EB66® cell line

In March 2015, Valneva SE signed an exclusive license agreement with Jianshun Biosciences Ltd., granting the Chinese company the right to commercialize Valneva's EB66® cell line for the manufacturing of human and veterinary vaccines in People's Republic of China[1].

Among the various EB66® commercial licenses, the partnership with KM Biologics (GSK's sublicensee, formerly named Kaketsuken), under a license agreement entered into by Vivalis (now Valneva) and GSK in 2007, has the potential for royalty amounts in the event of a pandemic flu crisis or preventative vaccine stock building in Japan.

(1) See the Press Release published by the Company on March 17, 2015: https://www.valneva.com/media/press-realeases/?y=2015

(n) Agreements on IC31®

In March 2004, Intercell AG (now Valneva Austria GmbH) signed a cooperation and license agreement with Statens Serum Institut (SSI) to develop a tuberculosis vaccine using the Company's IC31® adjuvant. The clinical development will be conducted by SSI, while Valneva will receive upfront and milestone payments and share the profits from future product sales.

In January 2015, Valneva SE announced the signing of an exclusive worldwide commercial license agreement with UK company Immune Targeting Systems Ltd. (currently Altimmune Ltd.) for the use of the IC31® Adjuvant in vaccines against Hepatitis B. In December 2020, Altimmune Ltd. reported that it had begun Phase 2 clinical trials for their candidate in combination with IC31®. Milestone payments as well as royalties on future sales of the product will be paid to Valneva if Altimmune Ltd. continues the development of this product in combination with IC31®.

(o) Financial agreements

In February 2020, Valneva Austria GmbH signed a loan agreement with funds managed by leading US-based healthcare investment firms Deerfield and OrbiMed. The transaction included an initial fixed rate (9.95%(1)) straight debt of $60 million. Valneva has not drawn this additional $25 million. The loan is secured by a set of collateral covering most of the Group's assets (real estate mortgages, personal guarantees of Valneva SE and most of the subsidiaries, pledges of shares in subsidiaries, pledges of intellectual property, goodwill, bank accounts and receivables). Repayment of the loan will begin in March 2023 and the loan will mature in March 2026.

As amended, the loan includes a quarterly minimum consolidated net revenue covenant (excluding grants) of representing an annual total of €64 million in 2021, €103.75 million in 2022 and €115 million thereafter. The loan also includes a minimum liquidity covenant in the amount of €50 million in 2021 and 2022 and €35 million thereafter.

(p) Additional distribution agreements

The Group entered into an agreement with Seqirus UK Limited, dated July 18, 2016, for the distribution of Seqirus' flu vaccines (FLUAD®, and FLUCELVAX TETRA™) on the Austrian market and into an agreement with Kamada, dated February 12, 2018, for the distribution of Kamada's rabies vaccine KamRAB™ in Canada.

In addition to the GSK and BN agreements described above, the Group has entered into distribution agreements for IXIARO® and/or DUKORAL® with approximately 15 distributors, including (a) Medic Italia S.r.l. for distribution of IXIARO® and DUKORAL® in Italy, (c) Seqirus, for distribution of JESPECT® and DUKORAL® in Australia, New Zealand and certain Pacific region territories.

(q) Partnership with Hookipa

On December 6, 2018, Valneva Sweden AB, the Swedish subsidiary of Valneva SE, and HookipaPharma Inc., announced that they had entered into a three-year collaboration and manufacturing agreement. The agreement expired on January 31, 2022.

Under the terms of the agreement, Valneva Sweden AB provided analytical services, developed process scale-up and produced Good Manufacturing Practices clinical trial material to support the development of new immunotherapies based on Hookipa's Vaxwave® and TheraT® arenavirus vector technologies. In return, Valneva Sweden AB received fixed and success-based service fees.

(r) Trademark coexistence agreement with Boehringer Ingelheim

In 2014, Boehringer Ingelheim International GmbH initiated three opposition procedures against the trademark VALNEVA in Brazil, European Union and Germany, on the grounds of its own trademark VAHELVA. These oppositions were withdrawn following the signature, on July 28, 2016, of a Prior Rights Agreement between Valneva and Boehringer. As part of this agreement, Valneva committed itself not to use the trademark "VALNEVA" as a product name or as part of a product name, but is able to use it as a trade name, house mark or manufacturer's brand.

(1) Due to the quarterly interest calculation method, the aggregate annual interest paid is an amount equivalent to 10.09%.

1.4.3. Analysis of full-year results

(a) Operating and Financial Review and Prospects

The Group's consolidated financial statements for the years ended December 31, 2021, 2020 and 2019 have been prepared in accordance with International Financial Reporting Standards, or IFRS, as adopted by the European Union. The audit report from Deloitte & Associés and PricewaterhouseCoopers Audit on the consolidated financial statements includes an explanatory Paragraph referring to the adoption of IFRS 16 – Leases.

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.

Factors Affecting the Group's Results

Valneva believes that its financial performance has been and for the foreseeable future will continue to be primarily driven by the factors discussed below. While many of these factors present opportunities for the Group's business, they also pose challenges that Valneva must successfully address in order to sustain its growth and improve its results of operations. The Group's ability to successfully address the factors below is subject to various risks and uncertainties.

Revenues

The Group principally derives its revenues from the sale of its commercialized travel vaccines, DUKORAL® and IXIARO®, in their respective markets and from the sale of third-party products. The Group also derives revenues from partnerships related to its vaccine candidates, as well as from collaborations, services and licensing agreement and by offering its technologies and services to third parties. The Group reports revenues under four segments: commercialized products, COVID, vaccine candidates and technologies and services.

Product Sales of IXIARO®, DUKORAL® and Third-party Products

Product sales of IXIARO® and DUKORAL® represented in aggregate 75.5%, 56% and 99.5% of the Group's revenues for the years ended December 31, 2021, 2020 and 2019, respectively. In 2019, total revenue included a negative revenue of €10.7 million related to the June 2019 mutual agreement to terminate the Group's Strategic Alliance Agreement, or SAA, with GlaxoSmithKline Biologicals SA, or GSK, originally agreed between Novartis and Intercell (predecessor companies of GSK and Valneva, respectively) as further discussed below. The Group primarily sells IXIARO® in the United States, Canada and Germany and DUKORAL® in Canada.

In addition, the Group generates revenues by leveraging its existing sales and marketing infrastructure to sell third-party products. Revenues from sales of third-party products represented 24.4%, 3.8% and 3.1% of the Group's revenues for the years ended December 31, 2021, 2020 and 2019, respectively.

In June 2020, Valneva entered into a distribution agreement with Bavarian Nordic, pursuant to which Valneva agreed to commercialize Bavarian Nordic's marketed vaccines for rabies and tick-borne encephalitis, leveraging its commercial infrastructure in Canada, the United Kingdom, France and Austria. This agreement had no material financial impact on the consolidated financial statement as of and for the year ended December 31, 2020. In the year ended December 31, 2021, the Group recognized €8.2 million of revenue from sales of Bavarian Nordic's vaccines.

Sales trends in travel vaccines are primarily driven by travel volume to endemic regions, national travel advisories, awareness about the illness and the perception of risk by health practitioners and tourists. A COVID-19-driven travel reduction accounted for a material reduction in the Group's revenues for the years ended December 31, 2021 and 2020 compared to the year ended December 31, 2019. According to the United Nations World Tourism Organization or UNWTO, Asia and the Pacific, the first region to suffer the impact of the pandemic and the region with the highest level of travel restrictions still in place to date, experienced an 84% decrease in arrivals from international flights from January to December 2020.

While COVID-19 has adversely affected sales of Valneva's travel vaccines to the general public, sales of IXIARO® to the U.S. Government Department of Defense, or DLA, which purchases Valneva's Japanese encephalitis vaccine for military personnel being deployed to endemic regions, have remained significant over the periods presented herein. In September 2020, DLA awarded Valneva a new contract for the supply of IXIARO®. The terms of the agreement, as subsequently amended in September 2021, contemplate an initial base year followed by two option years, each with a range of minimum and maximum potential dose orders. In September 2021, the Group announced that DLA exercised the first year option of this agreement. Due to the ongoing impact of the COVID-19 pandemic on Department of Defense operations, the option terms were amended such that the minimum number of doses for the first option year is 200,000 with an approximate value of $28.8 million. This brings the total minimum value of the agreement to approximately $118 million, assuming the exercise of the second year option which remains unchanged, compared to a minimum value of $135 million in the initial agreement. For the years ended December 31, 2021, 2020 and 2019, 60.5%, 52.6% and 37%, respectively, of the Group's total product sales were from sales of IXIARO® to the DLA.

Other revenues

Revenues from Collaboration

The Group derive revenues from collaboration and partnership agreements. The Group's primary source of collaboration revenues is through its research collaboration and license agreement with Pfizer Inc., entered into in April 2020, to co-develop and commercialize Valneva's Lyme vaccine candidate, VLA15. As partial consideration for the license grant under the agreement, in June 2020 Pfizer paid Valneva a one-time upfront payment of $130 million. Under the terms of the agreement, Valneva and Pfizer will each contribute towards development costs, and Pfizer is obligated to pay Valneva up to $178 million in development milestones and low double-digit tiered royalties starting at 19% on net sales of licensed products, subject to specified offsets and reductions. As of December 31, 2021 and 2020, the Group has recognized €79.6 million and €81.9 million, respectively, as discounted refund liabilities. In addition, €14.3 million and €31.6 million were recognized as other revenues during the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and December 31, 2020, €3 million and €2.8 million, respectively, in contract costs were included in other assets, and €0.9 million and €0, respectively, were included in contract liabilities.

Revenues from Technologies and Services

The Group also derives revenues from its technologies and services. Revenues from technologies consists of revenues from Valneva's EB66 cell line, which is derived from duck embryonic stem cells and provides an alternative to the use of chicken eggs for large scale manufacturing of human and veterinary vaccines, and Valneva's IC31 vaccine adjuvant, which is a synthetic adjuvant targeting antigens to improve immune response and has been licensed to several pharmaceutical companies. Services revenues consist of research and development services the Group provides to third parties, including process and assay development, production and testing of clinical trial material.

UK Supply Agreement Termination

In September 2020, Valneva entered into a supply agreement, or the UK Supply Agreement, with the Secretary of State for Business, Energy and Industrial Strategy of the United Kingdom, or the **UK Authority**, pursuant to which Valneva was to develop, manufacture and supply a COVID-19 vaccine to the UK Authority in the United Kingdom of Great Britain and Northern Ireland, or the UK. As part of the UK Supply Agreement, it was agreed that a significant amount of the government advance funding to be provided by the UK Authority would be used to upgrade the Group's manufacturing facilities in Scotland. Funding for UK-based clinical trials was agreed to in a separate, linked Clinical Trial Agreement. This Clinical Trial Agreement has not been terminated and remains in place.

Following the close of business on September 10, 2021, Valneva received notice of the UK Authority's decision to terminate the UK Supply Agreement. Valneva had not received any indication from the UK Authority, prior to this time, of the UK Authority's intention to serve the notice. In the termination notice, the UK Authority purported to terminate the contract on one of two different bases, each with different potential or actual consequences for the Group.

First, the UK Authority purported to terminate the UK Supply Agreement on the common law (non-contractual) ground that Valneva would allegedly, at some time in the future, breach its obligations regarding the delivery schedule under the UK Supply Agreement. Valneva strongly disputes the UK Authority's purported termination based on an alleged anticipated breach of the UK Supply Agreement and does not consider such termination to be valid. However, if the UK Authority were to successfully bring proceedings for damages against Valneva in respect of the alleged anticipatory breach, it could be argued that the applicable contractual cap on its liability under the UK Supply Agreement could be as high as an amount equivalent to the sums paid to the Group by the UK Authority prior to termination. However, the Group believes that it is very unlikely that any such claim by the UK Authority will be successful. In any event, the UK Authority has not notified Valneva of any specific claim for damages in connection with the purported termination for alleged anticipatory breach nor has it indicated the amount of any possible claim.

Second, the UK Authority purported to terminate the UK Supply Agreement on 30 days' notice based on its discretionary right under the UK Supply Agreement to terminate for convenience. Valneva acknowledged the UK Authority's termination of the UK Supply Agreement on the basis of this discretionary right, and, as such, the termination became effective on October 10, 2021. The UK Supply Agreement provides that, in the case of termination for convenience by the UK Authority, the Group shall not be obliged to refund or repay any amount paid by the UK Authority. A royalty on sales and certain other obligations, as described below, survive termination of the UK Supply Agreement.

The termination of the UK Supply Agreement was extensively assessed in the context of the preparation of the financial statements as of and for the year ended December 31, 2021. Payments received, where judgement was necessary and the Group assessed the likelihood of repayment to be remote, totaled €253.3 million and therefore this amount was recognized as revenue in the year ended December 31, 2021. Of this amount, €166.9 million related to uncertain restrictions and repayment obligations and were recognized in refund liabilities.

Key Cost Drivers

Research and development

The Group generates a significant amount of research and development expenses due to the nature of its business. Research and development expenses were €173.3 million, €84.5 million and €38 million for the years ended December 31, 2021, 2020 and 2019, respectively. Research and development expenses generally track development of the Group's underlying product candidate portfolio. Investment in research and development is required to support advancing programs through increasingly expensive stages of clinical development.

The Group has seen increased research and development costs in 2021 as it has invested in development of its COVID-19 vaccine candidate (VLA2001), continued its Phase 3 clinical trial for its chikungunya vaccine (VLA1553) and commenced its Phase 3 clinical trial for its Lyme vaccine candidate (VLA15). Under its agreement with Pfizer, Valneva is obligated to contribute 30% of all ongoing and future Lyme vaccine candidate development costs through completion of the development program expected in 2025.

Marketing and Distribution

The Group has developed an established commercial infrastructure that is dedicated to promoting and selling its products and educating physicians and travelers about its products and the diseases they target. The Group is continually investing in its commercial infrastructure and has identified markets where it can increase its sales and marketing efforts and market penetration. The Group has also been able to leverage its commercial infrastructure for third-party product distribution.

During the COVID-19 outbreak, including through 2021, travel costs for the Group's sales team have significantly decreased, and the Group has implemented a variety of cost containment measures such as reducing the advertising and promotional spend as well as reducing staffing across most of its commercial entities. The Group believes that ultimately, its investment in commercial infrastructure will yield higher revenues compared to outsourcing commercialization.

Cost of Goods and Services

Historically, manufacturing costs have experienced limited cost increases. Manufacturing costs comprise site infrastructure, employees to operate the manufacturing and the bill of materials. Incremental cost increase is driven by the variable cost in the bill of materials. The Group plans to manufacture its chikungunya vaccine candidate at its facilities in Livingston. The Group anticipates it will need limited additional infrastructure and employees for this program, and that it will incur relatively low raw materials costs.

The bulk drug substance for the Group's COVID-19 vaccine candidate will be manufactured at its facility in Livingston, Scotland and by IDT Biologika in Germany, and fill-finishing activities will take place at the Group's facilities in Solna, Sweden. As part of its broader COVID-19 response, the Group has invested in both its Livingston and Solna manufacturing facilities, including through an expansion of the Livingston facility financed by the UK Supply Agreement.

General and Administrative Expenses

General and administrative expenses have increased as the Group has become a more complex organization, requiring more corporate support. The Group has also seen an increase in stock-based compensation expense as it has increased its headcount and the issuance of share based compensation to employees and the Management Board. Furthermore, stock-based compensation related social security expenses are driven by the development of the Company's share price.

Grants

The Group seeks grants from governmental agencies and non-governmental organizations to partially offset its increasing research and development costs. Grant income, including research and development tax credits, which are recorded in other income, increased from €17.6 million for the year ended December 31, 2020 to €23.6 million for the year ended December 31, 2021, mainly due to increased research and development tax credits but partly offset by the recognition of €1.1 million of negative grant income in 2021 related to the Group's funding agreement with the Coalition for Epidemic Preparedness Innovations, or CEPI. Grant income, including research and development tax credits, increased from €8.2 million for the year ended December 31, 2019 to €17.6 million for the year ended December 31, 2020. In the years ended December 31, 2021 and 2020, the Group received grants related to the COVID-19 pandemic situation from various governments.

In July 2019, Valneva entered into a funding agreement with CEPI pursuant to which Valneva is eligible to receive up to $23.4 million (paid in a series of six-month tranches) for vaccine manufacturing and late-stage clinical development of a single-dose live attenuated vaccine against chikungunya (VLA1553) in return for equitable access to project results. Valneva is obligated to pay CEPI up to $7 million in commercial and related milestones. The Group plans to continue evaluating and pursuing grant opportunities.

International Operations and Foreign Currency Exchange Risks

The Group operates on a global basis with facilities, sales and activities throughout the world, and its global operations subject its financial results to fluctuations in foreign currency exchange rates. Because a substantial part of sales are generated in the United States for IXIARO®, with production costs in the British Pound, or GBP, and in Canada for DUKORAL®, with production costs in the Swedish Krona, or SEK, and proceeds in USD from the Company's Nasdaq offerings in May and October 2021, the Group is exposed to foreign exchange risks, principally with respect to the U.S. Dollar, or USD, GBP, SEK and the Canadian dollar, or CAD. The Group has entered into currency option contracts to limit the risk of foreign exchange losses. However, its results of operations continue to be impacted by exchange rate fluctuations.

Impact of COVID-19

The COVID-19 pandemic has had a number of significant impacts on the Group's business since March 2020. Notably, the Group initiated development of a COVID-19 vaccine candidate and announced a COVID-19 vaccine partnership with the UK Government. However, COVID-19 has adversely impacted sales of the Group's travel vaccines to the general public, with travel to endemic areas significantly reduced compared to 2019 and the Group's sales and marketing team unable to travel. DUKORAL® and IXIARO® are aimed at diseases that primarily threaten travelers to particular regions. As a result, sales of these vaccines have decreased significantly, adversely impacting the Group's financial results. The Group expects to remain impacted by the significant reduction in international travel following the onset of the global COVID-19 pandemic. Therefore, as a result of COVID-19, for the years ended December 31, 2021 and 2020, €5.4 million and €7.4 million, respectively, of the write-down the Group included in its income statement was due to lower sales expectations and limited shelf life of finished goods. As a result of a related manufacturing stoppage for IXIARO® and DUKORAL® in the third quarter of 2020, idle capacity costs were not capitalized.

Sales in 2021 continued to be impacted due to the significant reduction in international travel following the onset of the global COVID-19 pandemic, and this impact is expected to continue into 2022. In its November 2021 report, the UNWTO noted that despite improvement in the rate of international travel in the third quarter of 2021, as measured by international arrivals, the pace of recovery remains slow and uneven across the world. Rising concerns over the Delta variant of the virus have led several countries to re-impose restrictive measures. However, vaccination programs worldwide, together with softer restrictions for vaccinated travelers and the use of digital tools such as the EU Digital COVID Certificate, contribute to the gradual normalization of travel. The recovery of international travel is forecasted by leading international travel organizations, such as the International Air Transport Association and the UNWTO, to recover to 2019 demand levels between mid-2023 to end of 2024. If international travel does not resume as quickly or as much as expected, the Group's revenues will continue to be severely affected, and the Group 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 Phase 3 clinical trial for VLA 1553 (chikungunya) was delayed due to the impact of COVID-19. The Group continues to closely monitor how the pandemic and related response measures are affecting its business.

Financial Operations Overview

Segment Information

Operating segments are reported in a manner consistent with internal reporting, provided to the chief operating decision maker. The Group has identified the Management Board as its 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. In addition, 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 Valneva's IXIARO® and DUKORAL® vaccines, as well as third-party products;
- "**COVID**" — development, manufacturing and distribution related to Valneva's COVID-19 vaccine candidate, VLA2001;
- "**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, excluding Valneva's COVID-19 vaccine candidate, VLA2001;
- "**Technologies and services**" — services and inventions at a commercialization stage, *i.e.* revenue generating through collaborations, service and licensing agreements.

Prior to January 1, 2021, the Group reported in three segments—commercialized products, vaccine candidates and technologies and services. With the transfer of the license of Valneva's VLA15 Lyme vaccine candidate to Pfizer in December 2020, all related revenues and costs were moved from the vaccine candidates segment to the technologies and services segment for periods from January 1, 2021 onward.

As of January 1, 2021, given the materiality of its COVID-19 business in 2021, the Group introduced a "COVID" segment covering all activities related to the development, manufacturing and distribution of its COVID-19 vaccine candidate, VLA2001. The presentation of 2020 was adjusted to allow a better comparison.

As of January 1, 2021, 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 four operational segments based on three criteria (each equally weighted): (1) revenues, (2) research and development spend and (3) full-time equivalent personnel. The allocation of local general and administrative costs is based on the above criteria measured on the local level, whereas the allocation of global functional general and administrative costs is based on global key criteria. The Group also monitors its general and administrative expenses dedicated to corporate projects. Any project which (1) is material in spend, (2) is one-time in nature and (3) supports the entire business remains reported under Corporate Overhead. In 2021, the major item included in Corporate Overhead was costs related to the Company's Nasdaq offerings. Segment reporting information for earlier

periods have been amended to conform to these changes. The change in segments had no impact on the Group's historical consolidated financial position, results of operations or cash flows, as reflected in the reissued consolidated financial statements. The annual financial statements were restated only for the change in segment.

Revenue

The Group's product revenue is primarily derived from the sale of its commercialized products IXIARO® and DUKORAL® in their approved markets and sales of third-party products pursuant to distribution partnerships. The Group distributes products both directly and through the use of third-party distributors. The Group primarily sells IXIARO® in the United States (primarily to U.S. military personnel being deployed to endemic areas), Canada and Germany. The Group primarily sells DUKORAL® in Canada.

The Group's other revenue (from collaboration, licensing and services) consists of milestone payments, upfront licensing payments and reimbursement of development expenses. Certain of these payments are initially recorded on the Group's statement of financial position and subsequently recognized as revenue in accordance with the Group's accounting policy as described further under "Critical Accounting Estimates and Judgments" and Note 5.3 to the Group's consolidated financial statements as of and for the years ended December 31, 2021 and 2020(1).

The Group generates revenues from licensing and service agreements for its product candidates and proprietary technologies. The Group contracts with third parties to provide a variety of services such as manufacturing services, leases arrangements, research licenses, commercial licenses and research and development services. The terms of such licenses 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.

In September 2020, Valneva entered into the UK Supply Agreement, pursuant to which Valneva was obligated to develop, manufacture and supply SARS-CoV-2 vaccines to the UK Authority. In September 2021, Valneva received notice of the UK Authority's decision to terminate the UK Supply Agreement. The impact of the termination of the UK Supply Agreement was assessed. Payments received, where the likelihood of repayment is remote, totaled €253.3 million and were recognized as revenue in 2021(2).

Operating Expenses

Cost of Goods and Services

Cost of goods and services consist primarily of personnel costs, costs for materials, royalties and costs for third-party services, as well as building and energy costs, depreciation and amortization, and other direct and allocated costs incurred in connection with the production of the Group's products. Costs of goods and services also include costs of product sales from inventory produced in the prior year, idle production costs and costs related to expired and faulty products which have been written off. Cost of goods and services also include costs relating to the Group's revenue-generating collaboration, services and licensing agreements.

Research and development Expenses

The nature of the Group's business and the primary focus of its activities generate a significant amount of research and development expenses. Research and development expenses include the costs associated with research and development conducted by the Group or for the Group by outside contractors, research partners or clinical study partners, and expenses associated with research and development carried out by the Group in connection with strategic collaboration and licensing agreements. The Group's research and development expenses are primarily incurred as a result of the following activities:

- discovery efforts leading to product candidates;
- clinical development efforts for the Group's programs; and
- development of the Group's manufacturing technology and infrastructure.

The costs of the above activities driving research and development expenses comprise the following categories:

- expenses related to the Group's research and development personnel, including salaries, social security expense, share-based compensation expense, and other related expenses;
- expenses incurred under agreements with third parties, such as consultants, investigative sites, contract research organizations, or CROs, that conduct the Group's pre-clinical studies and clinical trials, and in-licensing arrangements;
- costs of acquiring, developing and manufacturing materials for pre-clinical studies and clinical trials, including both internal manufacturing and third-party contract manufacturing organizations, or CMOs;
- expenses incurred for the procurement of materials, laboratory supplies and non-capital equipment used in the research and development process; and
- facilities, depreciation and amortization, and other direct and allocated expenses incurred as a result of research and development activities.

The substantial majority of the Group's direct expenses incurred for the years ended December 31, 2021, 2020 and 2019, such as for CROs, and other contracted research and development activities, as well as for raw materials, relate to the Group's COVID-19 vaccine candidate (VLA2001) (in 2020 and 2021), its chikungunya vaccine candidate (VLA1553), and its Lyme vaccine candidate (VLA15). The Group also incurs indirect research and development expenses primarily

(1) See Section 4.1.5 of this URD.
(2) For more detailed information, see Note 5 to the Group's consolidated financial statements, in Section 4.1.5 of this URD.

related to facilities, energy and office costs as well as the cost of research and development personnel.

Research and development expenses are generally recognized in the period in which they are incurred. However, research and development expenses incurred in connection with product candidates are capitalized and recorded as intangible assets when the following criteria are met: the technical feasibility of completing the asset has been achieved so that it will be available for use or sale; the intention to complete the asset and use or sell it; the ability to use or sell the asset; the asset will generate probable future economic benefits and demonstrate the existence of a market or the usefulness of the asset if it is to be used internally; the availability of adequate technical, financial and other resources to complete the development and to use or sell it; and the ability to reliably measure the expenditure attributable to the intangible asset. As of December 31, 2021 and 2020, the Group had capitalized research and development expenses recorded as intangible assets in an aggregate amount of €1.9 million and €1.6 million, respectively.

Research and development activities are a key component of the Group's business model. The successful development and commercialization of a product candidate involves significant costs, which may vary from year to year depending upon factors such as the progress of clinical trials and other research and development activities, the timing of regulatory approvals, the duration of the regulatory approvals process and the possibility of, and potential expenses related to, filing, prosecuting, defending or enforcing any patent claims or other intellectual property or proprietary rights. The most expensive stages in the regulatory approval process in the United States and the European Union are late-stage clinical trials, which are the longest and largest trials conducted during the approval process. The significant cost factors in the Group's clinical trials include manufacturing compounds for product candidates, organizing clinical trials, including participant enrollment, production and testing of product candidates involved in clinical trials, and laboratory testing and analysis of clinical parameters. By contrast, pre-clinical research and development expenses primarily depend on the number of scientific staff employed. The Group expects that its research and development expenses will continue to increase in the foreseeable future as the Group initiates and progresses clinical trials for its vaccine candidates.

Marketing and Distribution Expenses

Marketing and distribution expenses consist primarily of expenses relating to marketing and distribution personnel, including salaries, social security contributions, share-based compensation expense and other employee-related expenses, advertising, media and public relations expenses, warehousing and distribution costs, costs related to third-party services and other direct and allocated expenses incurred in connection with the Group's commercial sales infrastructure, business development and other marketing and distribution activities. The Group has started to incur incremental costs for preparation of market access and launch activities of its chikungunya vaccine candidate, following the progression of VLA1553 into Phase 3 clinical development in 2020 and based on the expected timeline for possible regulatory approval.

General and Administrative Expenses

General and administrative expenses consist primarily of non-research and development personnel-related costs, including salaries, social security contributions, share-based compensation expense and other employee-related expenses for general management, finance, legal, human resources, investor relations and other administrative and operational functions, fees for professional services, such as consulting, legal and financial services, information technology and facility-related costs. These costs relate to the operation of the Group's business and are unrelated to its research and development function or any individual product candidate program.

The Group anticipates that its general and administrative expenses will increase as it grows its support functions for the expected increase in research and development and manufacturing activities. The Group also anticipates continued increased expenses associated with being a public company in the United States, including costs related to audit, legal, regulatory and tax-related services associated with maintaining compliance with U.S. exchange listing and Securities and Exchange Commission, or SEC, requirements, director and officer insurance premiums and investor relations costs. In particular, the Group will incur additional accounting expenses to comply with the Sarbanes-Oxley Act of 2002 in the United States that will require the Group to test the effectiveness of its internal controls over financial reporting.

Other Income (Expenses)

The Group's other income results principally from grants and research tax credits. The Group expects to continue to be eligible for these tax credits and subsidies for so long as it incurs eligible expenses.

Grants

Grants from governmental agencies and non-governmental organizations are recognized where there is reasonable assurance that the grant will be received and that the Group will comply with all conditions. In 2019, the Group entered into a funding agreement with CEPI. Under this funding agreement, the Group is eligible to receive up to $23.4 million (paid in a series of six-month tranches) for vaccine manufacturing and late-stage clinical development of a single-dose, live attenuated vaccine against chikungunya (VLA1553). The Group will be obligated to repay up to $7 million to CEPI if and when certain commercial and related milestones are reached. The funds the Group receives from CEPI are accounted for in accordance with IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance and presented as other income within operating income in the Group's statement of operations.

Research Tax Credits

The Group benefits from Austrian research tax credit and French tax credit (known as *Crédit d'Impôt Recherche*, or CIR). The qualifications for the Austrian and French tax credits are similar, as both the Austrian and French tax authorities encourage companies to conduct technical and scientific research. To be eligible, companies need to demonstrate that they have expenses that meet certain required criteria, including research expenses located within the European Union. The main differences between the Austrian and French tax credits are the applicable percentage of and the basis for the tax credit.

For the CIR, companies need to demonstrate that expenses taken into account for the calculation of the CIR only involve certain eligible research and development expenses. Subcontracting expenses are limited to an amount equal to €10 million.

The main characteristics of the CIR are the following:

- the CIR results in a cash inflow to the Group from the tax authorities, either through an offset against the payment of corporate tax or through a direct payment to the Group for the portion that remains unused;
- the Group's income tax liability does not limit the amount of the CIR, as a company that does not pay any income tax in France can request direct cash payment of the CIR; and
- the CIR is not included in the determination of the corporate income tax.

For the Austrian tax credit, there is no limit for subcontracting expenses, but contract research expenses are limited to €1 million per year. The Austrian research tax credit results in a cash inflow from the tax authorities paid to the Group and is not included in the determination of the corporate income tax.

The Group has concluded that research tax credits in both countries meet the definition of a government grant, as defined in IAS 20 – *Accounting for Government Grants and Disclosure of Government Assistance*, and, as a result, it has been classified as other income within operating income in the Group's statement of operations.

Finance Income (Expenses)

Finance income relates primarily to interest income received from cash and cash equivalents deposits. The Group's cash and cash equivalents have been deposited primarily into cash accounts and term deposit accounts with short maturities and therefore generate only a modest amount of interest income.

Finance expenses relate primarily to interest expense paid to banks and government agencies and on other loans as well as to interest expense on lease liabilities.

The Group also incurs foreign exchange gains and losses related to its international operations, primarily with respect to the U.S. Dollar, the British Pound, the Swedish Krona, and the Canadian Dollar, which amounts are recorded as finance income or expenses. Furthermore, finance income or expenses include fair value gains or losses, respectively, on derivative financial instruments relating to various foreign currency option and forward contracts, which the Group entered into to limit the risk of foreign currency losses on expected future cash flows.

Results from Investments in Associates

The Group holds a 48.9% equity interest in BliNK Biomedical SAS, or BliNK, a private company not listed on a stock exchange. While the Group intends to retain a substantial ownership interest in the entity, BliNK is run as an independent business by its own management team. The Group does not have control or joint-control over BliNK, but rather holds a significant influence in BliNK in accordance with IAS 28.3, and therefore the investment is recorded using the equity method according to IAS 28.

Income Tax

Income tax income or expense reflects the Group's current income tax, as well as its deferred tax income (expense).

(b) Operating Results

Overview

Results of Operations—Consolidated

The Group's results of operations for the years ended December 31, 2021, 2020 and 2019 are summarized in the table below.

	Year ended December 31,		
In € thousand	2021	2020	2019
Product sales	62,984	65,938	129,511
Other revenues	285,101	44,383	(3,315)
TOTAL REVENUES	**348,086**	**110,321**	**126,196**
Cost of goods and services	(187,920)	(54,302)	(52,781)
Research and development expenses	(173,283)	(84,454)	(38,022)
Marketing and distribution expenses	(23,643)	(18,264)	(24,145)
General and administrative expenses	(47,606)	(27,539)	(18,398)
Other income and expenses, net	22,976	19,117	6,338
OPERATING PROFIT (LOSS)	**(61,390)**	**(55,120)**	**(811)**
Finance income	8,379	689	1,449
Finance expenses	(16,964)	(10,738)	(3,082)
Result from investments in associates	(5)	(133)	1,574
PROFIT (LOSS) BEFORE INCOME TAX	**(69,979)**	**(65,302)**	**(870)**
Income tax income (expense)	(3,446)	909	(874)
PROFIT (LOSS) FOR THE PERIOD	**(73,425)**	**(64,393)**	**(1,744)**

Results of Operations—By Segment

The following table presents the Group's results of operations by segment for the years ended December 31, 2021, 2020 and 2019:

	Commercialized products			COVID			Vaccine candidates		
In € thousand	2021	2020	2019	2021	2020	2019	2021	2020	2019
Product sales	62,984	65,938	129,511	-	-	-	-	-	-
Other Revenue	18	1	163	253,314	-	-	3,257	31,604	(10,516)
REVENUES	**63,002**	**65,939**	**129,674**	**253,314**	**-**	**-**	**3,257**	**31,604**	**(10,516)**
Cost of goods and services	(40,017)	(41,830)	(47,789)	(122,843)	-	-	-	(3,305)	(1)
Research and development expenses	(2,094)	(2,711)	(3,928)	(113,907)	(18,962)	-	(53,181)	(62,140)	(32,864)
Marketing and distribution expenses	(18,455)	(17,554)	(22,930)	(1,182)	-	-	(3,811)	(638)	(895)
General and administrative expenses	(6,102)	(13,412)	(10,161)	(23,003)	(2,374)	-	(8,323)	(7,781)	(7,124)
Other income and expenses, net[(1)]	2,196	1,101	7	11,546	1,578	-	7,033	14,073	7,709
OPERATING PROFIT (LOSS)	**(1,469)**	**(8,466)**	**44,873**	**3,927**	**(19,759)**	**—**	**(55,025)**	**(28,189)**	**(43,691)**

(1) For the year ended December 31, 2021, the Group's other income and expenses, net, in other corporate overhead consisted of €4.7 million of expenses derived mainly from consulting fees and auditing fees relating to the Nasdaq IPO and capital increase, which are not allocable to a segment.
For the year ended December 31, 2020, the Group's other income expenses, net in other corporate overhead of €1.6 million mainly derived from an early termination of a rental contract in Sweden and of €0.6 million COVID-19 pandemic related grants, which are not allocable to a segment.
For the year ended December 31 2019, the Group's other income expenses, net in other corporate overhead of €1.9 million mainly related to the provision related to the merger litigation.

	Technologies and services			Corporate overhead			Total		
In € thousand	2021	2020	2019	2021	2020	2019	2021	2020	2019
Product sales	-	-	-	-	-	-	62,984	65,938	129,511
Other Revenue	28,512	12,779	7,038	-	-	-	285,101	44,383	(3,315)
REVENUES	**28,512**	**12,779**	**7,038**	**-**	**-**	**-**	**348,086**	**110,321**	**126,196**
Cost of goods and services	(25,061)	(9,167)	(4,991)	-	-	-	(187,920)	(54,302)	(52,781)
Research and development expenses	(4,101)	(640)	(1,229)	-	-	-	(173,283)	(84,454)	(38,022)
Marketing and distribution expenses	(194)	(72)	(261)	-	-	(59)	(23,642)	(18,264)	(24,145)
General and administrative expenses	(5,495)	(2,274)	(795)	(4,684)	(1,697)	(318)	(47,606)	(27,539)	(18,398)
Other income and expenses, net[(1)]	2,458	117	484	(257)	2,248	(1,861)	22,976	19,117	6,338
OPERATING PROFIT (LOSS)	**(3,881)**	**743**	**245**	**(4,941)**	**551**	**(2,238)**	**(61,390)**	**(55,120)**	**(811)**

(1) For the year ended December 31, 2021, the Group's other income and expenses, net, in other corporate overhead consisted of €4.7 million of expenses derived mainly from consulting fees and auditing fees relating to the Nasdaq IPO and capital increase, which are not allocable to a segment.
For the year ended December 31, 2020, the Group's other income expenses, net in other corporate overhead of €1.6 million mainly derived from an early termination of a rental contract in Sweden and of €0.6 million COVID-19 pandemic related grants, which are not allocable to a segment.
For the year ended December 31, 2019, the Group's other income expenses, net in other corporate overhead of €1.9 million mainly related to the provision related to the merger litigation.

Revenue

Consolidated Revenue

Revenue increased by €237.8 million, or 215.5%, to €348.1 million for the year ended December 31, 2021 compared to €110.3 million for the year ended December 31, 2020. The main revenue in the year ended December 31, 2021 was €253.3 million of payments received under the UK Supply Agreement. These payments were recognized as revenue in the COVID segment as of the date the termination of the UK Supply Agreement became effective, once the future performance obligation (to deliver vaccines) was no longer valid and based on judgment that the likelihood of repayment is remote. The new revenue in the COVID segment in the year ended December 31, 2021 was partially offset by lower product sales reflected in other segments due to the continued effects of COVID-19 travel restrictions on sales of commercialized products.

The breakdown of revenue by operating segment is as follows:

	Year ended December 31,	
In € thousand	2021	2020
Commercialized products	63,002	65,939
COVID	253,314	-
Vaccine candidates	3,257	31,604
Technologies and services	28,512	12,779
TOTAL REVENUES	**348,086**	**110,321**

With the transfer of the license of the Group's VLA15 Lyme vaccine candidate to Pfizer in December 2020, all related revenues and costs were moved from the vaccine candidates segment to the technologies and services segment for periods from January 1, 2021 onward. In the year ended December 31, 2021, the VLA15 Lyme vaccine candidate revenues amounted to €14.3 million compared to €31.6 million in the year ended December 31, 2020 and included the revenues for the transfer of the license.

Product Sales

	Year ended December 31,	
In € thousand	2021	2020
IXIARO®	45,118	48,480
DUKORAL®	2,440	13,300
Third-party products	15,426	4,158
TOTAL PRODUCT SALES	**62,984**	**65,939**

Product sales decreased by €3 million, or 4.5%, to €63 million for the year ended December 31, 2021 compared to €65.9 million in the year ended December 31, 2020.

In the year ended December 31, 2021, IXIARO® product sales were €45.1 million, a decrease of €3.4 million, or 6.9%, compared to €48.5 million in the year ended December 31, 2020. In the year ended December 31, 2021, IXIARO® product sales were largely driven by demand in the United States, mainly by military personnel through the Group's supply agreement with the DLA.

In the year ended December 31, 2021, DUKORAL® product sales were €2.4 million, a decrease of €10.9 million, or 81.7%, compared to €13.3 million in the year ended December 31, 2020, mainly due reduced sales in Canada. In the year ended December 31, 2021, DUKORAL® product sales were driven by demand in European countries, and, to a lesser extent, product sales in Canada.

Sales of IXIARO® and DUKORAL® remained lower in 2021 as a result of the COVID-19 pandemic, as travel restrictions significantly reduced demand for travel vaccines in the Group's main markets. The decreased demand for travel vaccines was partially mitigated by continued sales of IXIARO® to the U.S. military.

In the year ended December 31, 2021, third-party product sales increased by €11.3 million, or 271%, to €15.4 million, compared to €4.2 million in the year ended December 31, 2020. This increase was primarily due to the marketing and distribution partnership with Bavarian Nordics, pursuant to which first sales of RABIPUR® and ENCEPUR® started in 2021, and to higher sales of influenza vaccine.

Product Sales—By Geography

The Group also monitors product sales generated in the countries and regions where it operates. The following table presents product sales by geography and is based on the final location where the Group's distribution partner sells the product or where the customer or partner is located.

	Year ended December 31,	
In € thousand	2021	2020
United States (military)	38,048	34,659
United States (non-military)	2,291	1,755
Canada	4,226	8,965
Austria	9,341	3,333
United Kingdom	2,707	1,847
Nordics	2,436	2,866
Germany	726	7,060
Other Europe	3,075	2,068
Rest of world	134	3,384
TOTAL PRODUCT SALES	**62,984**	**65,938**

Total product sales in the United States increased by €3.9 million, or 10.8%, to €40.3 million in the year ended December 31, 2021, compared to €36.4 million in the year ended December 31, 2020. Sales in the United States increased primarily as a result of increased sales under the Group's supply agreement with the DLA. Product sales in Canada decreased by €4.7 million, or 52.9%, from €9 million in the year ended December 31, 2020, to €4.2 million in the year ended December 31, 2021. Sales in Canada decreased primarily as a result of the COVID-19 pandemic, partly offset by an increase in sales of third-party products.

Other revenues

The following table presents the Group's other revenues (from collaboration, licensing and services), by segment, for the years ended December 31, 2021 and 2020.

	Year ended December 31,	
In € thousand	2021	2020
Commercialized products	18	1
COVID	253,314	-
Vaccine candidates	3,257	31,604
Technologies and services	28,512	12,779
TOTAL OTHER REVENUES	**285,101**	**44,383**

In the year ended December 31, 2021, total other revenues were €285.1 million, an increase of €240.7 million compared to the year ended December 31, 2020. The amount in the year ended December 31, 2021 included €253.3 million of payments received which were recognized as revenue in 2021 due to the termination of the UK Supply Agreement, as there is no longer a future performance obligation to be fulfilled, and following management's judgment that the likelihood of repayment is remote.

Technologies and services revenues increased from €12.8 million in the year ended December 31, 2020 to €28.5 million in the year ended December 31, 2021, primarily resulting from the Group's Lyme research and development collaboration with Pfizer. In the year ended December 31,2021, this collaboration contributed €14.3 million of revenues. Revenues from the collaboration with Pfizer were included in the Vaccine candidates segment in the year ended December 31, 2020.

Operating Income and Expenses

Cost of Goods and Services

Cost of goods and services, or COGS, increased by €133.6 million, or 246.1%, to €187.9 million with a gross margin on product sales of 36.5% for the year ended December 31, 2021, as compared to COGS of €54.3 million and gross margin on product sales of 36.6% for the year ended December 31, 2020. The decline in the gross margin was primarily due to the negative gross margin for DUKORAL®, resulting from impairment of short-dated or

expired product and idle capacity costs in the manufacturing plan.

COGS was €187.9 million, or 45.9% of the Group's total operating income (expenses), for the year ended December 31, 2021. Of this total COGS, €22.6 million related to IXIARO® sales, yielding a product gross margin of 50%, and €7.6 million related to DUKORAL® sales, yielding a product gross margin of negative 209.8%. Gross margin for DUKORAL® sales was negatively impacted by idle capacity costs and impairment of short-dated or expired products, resulting from the decreased demand due to the COVID-19 pandemic. In 2021, COGS related to the third-party product distribution business was €9.9 million, yielding a product gross margin of 36.1%, and COGS related to cost of services was €25.1 million. The increase in COGS related to cost of services from €12.2 million to €25.1 million was mainly due to the fact that the Lyme vaccine candidate had been out-licensed to Pfizer by the end of 2020. COGS from the Lyme vaccine candidate has been included in the Technologies and Services segment from January 1, 2021 onward.

COGS was €54.3 million, or 32.8% of the Group's total operating income (expenses), for the year ended December 31, 2020. Of this total COGS, €24.8 million related to IXIARO® sales, yielding a product gross margin of 48.9%, and €14.3 million related to DUKORAL® sales, yielding a product gross margin of negative 7.3%. Gross margins for IXIARO® and DUKORAL® sales were negatively impacted by decreased demand resulting from the COVID-19 pandemic, although gross margin for IXIARO® sales was impacted to a lesser extent due to continued sales of IXIARO® to the U.S. military. In the year ended December 31, 2020, COGS related to the third-party product distribution business was €2.8 million, yielding a product gross margin of 33.2%, and COGS related to cost of services was €12.2 million.

Research and development Expenses

Research and development expenses increased by €88.8 million, or 105.2%, to €173.3 million for the year ended December 31, 2021 from €84.5 million in the year ended December 31, 2020. Research and development expenses were 42.3% of the Group's total operating expenses for the year ended December 31, 2021, as compared to 51% of total operating expenses for the year ended December 31, 2020. This increase was driven primarily by investments in the Group's clinical stage vaccine candidates, notably its COVID-19 and chikungunya vaccine candidates, which resulted in an increase in consulting and other purchased services, employee benefit expense and raw materials and consumables used. For the Group's Lyme disease vaccine candidate, research and development expenses decreased, primarily driven by the completion of the VLA15-201 and VLA15-202 clinical studies. €3.4 million related to the Pfizer partnership were recognized as cost of service in 2021.

For the year ended December 31, 2021, research and development expenses consisted primarily of €30.6 million of employee-related expenses, consisting of wages, salaries, social security and pension costs and share-based compensation paid to employees in research and development functions, of €117.6 million of external research and development services, including costs for clinical studies and external manufacturing, as well as €5 million of material consumptions. For the year ended December 31, 2020, research and development expenses consisted primarily of €19.9 million of employee-related expenses, consisting of wages, salaries, social security and pension costs and share-based compensation paid to employees in research and development functions, of €47 million external research and development services, including costs for clinical studies and external manufacturing as well as €6.8 million of material consumptions.

The Group tracks its research and development expenses by product or development program. The following table sets forth the Group's research and development expenses by product or development program for the periods indicated:

	Year ended December 31,	
In € thousand	2021	2020
COVID-19 (VLA2001)	(113,907)	(18,962)
Chikungunya (VLA1553)	(43,975)	(31,746)
Lyme (VLA15)	(3,761)	(25,948)
hmPV	(2,111)	(1,327)
IXIARO®	(1,125)	(1,373)
DUKORAL®	(969)	(1,338)
Other research projects[1]	(7,434)	(3,760)
TOTAL RESEARCH AND DEVELOPMENT EXPENSES	**(173,283)**	**(84,454)**

(1) In 2021 and 2020, Other research projects included €3.7 million and €1.4 million, respectively of expenses related to IFRS 2 – Share-based and cash-based compensation programs, which have not been allocated to the projects.

VLA2001. The Group's research and development expenses related to its COVID-19 vaccine candidate program increased by €95 million, or 500.7%, to €113.9 million in the year ended December 31, 2021 from €19 million in the year ended December 31, 2020. This increase was primarily driven by the progression into the Phase 3 clinical trials and related cost for manufacturing of clinical trial material.

VLA1553. The Group's research and development expenses related to its chikungunya vaccine candidate program increased by €12.2 million, or 38.5%, to €44 million in the year ended December 31, 2021 from €31.7 million in the year ended December 31, 2020. This increase was primarily driven by the progression of the Group's program in preparation for the Phase 3 clinical trial.

VLA15. The Group's research and development expenses related to its Lyme vaccine candidate program decreased by €22.2 million, or 85.5%, to €3.8 million in the year ended December 31, 2021 from €25.9 million in the year ended December 31, 2020. This decrease was primarily driven by the completion of the Group's VLA15-201 and VLA15-202 clinical studies. In 2021, Lyme studies of €3.4 million were included in COGS, as these studies were related to the Pfizer partnership.

The Group's research and development expenses related to its commercial products and the rest of its development pipeline increased by €3.8 million, or 49.3%, to €11.6 million in the year ended December 31, 2021. This increase was primarily related to increased expenses related to the Group's pre-clinical stage programs.

Marketing and Distribution Expenses

Marketing and distribution expenses increased by €5.4 million, or 29.5%, to €23.6 million in the year ended December 31, 2021 from €18.3 million in the year ended December 31, 2020. Marketing and distribution expenses comprised 5.8% of the Group's total operating expenses for the year ended December 31, 2021, compared to 11% of its total operating expenses for the year ended December 31, 2020. The increase in 2021 was primarily the result of share-based compensation expenses and related social security contributions.

For the year ended December 31, 2021 marketing and distribution expenses consisted primarily of €13.9 million of employee-related expenses, consisting of salaries, social security contributions, share-based compensation expense and other employee-related expenses, €2.2 million of advertising expenses, including media and public relations expenses, €1.4 million of warehousing and distribution costs and €3 million of costs related to third-party services. For the year ended December 31, 2020 marketing and distribution expenses consisted primarily of €8.8 million of employee-related expenses, consisting of salaries, social security contributions, share-based compensation expense and other employee-related expenses, €2.5 million of advertising expenses, including media and public relations expenses, €1.9 million of warehousing and distribution costs and €1.8 million of costs related to third-party services.

General and Administrative Expenses

General and administrative expenses increased by €20.1 million, or 72.8%, to €47.6 million for the year ended December 31, 2021 from €27.5 million for the year ended December 31, 2020. General and administrative expenses comprised 11.6% of the Group's total operating expenses for the year ended December 31, 2021 compared to 16.6% of total operating expenses for the year ended December 31, 2020. This increase was primarily driven by increased costs to support corporate transactions and projects, including the Company's offerings on Nasdaq, and costs related to the Group's share-based compensation programs.

For the year ended December 31, 2021, general and administrative expenses consisted primarily of €24.3 million of non-research and development employee-related expenses, consisting of salaries, social security contributions, share-based compensation expense and other employee-related expenses paid to employees in general and administrative functions, and as well as of €20.6 million in costs and fees for professional services, such as consulting, legal and financial services. For the year ended December 31, 2020, general and administrative expenses consisted primarily of €16.2 million of non-research and development employee-related expenses, consisting of salaries, social security contributions, share-based compensation expense and other employee-related expenses paid to employees in general and administrative functions, and as well as of €9.5 million in costs and fees for professional services, such as consulting, legal and financial services.

Expenses by Nature

The table below summarizes the Group's cost of goods and services, research and development expenses, marketing and distribution expenses as well as general and administrative expenses by nature of cost:

	Year ended December 31,	
In € thousand	2021	2020
Employee benefit expense other than share-based compensation[1]	(85,334)	(58,264)
Share-based compensation expense	(14,678)	(6,328)
Consulting and other purchased services	(169,158)	(65,212)
Raw materials and consumables used	(14,676)	(12,434)
Cost of services and change in inventory	(105,648)	(10,778)
Depreciation and amortization & impairment	(14,281)	(9,939)
Building and energy costs	(10,960)	(8,140)
Supply, office and IT-costs	(7,409)	(3,333)
License fees and royalties	(4,865)	(4,384)
Advertising costs	(2,176)	(2,496)
Warehousing and distribution costs	(1,419)	(1,898)
Travel and transportation costs	(538)	(529)
Other expenses	(1,309)	(822)
OPERATING EXPENSES	**(432,452)**	**(184,558)**

(1) As of December 31, 2021, the position "employee benefit expense other than share-based compensations" includes an amount of €26.5 million of employer contribution fees, which are payable at the exercise of the share-based payment programs (December 31, 2020: €7.4 million).

The increase in operating expenses of €247.9 million in the year ended December 31, 2021 compared to the prior year primarily resulted from the increased research and development expenses due to the Group's advanced clinical trial programs, and the inventory write-off due to the impact of the COVID-19-pandemic on demand for commercialized products as well as a write-down on COVID-19 vaccine related inventory related to the termination of the UK Supply Agreement[1].

Other Income (Expenses)

The table below summarizes the other operating income (expenses) for the years ended December 31, 2021 and 2020:

	Year ended December 31,	
In € thousand	2021	2020
Research and development tax credit	21,949	9,937
Grant income	1,684	7,680
Profit/(loss) on disposal of fixed assets and intangible assets, net	(42)	(10)
Profit/(loss) from revaluation of lease agreements	-	1,584
Taxes, duties, fees, charges, other than income tax	(212)	(168)
Miscellaneous income/(expenses), net	(403)	95
TOTAL OTHER OPERATING INCOME (EXPENSES), NET	**22,976**	**19,117**

(1) For more detailed information, see Note 5 to the Group's consolidated financial statements, in Section 4.1.5 of this URD.

Other operating income and expenses increased by €3.9 million, or 20.2%, to €23 million for the year ended December 31, 2021 from €19.1 million for the year ended December 31, 2020. This increase was mainly driven by increased research and development tax credits directly resulting from increased qualifying research and development expenses. For the years ended December 31, 2021 and 2020, of the research and development tax credit, €20.2 million and €8.9 million, respectively, related to the research and development programs executed in Austria, mainly for COVID-19 and chikungunya vaccine candidates, whereas the remainder of €1.8 million and €1.1 million, respectively, related to the CIR from France. For the year ended December 31, 2021, a negative grant income of €0.9 million was recognized due to the increase of the probability of achieving one milestone under the CEPI funding agreement. This negative grant income was offset by €2.6 million of grants from government authorities related to the COVID-19-pandemic to cover fixed costs of commercial activities. For the years ended December 31, 2021 and 2020, CEPI and COVID-19-pandemic related grants totaled €5.8 million and €0.8 million, respectively.

Financial Income (Expense)

The table below summarizes the Group's financial income (expense) for the years ended December 31, 2021 and 2020:

	Year ended December 31,	
In € thousand	2021	2020
Finance income		
Interest income from other parties	249	119
Fair value gains on derivative financial instruments	—	397
Foreign exchange gains, net	8,130	173
	8,379	**689**
Finance expense		
Interest expenses on loans	(7,273)	(6,162)
Interest expense on refund liabilities	(8,478)	(3,640)
Interest expenses on lease liabilities	(903)	(907)
Other interest expense	(309)	(30)
	(16,962)	**(10,738)**
FINANCE INCOME/(EXPENSES), NET	**(8,584)**	**(10,049)**

Finance expenses, net were €8.6 million for the year ended December 31, 2021 compared to €10 million for the year ended December 31, 2020. This decrease in finance expenses, net was mainly due to positive foreign exchange gains, net, but was impacted by the increase of interest expense on non-current refund liabilities. The foreign exchange gains in the year ended December 31, 2021 are related to the development of the USD and GBP exchange rates and the Group's corresponding balance sheet accounts.

Income Tax

The Group recorded €3.4 million of income tax expense for the year ended December 31, 2021 compared to an income tax benefit of €0.9 million for the year ended December 31, 2020. This change in income tax benefit (expense) was primarily driven by a change in deferred income taxes.

Profit/(Loss) for the Period

The Group's loss for the period for the year ended December 31, 2021 was €73.4 million, increased from a loss of €64.4 million in the year ended December 31, 2020. The increased loss in the 2021 period was primarily driven by increased research and development expenses for the Group's vaccine candidate programs, increased COGS and increased general and administrative expenses over the prior year period.

Comparisons for the Years Ended December 31, 2020 and 2019

Revenue

Consolidated Revenue

Revenue decreased by €15.9 million, or 12.6%, to €110.3 million for the year ended December 31, 2020 compared to €126.2 million for the year ended December 31, 2019. The decrease was primarily due to a significant decrease in sales due to the impact of COVID-19 on the travel industry, offset in part by an increase in other revenues related to entering into Valneva's collaboration with Pfizer. The Group's total revenues for the year ended December 31, 2019 included a negative revenue of €10.7 million related to the June 2019 mutual agreement to terminate its SAA with GSK,

which included recognition of negative revenues related to both current and future payment obligations. The Group paid €9 million to GSK immediately and will pay up to a further €7 million upon the achievement of milestones related to marketing approvals of Valneva's Lyme vaccine candidate.

The breakdown of revenue by operating segment is as follows:

	Year ended December 31,	
In € thousand	2020	2019
Commercialized products[(1)]	65,939	129,674
Vaccine candidates	31,604	(10,516)
Technologies and services	12,779	7,038
TOTAL REVENUES	**110,321**	**126,196**

(1) Commercial products revenues consisted of €129.5 million of product sales and €0.2 million of other revenues for the year ended December 31, 2019. For the year ended December 31, 2020, the full amount of €65.9 million related to product sales.

Product Sales

	Year ended December 31,	
In € thousand	2020	2019
IXIARO®	48,480	94,144
DUKORAL®	13,300	31,471
Third-party products	4,158	3,896
TOTAL PRODUCT SALES	**65,939**	**129,511**

Product sales decreased by €63.6 million, or 49.1%, from €129.5 million in the year ended December 31, 2019 to €65.9 million in the year ended December 31, 2020.

In the year ended December 31, 2020, IXIARO® product sales were €48.5 million, a decrease of €45.7 million, or 48.5%, compared to €94.1 million in the year ended December 31, 2019. In the year ended December 31, 2020, IXIARO® product sales were largely driven by demand in the United States, mainly by military personnel through the Group's supply agreement with the DLA. In the year ended December 31, 2019, IXIARO® product sales were driven by demand in the U.S. private market as well. Although the Group experienced significantly reduced demand in the U.S. market in 2020 due to the COVID-19 pandemic and travel restrictions, its revenue from continued sales of IXIARO® to the U.S. military partially mitigated this significant decrease between the 2019 and 2020 periods.

For DUKORAL®, in the year ended December 31, 2020, product sales decreased to €13.3 million, a decrease of €18.2 million, or 57.7%, compared to €31.5 million in the year ended December 31, 2019. In the year ended December 31, 2020, DUKORAL® product sales were driven by demand in Canada, and, to a lesser extent, product sales to European countries. In the year ended December 31, 2019, DUKORAL® product sales were driven by strong sales performance in Canada, and, to a lesser extent, product sales to European countries.

Sales of IXIARO® and DUKORAL® decreased primarily in 2020 as a result of the COVID-19 pandemic, as travel restrictions significantly reduced demand for travel vaccines in the Group's main markets. The decreased demand for travel vaccines was partially mitigated by continued sales of IXIARO® to the U.S. military.

In the year ended December 31, 2020, third-party product sales increased to €4.2 million, an increase of €0.3 million, or 6.7%, compared to €3.9 million in the year ended December 31, 2019. This increase was primarily due to increased sales of influenza vaccines, partly offset by significantly reduced demand for one of the third-party travel vaccines the Group sells, VIVOTIF®, as a result of the COVID-19 pandemic and travel restrictions.

Product Sales—By Geography

The Group also monitor product sales generated in the countries and regions where it operates. The following table presents product sales by geography and is based on the final location where the Group's distribution partner sells the product or where the customer or partner is located.

	Year ended December 31,	
In € thousand	2020	2019
United States (military)	34,659	47,975
United States (non-military)	1,755	15,725
Canada	8,965	24,396
Germany	7,060	10,345
Nordics	2,866	11,027
Austria	3,333	2,668
United Kingdom	1,847	8,594
Other Europe	2,068	4,961
Rest of world	3,384	3,819
TOTAL PRODUCT SALES	**65,938**	**129,511**

Total product sales in the United States decreased by €27.3 million, or 42.8%, from €63.7 million in the year ended December 31, 2019 to €36.4 million in the year ended December 31, 2020. Sales in the United States decreased primarily as a result of the COVID-19 pandemic, as travel restrictions significantly reduced demand for travel vaccines. The decreased demand for travel vaccines was partially mitigated by continued sales of IXIARO® to the U.S. military.

Product sales in Canada decreased by €15.4 million, or 63.3%, from €24.4 million in the year ended December 31, 2019 to €9 million in the year ended December 31, 2020. Sales in Canada decreased primarily as a result of the COVID-19 pandemic, partially mitigated by strong sales of DUKORAL® in the first quarter of 2020. Typically DUKORAL® sales are strongest in the first and the fourth quarter of the year, which is the main travel season for Canadians.

Other revenues

The following table presents the Group's other revenues by segment, for the years ended December 31, 2020 and 2019.

	Year ended December 31,	
In € thousand	2020	2019
Commercialized products	1	163
COVID		
Vaccine candidates	31,604	(10,516)
Technologies and services	12,779	7,038
TOTAL OTHER REVENUES	**44,383**	**(3,315)**

In the year ended December 31, 2020, total revenue from collaborations, licensing and services was €44.4 million, an increase of €47.7 million compared to the prior year period in which the Group recognized negative revenue of €3.3 million. In the year ended December 31, 2020, the Group's revenue from collaborations, licensing and services included €31.6 million related to its Lyme research and development collaboration with Pfizer, which the Group entered into in April 2020. Technologies and services revenues increased from €7 million in the year ended December 31, 2019 to €12.8 million in the year ended December 31, 2020, primarily resulting from increases in service revenues from the Group's Solna facility and contract manufacturing the Group performs for third parties. In the year ended December 31, 2019, the Group's negative revenue from collaborations, licensing and services was primarily driven by the effect of €10.7 million negative revenue related to the June 2019 mutual agreement to terminate the Group's SAA with GSK, which included recognition of negative revenue related to both current and future payment obligations. The Group paid €9 million to GSK immediately and will pay up to a further €7 million upon the achievement of

milestones related to marketing approvals of the Group's Lyme vaccine candidate. Further information is shown in the table below and explained in Note 5.1 of to the Group's consolidated financial statements as of and for the year ended December 31, 2021, in Section 4.1.5 of this URD.

During the year ended December 31, 2019, the net effect of the SAA termination consisted of:

In € thousand

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)**

Operating Income and Expenses

Cost of Goods and Services

Cost of goods and services, or COGS, increased by €1.5 million, or 2.9%, to €54.3 million with a gross margin on product sales of 36.6% for the year ended December 31, 2020, as compared to COGS of €52.8 million and gross margin on product sales of 63.1% for the year ended December 31, 2019. The increase in COGS was primarily due to write-offs of excess stock driven by reduced demand resulting from the COVID-19 pandemic, idle capacity costs in both of the Group's manufacturing sites and increased costs associated with its collaboration and manufacturing agreements with Hookipa Pharma Inc. and Batavia Biosciences. The increase in COGS was partially offset by a decrease in license fees and royalties due to lower sales and a reduction in raw materials and consumables used.

COGS was €54.3 million, or 32.8% of the Group's total operating income (expenses), for the year ended December 31, 2020, of which €24.8 million related to IXIARO® sales, yielding a product gross margin of 48.9%, and of which €14.3 million related to DUKORAL® sales, yielding a product gross margin of minus 7.3%. Gross margin for IXIARO® and DUKORAL® sales were negatively impacted by decreased demand resulting from the COVID-19 pandemic, although gross margin for IXIARO® sales was impacted to a lesser extent due to continued sales of IXIARO® to the U.S. military. In 2020, COGS related to the third-party product distribution business was €2.8 million, and COGS related to cost of services was €12.5 million. COGS was €52.8 million, or 41.6% of the Group's total operating income (expenses), for the year ended December 31, 2019, of which €31.1 million related to IXIARO® sales, yielding a product gross margin of 67.1%. €14 million of COGS related to DUKORAL® sales, yielding a product gross margin of 55.6%. Of the remaining COGS for the year ended December 31, 2020, €2.8 million related to the third-party product distribution business and €5 million related to cost of services.

Research and development Expenses

Research and development expenses increased by €46.4 million, or 122.1%, to €84.5 million for the year ended December 31, 2020 from €38 million in the year ended December 31, 2019. Research and development expenses were 51% of the Group's total operating income (expenses) for the year ended December 31, 2020, as compared to 29.9% of total operating income (expenses) for the year ended December 31, 2019. This increase was driven primarily by investments in the Group's clinical stage vaccine candidates, notably its Lyme, chikungunya and COVID-19 vaccine candidates, which resulted in an increase in consulting and other purchased services, employee benefit expense and raw materials and consumables used. Reclassifications mainly consisted of quality release services provided by the research and development organization, which were re-classified into COGS.

For the year ended December 31, 2020, research and development expenses consisted primarily of €19.9 million of employee-related expenses, consisting of wages, salaries, social security and pension costs and share-based compensation paid to employees in research and development functions, of €47 million external research and development services, including costs for clinical studies and external manufacturing, as well as €6.8 million of material consumptions. For the year ended December 31, 2019, these expenses consisted primarily of €13.7 million of employee-related expenses, consisting of wages, salaries, social security and pension costs and share-based compensation paid to employees in research and development function, of €16.2 million external research and development services and €2.2 million of material consumptions.

The Group tracks its research and development expenses by product or development program. The following table sets forth the Group's research and development expenses by product or development program for the periods indicated:

	Year ended December 31,	
In € thousand	2020	2019
Chikungunya (VLA1553)	(31,746)	(14,460)
Lyme (VLA15)	(25,948)	(14,783)
COVID-19 (VLA2001)	(18,962)	—
IXIARO®	(1,373)	(1,904)
hmPV	(1,327)	(2,052)
DUKORAL®	(1,338)	(2,023)
Other research projects	(3,760)	(2,799)
TOTAL RESEARCH AND DEVELOPMENT EXPENSES	**(84,454)**	**(38,022)**

VLA1553. The Group's research and development expenses related to its chikungunya vaccine candidate program increased by €17.3 million, or 119.5%, to €31.7 million in the year ended December 31, 2020 from €14.5 million in the prior year period. This increase was primarily driven by increased expenses related to the Phase 3 clinical trial.

VLA15. The Group's research and development expenses related to its Lyme vaccine candidate program increased by €11.2 million, or 75.5%, to €25.9 million in the year ended December 31, 2020 from €14.8 million in the prior year period. This increase was primarily driven by the advancement of VLA15 in its Phase 2 clinical trial.

VLA2001. The Group began its COVID-19 vaccine candidate program in 2020 and, accordingly, has no comparative expenses in the 2019 period. The Group's research and development expenses related to its COVID-19 vaccine candidate program amounted to €19 million in the year ended December 31, 2020.

The Group's research and development expenses related to its commercial products and the rest of its development pipeline decreased by €1 million, or 11.2%, to €7.8 million in the year ended December 31, 2020 as the Group chose to focus its research and development efforts on its clinical-stage programs.

Marketing and Distribution Expenses

Marketing and distribution expenses decreased by €5.9 million, or 24.4%, to €18.3 million in the year ended December 31, 2020 from €24.1 million in the year ended December 31, 2019. Marketing and distribution expenses comprised 11% of the Group's total operating income (expenses) for the year ended December 31, 2020, compared to 19% of total operating income (expenses) for the year ended December 31, 2019. The decrease in the 2020 period was primarily the result of lower marketing and distribution spend across all the Group's direct markets due to reduced sales activity as a result of the COVID-19 pandemic.

These expenses in both 2019 and 2020 were a result of continued investments in the Group's key markets, the United States and Canada. For the year ended December 31, 2020 marketing and distribution expenses consisted primarily of €8.8 million of employee-related expenses, consisting of salaries, social security contributions, share-based compensation expense and other employee-related expenses, €2.5 million of advertising expenses, including media and public relations expenses, €1.9 million of warehousing and distribution costs and €1.8 million of costs related to third-party services. For the year ended December 31, 2019, marketing and distribution expenses consisted of €7.2 million of employee-related expenses, consisting of salaries, social security contributions, share-based compensation expense and other employee-related expenses, €6.8 million of advertising expenses, including media and public relations expenses, €3 million of warehousing and distribution costs and €2.2 million of costs related to third-party services.

General and Administrative Expenses

General and administrative expenses increased by €9.1 million, or 49.7%, to €27.5 million for the year ended December 31, 2020 from €18.4 million for the year ended December 31, 2019. General and administrative expenses comprised 16.6% of the Group's total operating income (expenses) for the year ended December 31, 2020 compared to 14.5% of total operating income (expenses) for the year ended December 31, 2019. This increase was primarily driven by increased costs to support corporate transactions and projects, costs related to the Group's share-based compensation programs and one-time termination of employment costs for two of the Group's Management Board Members.

For the year ended December 31, 2020, general and administrative expenses consisted primarily of €16.2 million of non-research and development employee-related expenses, consisting of salaries, social security contributions, share-based compensation expense and other employee-related expenses paid to employees in general and administrative functions, and as well as of €9.5 million in costs and fees for professional services, such as consulting, legal and financial services. For the year ended December 31, 2019, general and administrative expenses consisted of €11 million of non-research and development employee-related expenses, consisting of salaries, social security contributions, share-based compensation expense and other employee-related expenses paid to employees in general and administrative functions, and €5 million in costs and fees for professional services, such as consulting, legal and financial services.

Expenses by Nature

The table below summarizes the Group's cost of goods and services, research and development expenses, marketing and distribution expenses as well as general and administrative expenses by nature of cost:

	Year ended December 31,	
In € thousand	2020	2019
Employee benefit expense other than share-based compensation[(1)]	(58,264)	(46,219)
Share-based compensation expense	(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 & impairment	(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)**

(1) As of December 31, 2020, the position "employee benefit expense other than share-based compensations" includes a provision in the amount of €7.4 million of employer contribution fees, which are payable at the exercise of the IFRS 2 programs (December 31, 2019: nil).

The increase in operating expenses of €51.2 million mainly resulted from the increased research and development expenses.

Other Income (Expenses)

The table below summarizes the other operating income (expenses) for the years ended December 31, 2020 and 2019:

	Year ended December 31,	
In € thousand	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)
TOTAL OTHER OPERATING INCOME (EXPENSES), NET	**19,117**	**6,338**

Other operating income and expenses increased by €12.8 million, or 201.6%, to €19.1 million for the year ended December 31, 2020 from €6.3 million for the year ended December 31, 2019. This increase was primarily due to the CEPI grants and COVID-19 pandemic related grants in the period ended December 31, 2020, as well as higher research and development tax credits resulting from increased qualifying research and development expenses. CEPI grants were €5.8 million and €1.8 million for the year ended December 31, 2020 and 2019, respectively. COVID-19-pandemic related grants amounted to €0.8 million in the period ended December 31, 2020. Research and development tax credits from Austria were €8.9 million and €4.4 million for the year ended December 31, 2020 and 2019, respectively. The CIR from France totaled €1.1 million and €1.9 million for the year ended December 31, 2020 and 2019, respectively. €1.6 million of income is derived from an early termination of a rental contract in Sweden.

In the year ended December 31, 2019, these amounts were partly offset by other expenses of €1.9 million, primarily related to a potential settlement of litigation related to the Vivalis-Intercell merger in 2013[1].

Financial Income (Expense)

The table below summarizes the Group's financial income (expense) for the years ended December 31, 2020 and 2019:

	Year ended December 31,	
In € thousand	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
	689	**1,449**
Finance expense		
Interest expenses 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)
	(10,738)	**(3,082)**
FINANCE INCOME/(EXPENSES), NET	**(10,049)**	**(1,633)**

Finance expense, net was €10 million for the year ended December 31, 2020 compared to €1.6 million for the year ended December 31, 2019. This increase in finance expense, net was mainly due to higher borrowings and the increase in non-current refund liabilities.

Income Tax

The Group recorded €0.9 million of income tax benefit for the year ended December 31, 2020 compared to an income tax expense of €0.9 million for the year ended December 31, 2019. This change in income tax benefit (expense) was primarily driven by effect from eliminated inter-company profits especially on the level of inventory held in the United States.

Profit/(Loss) for the Period

The Group's loss for the period for the year ended December 31, 2020 was €64.4 million, increased from a loss of €1.7 million in the year ended December 31, 2019. The increased loss in the 2020 period was primarily driven by decreased revenue from commercialized product sales and increased research and development expenses for the Group's vaccine candidate programs.

(1) See Note 33 to the Group's consolidated financial statements, in Section 4.1.5 f this URD, for more information on this litigation.

1.4.4. Group's business trends and outlook

(a) Trends

The factors that are most likely to have an impact on Valneva's prospects for the fiscal year 2022 are as follows:

- Potential conditional marketing authorizations from the European Medicines Agency and the UK's Medicines and Healthcare products Regulatory Agency for Valneva's COVID-19 vaccine candidate, VLA2001;
- Signature of further supply agreements for VLA2001;
- Submission of a Biologics License Application for Valneva's chikungunya vaccine candidate, VLA1553; and
- Initiation of the Phase 3 clinical trial for Valneva's Lyme disease vaccine candidate, VLA15.

(b) Significant post-closing events

Please refer to the Section "Recent events" of this URD(1).

(c) Financial outlook 2022

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

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

For 2022, the Company expects:

- total revenues of €430 million to €590 million, including COVID vaccine sales of €350 million to €500 million (subject to further regulatory approvals and delivery of the vaccine), €60 million to €70 million of other vaccine sales, and approximately €20 million of other revenues (from collaborations, licenses and services), and
- R&D expenses of €160 million to 200 million, including COVID.

1.4.5. Liquidity and Capital Resources

Overview

Since the Group's inception, it has financed its operations primarily through the issuance of equity and secured debt. As of December 31, 2021, the Group had €346.7 million in cash and cash equivalents. Based upon the Group's current operating plan, the Group believes that its existing cash and cash equivalents as of December 31, 2021 will fund its current operating plans through at least September 2023.

Sources and Uses of Cash

The Group has financed its operations through revenue from product sales, payments under historical collaborative research alliances, as well as research tax credits and subsidies granted by various public institutions. In addition, the Group has issued secured debt to finance its operations.

In May 2021, the Company announced the closing of a global offering to specified categories of investors of an aggregate of 8,145,176 new ordinary shares, after full exercise of the overallotment option granted to the underwriters. The public offering consisted of 2,850,088 ADSs, each representing two ordinary shares, in the United States at an offering price of $26.41 per ADS and a concurrent private placement of 2,445,000 ordinary shares in Europe (including in France) and other countries outside of the United States at the corresponding offering price of €11.00 per ordinary share. Gross proceeds of this global offering, after full exercise of the underwriters' option were €89.6 million, whereas related expenses of €11.1 million incurred.

In November 2021, the Company announced the closing of a global offering to specified categories of investors of an aggregate of 5,175,000 new ordinary shares, after full exercise of the overallotment option granted to the underwriters. The public offering consisted of 354,060 ADSs, each representing two ordinary shares, in the United States at an offering price of $39.4160 per ADS and a concurrent private placement of 4,466,880 ordinary shares in Europe (including in France) and other countries outside of the United States at the corresponding offering price of €17.00 per ordinary share. Gross proceeds of this global offering, after full exercise of the underwriters' option were approximately €88 million, whereas related expenses of €6.7 million incurred.

(1) See Section 1.1.3.

As of December 31, 2021, the Group had borrowings and lease liabilities of €114.7 million, of which €57.8 million were other loans and €56.8 million were lease liabilities.

In July 2016, Valneva entered into a €25 million term loan facility with the European Investment Bank, or EIB, as part of the European Horizon 2020 initiative. The EU through the EIB piloted a European Innovation Council, which aimed at generating market-creating innovation that can assist with rapid scale-up of European enterprises, in particular Small and Medium-sized Enterprises. Subject to the fulfillment of certain conditions precedent, the loan could be drawn in one or several tranches within a 36-month period. Each tranche was repayable at the end of a five-year period starting from the date of first draw-down on the loan. The loan was secured by the assets of the Company's material subsidiaries, generally subordinate to security interests linked to the Group's existing indebtedness. Furthermore, the loan agreement contained covenants, including that the Group maintain a positive EBITDA and a minimum cash balance of €3 million at all times. In the year ended December 31, 2017, two €5 million tranches were drawn under the loan facility with no commitment fee and subject to variable interest on amounts drawn. In July 2019, a €10 million tranche was drawn following the same conditions as the last two tranches of this loan. This loan was fully terminated and repaid early in the first quarter of 2020.

In February 2020, Valneva entered into a debt financing agreement with Deerfield and OrbiMed. The intended use of proceeds was to repay existing borrowings from the EIB and allow the Group to continue to advance its Lyme and chikungunya development programs in the short term. Amortization payments will start in April 2023, while the loan will mature in February 2026. The loan bears interest at 9.95%. Due to the quarterly interest calculation method, the aggregate annual interest actually paid is an amount equivalent to 10.09%. The loan is secured by substantially all of the Group's assets, including its 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 million and minimum consolidated net revenue in the amount of €115 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 million (instead of €35 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 million in 2021 and 2022 and €35 million thereafter and (ii) modify the minimum revenue covenant to include a quarterly minimum consolidated net revenue covenant (excluding grants) representing an annual total of €64 million in 2021, €103.8 million in 2022 and €115 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. As of December 31, 2021, $56.3 million (€49.7 million) was outstanding under the Group's debt financing agreement with Deerfield and OrbiMed.

Additionally, the Group announced in February 2022 that Valneva Scotland had received two grants worth up to £20 million (approximately €23.9 million) from Scottish Enterprise, Scotland's national economic development agency, to support research and development relating to the manufacturing processes of the Group's COVID-19 vaccine candidate and its other vaccine candidates. The funds under these grants will be received over three years, beginning in March 2022.

As the Group continues to develop and commercialize its products and product candidates in the coming years, it will likely continue relying on some or all of these sources of financing, as well as potential milestone payments and royalties that may result from licensing agreements for its products and product candidates.

Cash Flows

Comparisons for the Years Ended December 31, 2021 and 2020

The table below summarizes the Group's cash flows for the years ended December 31, 2021 and 2020:

	Year ended December 31,	
In € thousand	2021	2020
Net cash generated from operating activities	76,901	137,738
Net cash used in investing activities	(93,116)	(19,340)
Net cash generated from financing activities	154,504	21,740
NET CHANGE IN CASH AND CASH EQUIVALENTS	**138,288**	**140,138**

Operating Activities

Net cash generated from operating activities for the year ended December 31, 2021 was €76.9 million compared to €137.7 million for the year ended December 31, 2020.

Net cash generated from operating activities for the year ended December 31, 2021 was primarily derived from payments of €299.2 million received from the UK Government in connection with the UK Supply Agreement and advance payments of €100.8 million received from the European Commission member states in connection with the EC APA signed in November 2021. These payments were partially offset by expenditures related to the development and production mainly of the Group's COVID-19 vaccine candidate and other cash expenses.

Net cash generated from operating activities for the year ended December 31, 2020 was primarily derived from the $130 million (€116.9 million) of upfront payment the Group received from Pfizer and the £98.5 million (€107.7 million) payment the Group received from the UK Government, partially offset by €55.1 million of operating losses. The payment from Pfizer related to the Group's Lyme research collaboration and license agreement and was reflected in working capital and non-current assets. The payment from the UK Government related to the UK Supply Agreement and was reflected in working capital.

Investing Activities

Net cash used in investing activities for the year ended December 31, 2021 was €93.1 million, compared to €19.3 million for the year ended December 31, 2020 and was comprised primarily of construction of the building and equipment purchases in both periods. The increased equipment purchases in the year ended December 31, 2021 mainly relate to the site expansion activities for COVID-19 vaccine manufacturing in both Scotland and Sweden.

Financing Activities

Net cash generated from financing activities was €154.5 million for the year ended December 31, 2021 compared to €21.7 million used in financing activities for the year ended December 31, 2020. The increase was primarily due to proceeds from issuance of new shares in the Company's U.S. initial public offering and European private placement in May 2021 as well as in its U.S. public offering and European private placement in November 2021. Net cash generated from financing activities for the year ended December 31, 2021 consisted primarily of €166.6 million net proceeds from the issuance of ordinary shares mainly resulting from the U.S. public offerings and the European private placements in May 2021 and November 2021, partially offset by interest payments amounting to €8.4 million and lease payments amounting to €2.8 million.

Net cash generated from financing activities for the year ended December 31, 2020 consisted primarily of €48.8 million net proceeds from the financing arrangement with Deerfield and OrbiMed, partially offset by €20 million (carrying amount was €19.8 million) in repayments of the Group's borrowings with the EIB. The Group had to pay an additional €0.6 million penalty for early repayment of the loan.

Comparisons for the Years Ended December 31, 2020 and 2019

The table below summarizes the Group's cash flows for the years ended December 31, 2020 and 2019:

	Year ended December 31,	
In € thousand	2020	2019
Net cash generated from operating activities	137,738	5,529
Net cash used in investing activities	(19,340)	(10,685)
Net cash generated from/(used in) financing activities	21,740	(7,696)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**140,138**	**(12,852)**

Operating Activities

Net cash generated from operating activities for the year ended December 31, 2020 was €137.7 million compared to €5.5 million for the year ended December 31, 2019.

Net cash generated from operating activities for the year ended December 31, 2020 was €137.7 million, primarily derived by the $130 million (€116.9 million) upfront payment the Group received from Pfizer and the £98.5 million (€107.7 million) payment the Group received from the UK Government, partially offset by €55.1 million of operating losses. The payment from Pfizer related to the Group's Lyme research collaboration and license agreement and was reflected in working capital and non-current assets. The payment from the UK Government related to the Group's agreement to develop and provide an inactivated COVID-19 vaccine and was reflected in working capital.

Net cash generated from operating activities was €5.5 million for the year ended December 31, 2019. The major adjustments to reconcile the Group's net loss to net cash generated from operating activities consisted of non-cash expenses, such as depreciation and amortization, accrued expenses and share-based payments, partly offset by cash outflows from working capital and income tax paid.

Investing Activities

Net cash used in investing activities for the year ended December 31, 2020 was €19.3 million, compared to €10.7 million for the year ended December 31, 2019 and was comprised primarily of equipment purchases in both periods. More recently, the purchases have been driven by the Group's manufacturing facilities expanding to support its COVID-19 vaccine candidate development activities.

Financing Activities

Net cash generated from financing activities was €21.7 million for the year ended December 31, 2020 compared to €7.7 million used in financing activities for the year ended December 31, 2019. The increase was primarily due to the impact of borrowing activities. Net cash for the year ended December 31, 2020 consisted primarily of €48.8 million net proceeds from the financing arrangement with Deerfield and OrbiMed, partially offset by €20 million (carrying amount was €19.8 million) in repayments of the Group's borrowings with the EIB. The Group had to pay an additional €0.6 million penalty for early repayment of the loan.

Net cash used in financing activities was €7.7 million for the year ended December 31, 2019, driven primarily by the repayment of the Pharmakon Loan of €9.6 million in January 2019, offset by a €10 million tranche drawn against the €25 million term loan facility with the EIB. Payment of lease liabilities, interest paid and proceeds from issuance of common stock comprised the remainder of the financing activities.

Operating and Capital Expenditure Requirements

Since the Group's inception, it has incurred significant operating losses. The Group's operating losses were €61.4 million, €55.1 million and €0.8 million for the years ended December 31, 2021, 2020 and 2019, respectively. As of December 31, 2021 and 2020, the Group had accumulated a net loss of €307 million and €233.5 million, respectively. The Group's net loss was €73.4 million, €64.4 million and €1.7 million for the years ended December 31, 2021, 2020 and 2019, respectively. The Group expects to incur significant expenses and substantial operating losses over the next several years as it market its approved products, advance clinical development of its product candidates and continue its research and development efforts in the United States, Europe and endemic markets. The Group's net losses may fluctuate significantly from quarter to quarter and year to year, depending on the timing of its clinical trials and its expenditures on other research and development activities.

The Group anticipates that its expenses will increase substantially in connection with its ongoing activities, as the Group:

- invests in its vaccine candidate programs, including its VLA1553 and VLA2001 vaccine candidates, and its other pre-clinical and research programs; and
- invests in its working capital and general corporate purposes.

The Group's present and future funding requirements will depend on many factors, including, among other things:

- costs of continued commercial activities, including product sales, marketing, manufacturing and distribution, for the Group's approved products;
- the scope, progress, timing and successful completion of the clinical trials of the Group's current or future product candidates;
- the number of potential new product candidates the Group identifies and decides to develop;
- the Group's ability to establish and maintain collaborations in favorable terms, if at all;
- the costs involved in filing patent applications and maintaining and enforcing patents or defending against claims of infringement raised by third parties;
- the time and costs involved in obtaining regulatory approval for the Group's product candidates and any delays the Group may encounter as a result of evolving regulatory requirements or adverse results with respect to any of these product candidates; and
- the amount of revenues, if any, the Group may derive either directly, or in the form of royalty payments from any current or future collaboration agreements.

The Group expects to finance these expenses and its operating activities through a combination of revenue from sales of its products and third-party products, grants, milestone and service payments from its collaboration with Pfizer regarding Valneva's Lyme vaccine, and its existing liquidity. If the Group is unable to generate sufficient revenue from product sales and through its collaboration agreements in accordance with the expected timeframes, the Group will need to raise additional capital through the issuance of its shares, through other equity or debt financings or through collaborations with other companies. However, the Group may be unable to raise additional funds or enter into other funding arrangements when needed on favorable terms, or at all, which would have a negative impact on the Group's financial condition and could force the Group to delay, limit, reduce or terminate its development programs or commercialization efforts or grant others rights to develop or market drug candidates that the Group would otherwise prefer to develop and market itself. The Group's ability to successfully transition to profitability will be dependent upon achieving a level of revenues adequate to support its cost structure. The Group cannot provide assurance that it will ever be profitable or generate positive cash flow from operating activities.

Although it is difficult to predict future liquidity requirements, the Group believes that its existing cash and cash equivalents as of December 31, 2021 will be sufficient to fund its operations through at least September 2023.

Contractual Obligations

The following table discloses aggregate information about the Group's r material long-term contractual obligations as of December 31, 2021 and the periods in which payments are due. Future events could cause actual payments and timing of payments to differ from the contractual cash flows set forth below.

In € thousand	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
Borrowings	7,121	48,560	20,534	1,765	77,980
Lease liabilities	4,060	29,011	5,761	24,631	63,464
Refund liabilities	101,070	132,355	55,000	12,720	301,145
TOTAL	**112,252**	**209,927**	**81,295**	**39,115**	**442,589**

The amounts disclosed in the table above are the contractual undiscounted cash flows.

Borrowings

As of December 31, 2021, the outstanding amount of bank borrowings and other loans was €57.8 million. Of this, €49.7 million related to the loan agreement with Deerfield and OrbiMed. The repayments will start in 2023, while the loan will mature in 2026. The interest rate is 9.95% equivalent to 10.09% on an annual basis). Other borrowings related to financing of research and development expenses and CIR (research and development tax credit in France) of €4.7 million and the CEPI loan in the amount of €3.5 million, which relates to advanced payments received which are expected to be paid back in the future.

As of December 31, 2020, the outstanding amount of bank borrowings and other loans was €53.4 million. Of this, €46.2 million related to the loan agreement with Deerfield and OrbiMed. Part of the loan was used to fully repay the existing loan of €20 million with EIB. Other borrowings related to financing of research and development expenses and CIR (research and development tax credit in France) of €5.9 million and the CEPI loan in the amount of €1.3 million, which relates to advanced payments received which are expected to be paid back in the future.

As of December 31, 2019, the outstanding amount of bank borrowings and other loans was €26.3 million. This amount consisted of a loan agreement with EIB of €19.8 million with a variable interest rate and planned repayments between 2021 and 2024, and other borrowings totaled €6.6 million and mainly related to financing of research and development expenses, fixed assets and CIR (research and development tax credit in France) and have various conditions (interest rates) and terms (maturities).

Lease Liabilities

As of December 31, 2021, the outstanding, discounted amount of lease liabilities was €56.8 million. Of this, €30.5 million related to the lease agreements for two premises in Sweden, which the Group expects will terminate in 2031 and 2037, respectively. Base rent will increase based on an inflation index. €24 million related the lease agreements for premises in Vienna, Austria. The Group expects that this lease will terminate in 2023 and that the Group will incur a final payment to buy the leased assets. Regular installment payments are variable and based on EURIBOR. Other lease liabilities of €2.3 million related to a number of minor agreements with various conditions (interest rates) and terms (maturities).

As of December 31, 2020, the outstanding, discounted amount of lease liabilities was €52.1 million. Of this, €26.2 million related to the lease agreement for premises in Sweden, which the Group expects will terminate in 2037. Base rent will increase based on an inflation index. €24.9 million related to the lease agreements for premises in Vienna, Austria. The Group expects that this lease will terminate in 2023 and that the Group will incur a final payment to buy the leased assets. Regular installment payments are variable and based on EURIBOR. Other lease liabilities of €1.1 million related to a number of minor agreements with various conditions (interest rates) and terms (maturities).

As of December 31, 2019, the outstanding, discounted amount of lease liabilities was €58.9 million. Of this, €31.9 million was related to the lease agreement for premises in Solna, Sweden, which the Group expects will terminate in 2037. Base rent will increase based on an inflation index. €25.6 million was related to the lease agreement for the premises in Vienna, Austria. The Group expects that these leases will terminate in 2023 and that the Group will incur a final payment to buy the leased assets. Regular installments payments are variable and based on EURIBOR. Other lease liabilities of €1.4 million related to a number of minor agreements with various conditions (interest rates) and terms (maturities).

Refund Liabilities

As of December 31, 2021, the carrying amount of refund liabilities was €254.6 million. Of this, €166.9 million (thereof €77.3 million non-current) related to uncertain restrictions and repayment obligations from the terminated UK Supply Agreement, €79.6 million (thereof €75.2 million non-current) related to the collaboration with Pfizer, Inc., as the Group will fund 30% of Phase 3 clinical trial costs performed by Pfizer; €6.4 million (thereof €6.3 million non-current) related to the expected payment to GSK related to the termination of the strategic alliance agreements in 2019 and €1.3 million (all current) related to refund liabilities to customers related to rebate and refund programs as well as right to return of commercialized products. Other releases mainly refer to changes in the refund liability related to changes in assumptions and estimates.

As of December 31, 2020, the carrying amount of refund liabilities was €111.4 million. Of this, €81.9 million (thereof €70 million non-current) related to the collaboration with Pfizer Inc. for development of the Group's Lyme disease vaccine, as the Group is required to contribute 30% of Phase 3 clinical trial costs for this vaccine. €20.9 million (all non-current) related to the agreement with the UK Government to develop and commercialize a COVID-19 vaccine, €6.3 million (all non-current) related to expected payment to GSK related to the termination of the SAA with payments expected in 2024, and €2.3 million (all current) related to refund liabilities to customers related to rebate programs and right to return products.

As of December 31, 2019, the carrying amount of refund liabilities was €6.6 million (thereof €6.1 million non-current). This primarily comprised the expected payment to GSK related to the termination of the SAA and €0.5 million (all current) related to refund liabilities to customers related to rebate programs and right to return products.

1.4.6. Proposed appropriation of earnings

After deducting all expenses, taxes, depreciation and amortization expenses, the parent entity financial statements for the fiscal year 2021[1] show a loss of €28,222,329.97.

The Company proposes to appropriate this loss of €28,222,329.97 to the accumulated deficit that would be thus increased from € -163,602,776.40 to €-191,825,106.37.

1.4.7. Disallowed tax deductions

In compliance with Article 223 *quater* and 223 *quinquies* of the French General Tax Code, the Company indicates that the 2021 financial statements do not include any non-deductible expenses as referred to in Articles 39.4 and 39.5 (subsection 10) of the French General Tax Code, except those regarding excess lease payments on passenger vehicle that are not deductible from taxable income in the amount of €9,235.

(1) See Section 4.2 of this URD.

1.4.8 Suppliers and customers' payment terms

In accordance with paragraph 9 of Article L. 441-6, I of the French Commercial code, according to the terms agreed upon by the parties, invoices payable must be settled within a period not exceeding 60 days from their date of issuance. By way of exception, the parties may agree to a payment period of not more than forty-five days from the end of the month in which the invoice was issued, provided that this period is expressly stipulated by agreement and is not grossly unfair to the creditor. In case of summary invoice, with the meaning of Article 289, I,3° of the French General Tax Code, the payment period agreed upon by the parties shall not exceed forty-five days from the invoice's date of issuance.

Suppliers and customers' payment terms 2021

	Article D. 441 I.-1: Invoices received but not paid at the end of the fiscal year and whose payment is due						Article D. 441 I.-2: Invoices issued but not paid at the end of the fiscal year and whose payment is due					
	0 day *(information only)*	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total *(1 day and more)*	0 day *(information only)*	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total *(1 day and more)*
(A) Late payment categories												
Number of invoices concerned	80					17	8					6
Total amount for such concerned invoices *(in euros, before tax)*	2,172,529.72	13,977.31	18,570.74	3,750.00	0.00	36,298.05	86,717.52	47,281.44	(3,211.84)	0	55,710.00	99,779.60
Percentage of the total purchase amount (before tax) of the fiscal year	12.61%	0.08%	0.11%	0.02%	0%	0.21%						
Percentage of the revenues (before tax) of the fiscal year							3.39%	1.85%	(0.13%)	0.00%	2.18%	3.90%
(B) Invoices not accounted in (A) and related to litigious or non-accounted debts and credits												
Number of invoices excluded		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total amount for such excluded invoices *(in euros, before tax)*		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
(C) Payment terms used as reference (contractual or legal – Article L. 441-6 or Article L. 443-1 of the French Commercial code)												
Payment terms used for the calculation of late payments	- Contractual terms: 30 days or upon receipt of invoice. - Legal terms: see above the preliminary text of this Section.						- Contractual terms: 30 days or upon receipt of invoice. - Legal terms: see above the preliminary text of this Section.					

Suppliers and customers' payment terms 2020

	Article D. 441 I.-1: Invoices received but not paid at the end of the fiscal year and whose payment is due						Article D. 441 I.-2: Invoices issued but not paid at the end of the fiscal year and whose payment is due					
	0 day *(information only)*	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total *(1 day and more)*	0 day *(information only)*	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total *(1 day and more)*
(A) Late payment categories												
Number of invoices concerned	80					91	4					6
Total amount for such concerned invoices *(in euros before tax)*	157,299.32	97,867.78	290.74	(780.00)	22,899.37	74,479.15	123,900	12,511.02	0	9,284.39	26,515.41	
Percentage of the total purchase amount (before tax) of the fiscal year	1.86%	1.16%	0%	0%	0.27%	0.88%						
Percentage of the revenues (before tax) of the fiscal year							3.16%	0.32%	0%	0.24%	0.12%	0.68%
(B) Invoices not accounted in (A) and related to litigious or non-accounted debts and credits												
Number of invoices excluded	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total amount for such excluded invoices *(in euros, before tax)*	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
(C) Payment terms used as reference (contractual or legal – Article L. 441-6 or Article L. 443-1 of the French Commercial code)												
Payment terms used for the calculation of late payments	- Contractual terms: 30 days or upon receipt of invoice. - Legal terms: see above the preliminary text of this Section.						- Contractual terms: 30 days or upon receipt of invoice. - Legal terms: see above the preliminary text of this Section.					

1.4.9. Statutory disclosure of prior dividend distributions

In accordance with Article 243 *bis* of the French General Tax Code, the Company notes that it has not paid any dividend since its creation.

1.5. Risk factors

The global environment in which the Group operates exposes the organization to certain risks. To minimize the consequences, the Group must implement an increasingly demanding and thorough policy to control and manage these risks.

The most significant risks to which the Group is exposed are described below. However, this is a general and not an exhaustive list of all of the Group's risks taken in the context of its business or in consideration of its environment. The risks presented below are those that have been identified to date as being both significant and specific to the Group, and whose occurrence could have a major adverse effect on its business, financial situation and/or results. The risks are classified into three categories: risks related to the Group's business, risks related to developed or marketed products, and litigation. The risks identified as the most significant, taking into account both their likelihood and their impact, after application of mitigation measures, are indicated below by the letter M (major risks) and are presented first in each category.

1.5.1. Specific risks relating to the Group's business

(a) Risks relating to the interruption of production and supply chain (M)

The Group's production sites, located in Livingston, Scotland, and Solna, Sweden, play and will play an important role in revenue growth and production cost control. The manufacture of biological materials is more delicate than that of chemical substances, particularly because the complexity of biological mechanisms leads to variability in industrial yields, and also because the biological material being manufactured is very vulnerable to contamination. The Group may experience delays, manufacturing failures or difficulties in its ability to manufacture its vaccines, meet regulatory requirements and/or satisfy market demand. The manufacture of biological materials is subject to Good Manufacturing Practices and regular inspections by regulatory authorities. It is not possible to predict the changes that regulatory authorities may require during the life cycle of a new vaccine. Such changes could be costly and could affect the Group's sales and revenue projections. Failure to comply with Good Manufacturing Practices, Good Distribution Practices or other regulatory requirements could result in potential actions against the Group or the suspension or revocation of manufacturing or distribution authorizations, and could hinder the supply of products by the Group. The risk of suspension or revocation of manufacturing or distribution authorizations also exists for third parties with whom the Group has entered into manufacturing, supply or distribution agreements.

The Group's production facility in Livingston, Scotland, is the sole source for the production of the IXIARO® Japanese encephalitis vaccine and chikungunya vaccine candidate and is the Group's internal source of clinical materials for the COVID-19 vaccine candidate. The Group's manufacturing facility in Solna, Sweden, is the sole source of DUKORAL® vaccine production and will perform fill-finish operations for the Group's COVID-19 vaccine candidate. If one of these sites were destroyed or seriously damaged by fire or other events, the Group would no longer be able to produce the vaccines concerned, in sufficient quantities or at all, and could therefore suffer considerable losses. Additionally, the Group has outsourced some production of its COVID-19 vaccine candidate to a third-party manufacturer. If the site of such a manufacturer or a subcontractor or logistics distributor can no longer operate, whether because of an accident, natural disaster or regulatory failure, the Group could be unable to deliver any of its vaccines for several months, and could therefore suffer substantial losses, including specific consequences under the VLA2001 supply agreement with the European Commission(1). Numerous measures have been put in place to minimize these risks or their impact, including annual quality and safety audits, business continuity plans, on-site storage of critical spare parts, and the establishment of safety stocks for materials used in production.

(b) Risks associated with the impact of a pandemic

Impact on sales or on production (M):

As the Group's two commercial vaccines are used by travelers and, in the case of IXIARO®, members of the US military, their sales have been strongly affected by the COVID-19 pandemic. If the resumption of travel is later or less than the assumptions made by the Company, the Company's financial results could be adversely affected. In addition, the infection of a large number of employees with COVID-19 could suspend or delay essential operations, particularly industrial production.

Impact on clinical trials (M):

Ongoing clinical trials of chikungunya or Lyme disease vaccines could be delayed if clinical sites are contaminated or if providers have to suspend their activities. Additionally, the rising rate of vaccination against COVID-19 may make recruitment for future COVID-19 trials more difficult.

Risks related to contractual minimum revenue and liquidity requirements:

Although the Group has renegotiated the minimum revenue clause contained in the financing agreement with Deerfield and OrbiMed, if the Group's cash position or consolidated revenues were to fall below the new thresholds (quarterly threshold for sales in 2022), Valneva would be in default, which could result in additional costs (up to 10 additional interest points over the duration of the default) and/or an early repayment obligation (payment of the principal of $60 million, increased by 8%, or $4.8 million, and of an indemnity representing the interests expected until March 2023).

(1) See Section 1.5.2 (b) of this URD.

Compliance with these covenants may limit the Group's flexibility in operating its business and its ability to take actions that might be advantageous to the Group and its shareholders. For example, if the Group fails to meet the minimum liquidity covenants and is unable to raise additional funds or obtain a waiver or other amendment to the loan agreement, Valneva may be required to delay, limit, reduce or terminate certain of its clinical development efforts. The Group's business, financial condition and results of operations could be substantially harmed if this occurs.

(c) Risks associated with the termination of the UK Supply Agreement (M)

In September 2020, Valneva entered into a supply agreement, or **the UK Supply Agreement**, with the Secretary of State for Business, Energy and Industrial Strategy of the United Kingdom, or **the UK Authority**, pursuant to which Valneva was to develop, manufacture and supply a COVID-19 vaccine to the UK Authority in the United Kingdom of Great Britain and Northern Ireland, or the UK. As part of the UK Supply Agreement, it was agreed that a significant amount of the government advance funding to be paid to the UK Authority would be used to upgrade the Company's manufacturing facilities in Scotland. Funding for UK-based clinical trials was agreed to in a separate, linked Clinical Trials Agreement which remains in place.

Following the close of business on September 10, 2021, Valneva received notice of the UK Authority's decision to terminate the UK Supply Agreement. Valneva never received any indication from the UK Authority, prior to this time, of the UK Authority's intention to serve the notice. In the termination notice, the UK Authority purported to terminate the contract on one of two different bases, each with different potential or actual consequences for Valneva.

First, the UK Authority purported to terminate the supply contract on the common law (non-contractual) basis that Valneva would allegedly, at some time in the future, breach its obligations regarding the delivery schedule under the UK Supply Contract. Valneva strongly disputes the UK Authority's purported termination based on an alleged anticipated breach of the UK Supply Agreement and does not consider such termination to be valid. However, if the UK Authority were to successfully bring proceedings for damages against Valneva in respect of the alleged anticipatory breach, it could be argued that the applicable contractual cap on Valneva's liability under the UK Supply Agreement could be as high as an amount equivalent to the sums paid to Valneva by the UK Authority prior to termination. However, Valneva believes that it is very unlikely that any such claim by the UK Authority will be successful. In any event, the UK Authority has not notified Valneva of any specific claim for damages in connection with the purported termination for alleged anticipatory breach nor has it indicated the amount of any possible claim.

Second, the UK Authority purported to terminate the UK Supply Agreement on 30 days' notice based on its discretionary right under the UK Supply Agreement to terminate for convenience. Valneva acknowledged the UK Authority's termination of the UK Supply Agreement on the basis of this discretionary right, and, as such, the termination became effective on October 10, 2021. The UK Supply Agreement provides that, in the case of termination for convenience by the UK Authority, Valneva shall not be obliged to refund or repay any amount paid by the UK Authority. A royalty on sales of Valneva's UK-manufactured vaccine to non-UK customers and certain other obligations survive termination of the UK Supply Agreement.

The Group is still completing the construction of its new manufacturing facility, Almeida, at the Group's site in Livingston, Scotland. This project was largely funded through certain advance payments made by the UK Authority pursuant to the UK Supply Agreement. While the Group will receive additional funding from Scottish Enterprise beginning in 2022 to operationalize the Almeida facility, the Group is investing its own funds as well, and if the Group is not able to successfully commercialize VLA2001 or repurpose this manufacturing facility for the manufacture of other products, the Group may not receive a return on this investment.

Additionally, Valneva depends on funds received from the UK Authority to pay costs associated with its ongoing Cov-Compare clinical trial in the UK. Such funding has been received and is to be received pursuant to the Clinical Trials Agreement, which was executed in conjunction with the UK Supply Agreement in order to finance the cost of clinical trials associated with the development of VLA2001. The Clinical Trials Agreement has not been terminated, but the cost of the Cov-Compare trial, as a result of mutual agreement between Valneva and the UK Authority, has exceeded the amount originally budgeted for in the Clinical Trials Agreement, and it is not certain that the UK Authority will provide Valneva with the additional funding necessary to make required payments to clinical sites or other providers.

The UK Authority's termination of the UK Supply Agreement has substantially disrupted the Group's business and VLA2001 development plans, and the evolving situation regarding a possible settlement or litigation could cause further and substantial harm to the Group's business, financial condition, prospects and results of operations. In addition, following the Company's announcement on September 13, 2021 of the termination of the UK Supply Agreement, a number of law firms in the United States announced the commencement of "investigations" for possible violations of U.S. federal securities laws. As of the date of this URD, the Company has not received notice of any actual claims.

The termination of the UK Supply Agreement was extensively assessed in the context of the preparation of the 2021 financial statements. Payments received, where judgement was necessary and the Group assessed the likelihood of repayment to be remote, totaled €253.3 million and therefore this amount was recognized as revenue in the year ended December 31, 2021. Of this amount, €166.9 million related to uncertain restrictions and repayment obligations and are recognized in refund liabilities.

The final terms of the termination of the UK Supply Agreement, which the Company is discussing with the UK Authority, other commercial opportunities and regulatory approval of VLA2001 may significantly impact these financial positions and the Group's future results of operations.

(d) Risks of unavailability of purchased products and services

The development and success of the Group's commercial vaccines and its product candidates depend on the performance of third-party manufacturers and contractors. The quality and availability of products, equipment and services provided by these third parties are key factors in the Group's development and viability. In the biopharmaceutical industry, supplier changes require lengthy validation and regulatory approval processes.

The Group is only a customer of these suppliers. If one of them, for commercial, strategic or other reasons, no longer offers a given product or service or does not supply it in the quantity and quality required by the Group, the manufacture or marketing of the Group's products, including product candidates, could be prevented, limited or delayed, which would have a material adverse effect on the Group's business, financial condition and results. For example, fetal bovine serum, a rare and critical product for the manufacture of the SARS-CoV-2 and Japanese encephalitis vaccines, may not be available in sufficient quantities in the future. However, the Group seeks to maintain a stock of this serum that would cover several years of production.

(e) Risks relating to safety defects in tested or marketed products

Product safety issues, including serious adverse events occurring during the clinical development or marketing of the Group's products, could be negatively perceived by investors, consumers or other market participants, and could harm the Group's reputation and contribute to a decrease in share value, or adversely affect the Group's business, sales, financial condition, results and future prospects. Valneva is a medium-sized company with a limited number of products, and is therefore more exposed than the majority of its competitors (which are large companies with many products) to the negative consequences of the possible realization of this risk.

(f) Risks related to the use of hazardous substances

As part of its research and development activities, the Group uses hazardous materials and biological materials, solvents and other potentially genotoxic chemicals, and its employees handle recombinant genetic material, genetically modified organisms and viruses. The Group is therefore required to comply with numerous legislative and regulatory provisions.

In the event of non-compliance with applicable regulations, failure to obtain necessary approvals or withdrawal of the such approvals (including, for example, those relating to the applicable biosafety level (BSL), depending on the dangerousness of the biological agents used), the Group could be subject to fines and/or the withdrawal or suspension of authorizations, and may have to suspend all or part of its R&D activities. Compliance with environmental, health and safety regulations imposes considerable costs, and the Group could be required to incur significant expenses to comply with future legislation and regulations.

Although the Group believes that the safety procedures it implements comply with applicable regulations, the risk of accidents or accidental contamination cannot be totally eliminated. In the event of an accident or contamination, the Group could be held liable, which would result in potentially significant costs for the Group in compensating victims and repairing damages, and could have a negative impact on its results and financial position.

(g) Risks relating to the departure or failure to recruit key staff

The Group's success largely depends on the work and expertise of its management and scientific and commercial personnel. Moreover, the Group will need to recruit new executive managers and qualified personnel, particularly in the marketing and sales areas, to develop its business.

The Group competes with other companies and organizations to recruit and retain highly qualified individuals. This competition is extremely fierce, and the Group may not be able to attract or retain key talent on economically acceptable terms.

Any failure to attract and retain these key staff members could prevent Valneva from achieving its overall objectives and have a material adverse effect on its business, results, financial position, and prospects.

The Company's Austrian subsidiary, Valneva Austria GmbH, has taken out "key person" insurance (a death insurance policy for Valneva Austria's benefit) in connection with a member of the Company's Management Board, Mr. Thomas Lingelbach. The stock option and free share plans[1] set by the Company also mitigate these risks.

(1) See Section 2.6.2.1 (c) of this URD.

(h) Risks of dependence on key products

As of the date of this URD and while approvals and deliveries of VLA2001 are pending, the Group has only two products on the market, IXIARO® and DUKORAL®, and is dependent on the sales of these products. Future revenues from either of these products may be affected by a number of factors, including (i) the performance of distributors, (ii) serious adverse events linked or suspected to be linked to the product, (iii) public distrust of vaccines or adjuvants or (iv) unfavorable developments with respect to therapeutic indications or recommendations, or the terms of reimbursement or coverage. The Group will also be dependent on the sales of VLA2001, particularly within Europe, if it is approved.

(i) Financial risks

Currency risk:

Because a substantial part of sales are generated in the United States for IXIARO®, with production costs in GBP, and in Canada for DUKORAL®, with production costs in SEK, the Group is exposed to foreign exchange risks, principally with respect to the US dollar, the British pound, the Swedish krona and the Canadian dollar(1). In 2021, the Group did not enter into currency option and forward contracts to limit the risk of foreign exchange losses.

Liquidity risk:

Please refer to the Note 2.5 (c) of the Group's consolidated financial statements for the fiscal year 2021, in Section 4.1.5 of this URD.

(1) See Note 2.5 (a) of the Group's consolidated financial statements for the fiscal year 2021, in Section 4.1.5 of this URD.

1.5.2. Risks specific to products developed or marketed by the Group

(a) Risks related to the Lyme disease vaccine

Risk of delay or failure (M): The Company has made large investments in order to obtain the necessary marketing authorizations for this product. A delay in the advancement of the development program, notably in commencing the Phase 3 clinical trials, could have a substantial negative impact on the Group's business. A development failure (including insufficient efficacy or safety) would result in the total loss of these investments.

Pfizer Partnership Risk[1] (M): The Company's strategic partnership with Pfizer to develop and commercialize Valneva's Lyme disease vaccine is of critical significance to the Company. If this partnership fails or is terminated for any reason, the Company may not be able to find another partner and will not have sufficient financial resources to pursue Phase 3 clinical development of this vaccine on its own.

(b) Risks related to the COVID-19 vaccine

Risk of development or manufacturing failure (M): Development of VLA2001 may fail for multiple reasons, including (but not limited to) technical or scientific failures, inability to enter into agreements with key suppliers, inability or unwillingness of key suppliers (including IDT Biologika, to whom Valneva has outsourced some production of VLA2001) to provide equipment or products or materials on time, difficulty recruiting patients for clinical trials, quality assurance failures affecting clinical trial data, rejection by health authorities of applications for clinical trials or marketing authorization, technical difficulty in manufacturing the product consistently on a large scale, and difficulty in adapting development and manufacturing to meet customer demand (for example for booster doses or new formulations of the vaccine to protect against variants of the virus), etc.

As of the date of this URD, Valneva has received an Emergency Use Authorization for VLA2001 from the National Health Regulatory Agency in Bahrain, and review by the EMA and MHRA is ongoing. Valneva may not receive approvals of VLA2001 from other agencies in a timely manner or at all, and initial approvals such as this Emergency Use Authorization in Bahrain will require Valneva to provide further information in order to maintain and expand such authorization. A conditional marketing authorization from the EMA or MHRA would be valid for 12 months only.

As the number of people who have received a primary vaccination has risen, there is increasing interest in the use of COVID-19 vaccines in a booster context. Approval of VLA2001 for use as a booster would require separate regulatory approval based on additional clinical trial data, and there is no guarantee that such data would be positive or compare favorably to other vaccines. For example, although Valneva announced positive homologous booster data from its own clinical studies in December 2021, VLA2001 was also evaluated as part of the Cov-Boost study conducted in the UK, and data from that study, which involved administration of VLA2001 three months following the second dose of a different vaccine (and earlier than the six-month interval that is usually recommended for inactivated vaccines), suggested that VLA2001 may be less effective in a heterologous booster conext. Even if VLA2001 is approved for use in primary vaccinations, there is no guarantee that it will be approved for use as a booster in a homologous or heterologous context.

The Group is also subject to risks relating to the clinical trials of VLA2001. The Cov-Compare Phase 3 clinical trial compares Valneva's vaccine candidate to AstraZeneca's Vaxzevria vaccine. If Valneva wanted to seek regulatory approval for VLA2001 in a jurisdiction that has not yet approved the Vaxzevria vaccine, notably the United States, the Group would have to redesign the regulatory strategy, and it may be unable to rely solely on the VLA2001-301 trial results as the pivotal trial in support of a regulatory submission. Additional clinical trial requirements could require significant investment and time.

Valneva could suffer financial losses as a result of the development and manufacturing expenses incurred with regard to VLA2001 and will have to assume a greater amount of such expenses following the termination of the UK Supply Agreement. In February 2022, the Group announced a grant from Scottish Enterprise to provide funding that will be used, together with the Group's own funds, to operationalize the Group's new Almeida facility in Livingston, Scotland. If the Group fails to comply with the terms of the grant, Scottish Enterprise may stop payments and require repayment of the grant funding paid to date. Additionally, if the Group fails to commercialize VLA2001 sufficiently, it may not receive a return on its investment in this facility.

In addition, Valneva's share price and market capitalization have increased significantly since Valneva announced its COVID-19 program. Consequently, this share price and market capitalization could be seriously affected if Valneva were to stop development of VLA2001 or to fail to receive expected regulatory approvals or manufacture VLA2001 successfully.

(1) See the Press Release published by the Company on April 30, 2020: https://valneva.com/media/press-releases/?y=2020

Risks related to supply agreements (M): Valneva is contractually obligated to meet specific regulatory approval and product delivery deadlines for VLA2001, and failing to meet these deadlines could have a negative impact on the Group's business. For example, Valneva's supply agreement with the European Commission (the EC) allows the EC to terminate the agreement if Valneva does not obtain a marketing authorization (including a conditional marketing authorization) by April 30, 2022. In such case, the EC and participating Member States must notify Valneva within 15 days whether they intend to terminate the agreement on this basis, and Valneva shall have 30 days to obtain a marketing authorization or otherwise propose an acceptable remediation plan. Further, the EC APA provides that, if Valneva does not obtain a marketing authorization covering the entire adult population (adults aged 18 and older) by June 30, 2022, any participating Member State shall have the right to cancel its purchase of a certain percentage of doses, which would require Valneva to reimburse to such participating Member State the equivalent percentage of its up-front payment. Valneva may also have to repay certain up-front payment amounts, and could also be subject to claims for liquidated damages, if Member States cancel doses due to delivery delays, and if delivery for all doses ordered for 2022 has not taken place by December 31, 2022, or such later date as Valneva and the EC may agree, the EC may terminate the supply agreement. Numerous factors may influence whether Valneva is able to meet delivery deadlines, including but not limited to the Group's manufacturing capacity and the performance of IDT Biologika, to whom the Group has outsourced a majority of the production of VLA2001 for 2022. Future supply agreements could include similar provisions.

Commercial risk (M): The Group currently has a limited number of customer agreements in place for the supply of VLA2001 and may fail to reach an agreement with other customers, including due to changes in demand and competition with previously approved vaccines against COVID-19. There is no guarantee that initial demand for VLA2001 will be sustained or that Valneva will be able to remain competitive in geographies where VLA2001 is initially sold. For example, a decrease in the severity of illness associated with future variants of the virus could decrease demand for a vaccine, and the growing number of people who have received a primary vaccination against COVID-19 may decrease demand for vaccines in a primary vaccination context and instead increase demand for vaccines to be used as boosters, which requires separate regulatory approval. Demand for a vaccine based on a particular variant of the virus could also impact Valneva's success in commercializing VLA2001. Additionally, the biological material that Valneva would use to manufacture certain variant-based vaccines comes from third parties, which would need to grant Valneva a license to commercialize any vaccines derived from this material.

A commercial failure would have the same type of consequences as a development failure.

Intellectual Property Risk: Patent applications are confidential for a long period of time (typically 18 months) after filing. In addition, research and development work on COVID-19 is recent and has been concentrated over a relatively short period of time. As a result, many patent applications in the field of SARS-CoV-2 are still confidential. Although Valneva is currently not aware of any blocking third party patent rights in the planned launch markets, Valneva cannot be certain that all characteristics or properties of its COVID-19 vaccine candidate remain free of blocking third party patent rights in any markets including any future markets. If this vaccine were dependent on third-party patents, its supply to Valneva's customers could be delayed, and/or Valneva could be required to pay for a costly license that would affect the profitability of the product and the Group's financial performance.

(c) Risks related to DUKORAL® vaccine

Risk related to indications and recommendations (M): A reassessment of the product's indications by the Canadian federal agency supervising pharmaceutical products distributed in this country, or a reassessment of the recommendations for use of the vaccine issued by the authorities, could have a significant negative impact on the sales volumes of this product, particularly in Canada, which remains the principal market for this vaccine.

Competition: Another vaccine company has obtained a marketing authorization in Europe for its vaccine against cholera. The launch of this competing vaccine in Europe, which as of the date of this URD had not yet taken place, will impact the sales volume of DUKORAL®.

(d) Risks related to the chikungunya vaccine

Risk of failure: The development of this vaccine is still ongoing and completion of the Phase 3 clinical trials could possibly take longer than expected.

The Group's potential competitive advantage with respect to this vaccine candidate relies in part on the speed of completion of the Phase 3 clinical trials and submission of the biologics license application (BLA), both of which could be complicated by the ongoing COVID-19 pandemic. If the Group fails to obtain approval of its BLA prior to the approval of a BLA for another chikungunya vaccine, it will not obtain a Priority Review Voucher from the United States Food & Drug Administration, and the commercial success of the vaccine could be significantly diminished. The speed at which the Group can move to pursue authorization of the vaccine in other markets will also impact the commercial success of the vaccine.

1.5.3. Litigation

(a) Vivalis SA and Intercell AG merger dispute

Following the merger between the companies Vivalis SA and Intercell AG, some former Intercell shareholders initiated legal proceedings before the Commercial Court of Vienna to revise the amount of compensation offered to existing shareholders, or the exchange ratio between Intercell and Valneva shares. If the court decides to increase the financial compensation, every former Intercell shareholder who opted for financial compensation instead of exchange would be entitled to an increase, even if he or she was not a party to the dispute. If the court decides to revise the exchange ratio, there is legal uncertainty as to whether the court could extend this revision to all former Intercell shareholders who exchanged their shares, even if they were not party to the dispute. There is therefore a risk that Valneva will be forced to compensate all former shareholders following the reevaluation of the exchange ratio. If so, these payments could have a material adverse effect on Valneva's activities, earnings and prospects. In 2016 and 2017, settlement agreements were executed with some Intercell shareholders who had held a small number of shares, which has decreased the risks associated to these proceedings. Further, on February 8, 2021, the judicial committee in charge of these proceedings appointed an expert and requested that he give an opinion on the exchange ratio.

On October 6, 2021, Valneva received the expert's opinion. With respect to the exchange ratio, the expert confirmed the prior calculation used but also recommended the calculation of safety margins. There is some risk that the exchange ratio to be applied could be challenged following the calculation of such safety margins, which could result in a liability for which the Company has not made specific reserves. Additionally, the expert addressed the cash compensation paid to departing shareholders and recommended an increase in such compensation. If this increase is approved by the court, it would result in a liability lower than the Company's current litigation reserves, which pertain to this plaintiff group specifically. The expert provided a supplemental opinion in March 2022, and certain recommendations from this opinion must now be considered as questions of law by the judicial committee in charge of the proceedings.

(b) Litigation relating to the acquisition of Humalys SAS

In July 2016, the Company received a request for an additional payment, with a threat of lawsuit, in connection with the acquisition of the company "Humalys SAS" in 2009, a transaction by which Vivalis SA (now Valneva SE) acquired a technology that was further combined with another antibody discovery technology and contributed to the company BliNK Biomedical SAS at the beginning of 2015(1). The former shareholders of Humalys are demanding an additional payment due to this transfer. This claim was followed, at the end of 2016, by a writ of summons before the Lyon District Court. A first instance decision is expected in the first half of 2022. The Company, after consultation with its external counsel, considers that this claim is unfounded and that this legal proceeding is unlikely to succeed (2).

*

Please refer to the paragraphs "Patents and patent applications, "Trademarks" and "Trademark coexistence agreement with Boehringer Ingelheim", of this URD(3).

The Company has no knowledge of any other governmental, legal or arbitration proceedings (including pending or threatening litigation of which the Company has knowledge, other than proceedings that may result from the termination of the UK Supply Agreement discussed in 1.5.1(c) above) that in future might have or in the last 12 months had a material impact on the financial position or profitability of the Company or the Group.

(1) See Section 1.2.2.(c).
(2) No provision has been made in the Group's financial statements in respect of this litigation.
(3) See Sections 1.3.3 (b) and 1.4.2 (r).

1

1.5.4. Insurance and coverage of risks

The Group has taken out policies covering the main insurable risks for values it deems compatible with the nature of its business. Expenses paid by the Company and its subsidiaries for all insurance policies in 2021 amounted to €10,528,452.10.

Main Valneva SE Group policies:

Risks covered	Insurer	Term – Expiration
Property Damage and Business Interruption Insurance (including storage)	HDI Versicherung AG	Renewed yearly unless terminated at three months' prior notice (earliest January 1, 2023)
Marine Cargo – Transport Insurance General VLA-2001- specific	HDI Versicherung AG ATRALOsecur GmbH	Renewed yearly unless terminated at three months' prior notice (earliest January 1, 2023)
Public and Product Liability Insurance max. coverage: €40,000,000 (per claim, 1.5 times p.a.)(*)	AXA XL Insurance Compa*ny SE*/ Chubb & Newline	Renewed yearly unless terminated at three months' prior notice (earliest January 1, 2023)
D&O(**)	AGCS, AIG, Liberty et al.	Validity: from April 29, 2021 until April 28, 2022 (to be renewed thereafter)
Corporate Travel Insurance	Europaeische Reiseversicherungs AG	Terminated at one month's prior notice (earliest January 1, 2023)

(*) *Valneva's SARS-CoV-2 vaccine is currently excluded from the scope of this policy.*
(**) *The D&O covers any pecuniary consequences of loss or damage resulting from any claims brought against the directors and officers, binding their civil liability, whether individual or joint, and attributable to any professional misconduct, whether actual or alleged, committed by them in performing their managerial duties. This policy is also subject to certain conditions and restrictions of common practice for similar contracts.*

The Group also has other insurance policies in place, but these are less important than those described above.

The Group cannot ensure that it will always be able to keep, and if applicable, obtain, similar insurance coverage at an acceptable cost. This could lead it to accept insurance policies that are more expensive and take on a higher level of risk itself (particularly as it develops its business, especially in bio-production).

The occurrence of one or more large claims, even if covered by its insurance policies, could seriously affect the Group's operations and its financial position, given the possible interruption to its operations that could result from such a claim, the time taken for insurance companies to pay any recovery, the damage possibly exceeding insured limits in policies, and, finally, the increase in premiums that would result.

Given the prospects of the Group(1) and in particular the development of a vaccine against SARS-CoV-2 and the Company listing on the NASDAQ market, Valneva expects an increase in the price of the premiums of its directors' and officers' liability insurance and product liability insurance, although it is unable to quantify such an increase at this stage.

(1) See Sections 1.4.4 (a) and (c) of this URD.

1.5.5. Internal control procedures relating to operating and functional processes

This Section applies to Valneva SE and all of its direct or indirect subsidiaries within Valneva's consolidation scope, unless otherwise stated.

(a) Purpose of internal control procedures and inherent limitations

The purpose of internal control is to ensure:

- compliance with laws and regulations;
- the application of instructions and priorities set by the Management Board;
- the effective functioning of internal control procedures of the Group, notably contributing to safeguarding its assets; and
- the reliability of the financial information.

The objective of the internal control system is to prevent and manage risks inherent in the Group's operations and the risks of errors or fraud, particularly in the accounting and finance areas. As in all systems of control, it cannot provide an absolute guarantee of eliminating these risks.

(b) General organization and implementation of internal control procedures

Internal control stakeholders

A number of parties are responsible for or involved in the area of internal control, including first and foremost, the Management Board, the Supervisory Board and the Audit and Governance Committee. In addition, the Management Committee, the Finance Department, the Legal Department, the Internal Audit Department and the Quality Assurance team also play a major role.

The Management Board

The Management Board defines the objectives of the Group, as well as the resources to be deployed to attain these objectives. To this purpose, the Management Board ensures compliance with these objectives.

The Management Board must ensure that acts of management or the conduct of operations, as well as the behavior of personnel, adhere to the framework defined by the priorities set for the Group's activities by the corporate bodies, the applicable laws and regulations and the values, standards and internal rules of the Group.

The Supervisory Board

The role of the Supervisory Board in the area of internal control is presented in the Report by the Supervisory Board on Corporate Governance for the fiscal year 2021[1]. The Supervisory Board is assisted in this area by the Audit and Governance Committee.

The Finance Department

The Chief Financial Officer ensures compliance with accounting and financial regulations. He also provides the Management Board with cost accounting and financial information serving as tools for the budget management of the Group.

The Legal Department

The General Counsel, also serving as Corporate Compliance Officer, is responsible for safeguarding Valneva's legal interests and ensuring compliance with applicable laws and regulations, notably by implementing and updating the Group's corporate compliance program.

The Internal Audit Department

As defined in the "Internal Audit Charter", internal audit is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the Group's operations. The department works to enhance and protect the Valneva value by providing risk-based and objective assurance, advice, and insight. It assists management in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Group's risk management, controls, and governance processes.

The risk-based annual audit program is approved by the Management Board and examined by the Audit and Governance Committee. Audits conducted cover a selection of operational and financial processes, internal control design and effectiveness, third-party contract compliance, as well as compliance with anti-kickbacks/anti-bribery/anti-corruption regulations. Follow-up audits are also implemented.

Quality Assurance

Valneva manufactures vaccines in commercial stage, vaccines in pre-clinical phase and clinical batches of vaccines and proteins. Valneva also manufactures master cell or virus banks. For this purpose, Valneva must comply with regulations developed by several governmental authorities and is subject to inspections by regulatory authorities.

To ensure compliance with the regulatory requirements, Valneva has a Quality Assurance Department and quality assurance systems.

In compliance with Good Manufacturing Practice, internal and external audits are conducted to ensure compliance with GMP and implementation of the relevant procedures.

(1) See Section 2.1.3 (b) of this URD.

(c) Internal control procedures

Analysis of risks

Valneva has conducted an in-depth analysis of its risks. The risks Valneva faces are described in this URD[1].

Internal control procedures implemented, other than those relating to the production of accounting and financial information

The Group has established procedures to ensure that it manages its main risks in accordance with the objectives defined by the Management Board.

In respect of business-related risks, telephone meetings involving Department Heads and the Risk Manager are organized. With respect to scientific matters, the Group also retains the services of consultants on certain specific topics to validate its choices.

Concerning intellectual property risks, the Group has an "Intellectual Property Manager" who ensures permanent oversight, notably by conducting reviews of the status of intellectual property with the assistance of specialized firms. Intellectual property analyses are conducted for every new activity launched within the Group and regularly with respect to the Group's existing technologies in order to determine if there is a need to acquire new licenses.

As an additional measure, the Group has insurance policies covering the main insurable risks for amounts that it deems to be compatible with the nature of its business. For example, risks related to product liability are covered up to €40 million.

The Group also safeguards its property and intangible assets. It has established systems for the double storage of data and cells at different sites.

For market and financial risks, the Group monitors its cash position on a monthly basis.

In the light of current volatility in financial markets, the Group applies a conservative and prudent strategy of financial management. Its assets are allocated among several French, UK, Austrian, Canadian, US and Swedish banking institutions with call money and fixed-term accounts.

(d) Internal control procedures relating to the preparation of accounting and financial information

Internal control objectives relating to accounting and financial information

Internal control procedures relating to the processing of accounting and financial information aim to ensure:

- the reliability of the Company's financial statements established in accordance with French GAAP;
- the reliability of the Group's consolidated financial statements established in accordance with IFRS;
- effective management of risks of errors, fraud, inaccuracies or omissions of material information in the financial statements concerning the financial position and the assets and liabilities of the Group; and
- compliance with applicable law, including without limitation the U.S. Securities Act, the Securities Exchange Act of 1934, and the Sarbanes-Oxley Act, as well as other rules and regulations applicable to publicly listed companies in France and the United States and specifically to companies listed on Euronext Paris and the Nasdaq Global Select Market.

Following the Company's initial public offering on the Nasdaq Global Select Market in May 2021, the Company is subject to disclosure obligations applicable to publicly listed companies in the United States in addition to France. Applicable U.S. law requires the Group to maintain effective internal control over financial reporting in order to accurately and timely report its results of operations and financial condition. In addition, the Sarbanes-Oxley Act requires, among other things, that the Group assess the effectiveness of its internal control over financial reporting at the end of each fiscal year, beginning with the year ending December 31, 2022. The rules governing the standards that will have to be met for management to assess the Group's internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act are complex and require significant documentation, testing and possible remediation. These stringent standards require that the Company's Audit and Governance Committee be advised and regularly updated on management's review of internal control over financial reporting.

Participants

Internal control relating to accounting and financial information involves the Management Board, the Finance Department, and the Law Department, under the oversight of the Supervisory Board and the Audit and Governance Committee.

The accounting and financial organization is based on the principle of the separation of functions and the knowledge of the responsibilities of each function.

The separation of functions is effective as the Finance Department is split into Accounting and Controlling functions, whereas the Purchasing Department is a separate department.

In the Group's smaller entities, it may not be possible to separate functions and a single person may be responsible for accounting, payroll and management control.

Concerning the definition and documentation of the responsibilities of each, an organizational chart exists with a description of each function. In addition, a number of procedures exist, particularly in the area of purchasing.

(1) See Section 1.5.

Forward-looking management tools

The long-term business plan is an internal document drafted by the Management Board. Its purpose is to define the objectives of the Group over a period of several years with a breakdown of specific objectives for each activity. It is updated on a regular basis in the light of decisions concerning strategic priorities and market developments.

The budget is established according to IFRS after the Management Board has defined the strategic priorities. Every year, the Controlling function meets with all sales managers, department managers and project leaders. The controlling function then gives the different options to the Management Board. The Management Board, according to the priorities developed in the business plan, makes choices concerning operating expenses, capital expenditure and Human Resources. This budget is initially presented to the Management Committee and submitted for final approval to the Supervisory Board.

Twice a year, or more often in case of significant events, the Controlling Department drives a forecast process based on the last actual quarterly results and prepares a bottom-up forecast for the remaining months of the current fiscal year, with the same granularity as in the initial budget process. The related profit and loss and cash position forecasts are presented to the Management Committee and then submitted to the Supervisory Board for information.

The Supervisory Board is informed about the profit and loss statement and cash position on a monthly basis, and is given a detailed presentation of the profit and loss statement and cash position in comparison to the budget in quarterly meetings.

All these documents are for internal use only and are not available to the public.

Quarterly reporting: intermediate balances

Every month, the Finance Department produces an IFRS statement of intermediate balances and applies the general principles for periodic closings. These intermediate balances are also presented in a cost accounting format by segment to serve as a tool for monitoring business performances.

A schedule for producing monthly balances is drafted by Valneva's Finance Department and the Accounting Departments of the subsidiaries including a breakdown of tasks, the party responsible for each task and deadlines for completion. The deadlines for the remittance of documents according to this schedule are validated by all parties.

Intermediate balances are established by combining information from financial and cost accounting data. For cost accounting data, the Controlling Department has different software applications to record the amount of time worked by each employee, and a software application for the allocation of costs to projects.

Intermediate monthly Financial Reports are provided to each manager and department Head for his or her area of responsibility, and to the Management Committee, the Management Board and the Supervisory Board, thus providing a tool to monitor actual results in relation to the budget.

All these documents are for internal use only and are not available to the public.

From 2016 onward, the Company has prepared the documents required by law in connection with the prevention of financial problems. These documents are for internal use only (including the French Works Council and the Statutory Auditors) and are not available to the public. In accordance with applicable law, these documents only relate to the parent entity "Valneva SE" and do not include any subsidiary.

Preparation of financial statements

Participants

The annual parent entity financial statements are prepared by the Head of Accounting in France, while the annual consolidated financial statements and the interim consolidated financial statements are prepared under IFRS rules by Valneva's Director Accounting and Tax, as well as the Accounting Departments of the Group's entities.

For tax matters, the team also uses tax lawyers that primarily provide advice in the following areas:

- tax matters, tax techniques or the interpretation of regulations;
- assessment of year-end tax statements prepared by the Accounting Department (statement 2065 and related schedules).

Information collection and processing

Information is collected in the same way as for intermediate balances.

For the annual consolidated and parent entity financial statements, a work program for tasks is drafted by the Valneva's Finance Department providing a detailed breakdown of tasks, the party responsible for each task and deadlines for completion. The deadlines for the remittance of documents according to this schedule are validated by all parties.

The Finance Department also drafts a document listing all points that need to be verified to identify risks and avoid any risk of fraud or errors.

Furthermore, accounting topics of the current year (for example the treatment of development expenditure and the amortization of capitalized development expenditure, the interpretation of complex material contracts as well as price-related aspects of acquisitions) are discussed in meetings organized prior to the closing of annual and interim financial statements. This is also the case for changes in accounting principles that would have a material impact on the presentation of financial statements. These accounting topics are addressed immediately to the Statutory Auditors.

The consolidated financial statements of the Valneva Group and the parent entity financial statements are audited by the Joint Statutory Auditors, Deloitte & Associés, and PricewaterhouseCoopers.

The half year financial statements are subject to a limited review by the Joint Statutory Auditors. The quarterly financial statements are not reviewed by the Joint Statutory Auditors.

Accounting and financial information systems

All entities maintain their accounting information on the Microsoft Dynamics AX 2012 ERP system.

AX interfaces with the payroll, the cash management software and the BI-Tool, TAGETIK, which is used for controlling. Valneva performs regular reconciliations between these different applications.

Fixed assets, depreciation and amortization as well as supplier invoices have been recorded through the ERP system AX.

At year-end, AX accounting data for the Valneva SE entity is then transferred to the *États Comptables et Fiscaux* software application of SAGE in order to:

- establish separate annual financial statements under French GAAP on the basis of the official format;
- establish the 2065 tax declaration and the related schedules; and
- electronically transmit the tax statement.

Computer data is regularly backed up and stored on magnetic tapes that are themselves stored for safekeeping in a safe.

As for source data (contracts, minutes, etc.), an original and a copy exist for each document. A copy of each of these documents is maintained at one of the Valneva sites (generally, at the site concerned by such document), while copies are shared through the internal network of the Group (with restricted access).

Identification and analysis of risk affecting accounting and financial information

When the financial statements are prepared, the Finance Department follows a document listing all tasks, operations and controls that need to be verified to identify risks and avoid any risk of fraud or errors.

In addition, Valneva has identified key controls for each of its key processes.

Material Weaknesses

The Group's management, with the participation of its chief executive officer (principal executive officer) and its chief financial officer (principal financial officer), has evaluated the effectiveness of the Group's disclosure controls and procedures (as such term is defined in Rules 13(a)-15(e) and 15(d)-15(e) under the Securities Exchange Act of 1934, as amended), as of December 31, 2021. Based on such evaluation, the Group's principal executive officer and principal financial officer have concluded that the Group's disclosure controls and procedures were not effective at the reasonable assurance level as of December 31, 2021 as a result of the material weaknesses described below. The Group is undertaking the remedial steps to address the material weakness in its disclosure controls and procedures as discussed below.

Internal Control Over Financial Reporting

In connection with the preparation of the Group's financial results for the year ended December 31, 2020, management previously identified three material weaknesses in internal control over financial reporting:

(i) a lack of formal, documented and implemented processes, controls and review procedures,

(ii) insufficient controls on manual journal entries due to insufficient segregation of duties in the finance and accounting function and

(iii) insufficient controls over the accuracy and completeness of information that is being processed and reported by third parties, used to recognize revenue and record inventory.

These material weaknesses did not result in a material misstatement to the financial statements for the year ended December 31, 2020; however, these material weaknesses could result in material inaccuracies in the Group's financial statements and impair the Group's ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis.

In response to the identified material weaknesses, the Group took a number of actions to improve its internal control over financial reporting during the year ended December 31, 2021, including the following:

- The Group identified and formalized the majority of its key business processes controls and general IT controls;
- The Group designed and began implementing an approval flow for manual journal entries in its ERP system addressing segregation of duties at one of its sites; and
- The Group designed and implemented controls over its third parties to ensure that information provided regarding revenue and inventory is complete and accurate.

As a result of the remediation activities described, as of December 31, 2021, management has concluded that one of the three previously disclosed material weaknesses has been remediated. The remediated material weakness previously identified in the Group's internal control over financial reporting related to: (iii) Insufficient controls over the accuracy and completeness of information that is being processed and reported by third parties, used to recognize revenue and record inventory.

As noted above, the Group began to implement the manual journal entries approval flow in the Group's ERP system at one of its sites in the year ended December 31, 2021. As the implementation occurred in December 2021, it was deemed that the transactions and coverage period of less than one month was not sufficient to fully remediate, for the year ended December 31, 2021, material weakness (ii) relating to insufficient controls on manual journal entries due to insufficient segregation of duties in the finance and accounting function. Assuming the effective operation of the new approval flow across all of the Group's sites, management expects that material weakness (ii) will be remediated in the first half of 2022.

With the oversight of senior management and the Group's audit committee, the Group continues to evaluate its internal control over financial reporting and is taking several remedial actions to address the material weakness that has been identified in connection with (i) a lack of formal, documented and implemented processes, controls and review procedures.

These actions include, but are not limited to, the following:

- The Group performed a control gap analysis and identified the remaining controls that require implementation and formalization;
- The Group identified the controls that are complex in nature or performance, and the Group is working towards enhancing the level of documentation supporting its activity; and
- The Group is implementing measures to enhance the documentation of the accuracy and completeness of source data.

Other accounting and financial information destined for shareholders

In connection with special corporate actions (issuance of stock options, exercise of the corresponding rights, capital increases, etc.), it may be necessary to provide shareholders with additional accounting and financial information. This information is, according to its nature and the specific obligations that apply to the operation in question, prepared in coordination with Valneva's Management Board and the General Counsel, and incorporated in statutory documents.

These operations are frequently subject to a Report of the Joint Statutory Auditors and/or an Equity Auditor.

Financial and accounting communication

The Finance and Legal Departments have established a schedule for the publication of mandatory disclosures. Following the Company's initial public offering on the Nasdaq Global Select Market in May 2021, the Company is subject to disclosure obligations applicable to publicly listed companies in France and the United States, as discussed above.

The Universal Registration Document and the Company's annual report filed with the U.S. Securities and Exchange Commission are drafted jointly by the Group's Legal, Finance and Corporate Communications Departments, with input from other functions as required for completeness and accuracy of information.

2

Corporate Governance

Valneva

A European Company *(Societas Europaea)* with a Management Board and a Supervisory Board

Share capital: €16,074,817.20

Registered offices: 6 rue Alain Bombard, 44800 Saint-Herblain (France)

Nantes Trade and Companies Registry (R.C.S.) No. 422 497 560

Report by the Supervisory Board on Corporate Governance (Article L. 225-68 of the French Commercial Code)

To the Shareholders,

In accordance with the provisions of Article L. 225-68, paragraph 6 of the French Commercial Code, we hereby report to you on:

- the composition of the Company's Management Board and Supervisory Board, and the list of all offices and positions held by each of their respective members in any company other than Valneva SE;
- the conditions for the preparation and organization of the Supervisory Board's work during the fiscal year ended December 31, 2021;
- the current authorizations for capital increases, and their use during the fiscal year 2021;
- the agreements entered into between a corporate officer or a shareholder holding more than 10% of the Company's voting rights, and another corporation controlled by the Company within the meaning of Article L. 233-3 of the French Commercial Code (excluding agreements which relate to ordinary transactions and have been entered into under customary terms & conditions);
- the procedure for assessing the standard agreements, and its implementation;
- the compensation policy applicable to the Management and Supervisory Board members;
- the compensation and benefits granted or paid to the Management Board and Supervisory Board members, as well as their shareholding in the Company's share capital;
- the factors likely to have an impact in the event of a public offering; and
- the special procedures relating to the participation of shareholders in the General Meeting.

In addition, in 2010, the Supervisory Board adopted the Corporate Governance Code for small and mid-caps, published by MiddleNext in December 2009 and amended on September 13, 2021(1). The Company complies with most of the recommendations of this Code and set out in this Report those recommendations which the Company does not apply and the reasons underlying this decision, in accordance with the "comply or explain" rule.

Finally, this Report contains our observations on the Annual Management Report prepared by the Company's Management Board, and on the financial statements for the fiscal year 2021.

This Report was approved by the Supervisory Board on March 23, 2022.

For the purposes of this Report, unless otherwise stated, Valneva SE is individually referred to as ***the Company***. while Valneva SE, together with its subsidiaries, are referred to as ***the Group***, ***the Valneva Group***, or ***Valneva.***

(1) https://www.middlenext.com/spip.php?article1021

2.1. Management and Supervisory Board members

2.1.1. Management Board

The Company's Management Board is currently composed of the following members:

Mr. Thomas Lingelbach

CHAIR OF VALNEVA SE'S MANAGEMENT BOARD — PRESIDENT & CEO (58 YEARS OLD)

First appointment to Valneva SE's Management Board by the Supervisory Board on May 10, 2013 (with effect as from May 28, 2013)

End of current term of office at the 2022 General Meeting called to approve the annual financial statements for the fiscal year ended December 31, 2021

Offices and positions currently held in any company other than Valneva SE[1]	Offices and positions previously held in any company other than Valneva SE (in the last five years)
COMPANIES INCORPORATED UNDER AND GOVERNED BY FRENCH LAW	
Valneva France SAS *Membre du Comité de supervision* (Supervisory Board member) Since February 2019	-
COMPANIES INCORPORATED UNDER AND GOVERNED BY THE LAW OF OTHER COUNTRIES	
Grätzelmixer GmbH *Geschäftsführer* Since September 2017 **Valneva UK Limited** Director Since October 2015 **Valneva Sweden AB** Chair of the Board Since February 2015 **Valneva Canada Inc.** Member of the Board of Directors Since January 2015 **Vaccines Holdings Sweden AB** Chair of the Board Since December 2014 **Valneva Austria GmbH** *Geschäftsführer* Since August 2013 **Valneva USA Inc.** ▪ President & CEO Since November 2012 ▪ Director Since August 2008 **Valneva Scotland Ltd.** Director Since December 2006	-
OTHER POSITIONS	
-	**Hookipa Biotech GmbH** Chair of CMC (Chemicals Manufacturing and Controls) Advisory Board From January 2019 until December 2021

(1) Current listed companies are indicated by (*).

Mr. Franck Grimaud

MEMBER OF VALNEVA SE'S MANAGEMENT BOARD — *DIRECTEUR GÉNÉRAL* & CBO
(55 YEARS OLD)

First appointment to Vivalis SA's (now Valneva SE) Management Board by the Supervisory Board on November 29, 2002

End of current term of office at the 2022 General Meeting called to approve the annual financial statements for the fiscal year ended December 31, 2021

Offices and positions currently held in any company other than Valneva SE[1]	Offices and positions previously held in any company other than Valneva SE (in the last five years)
COMPANIES INCORPORATED UNDER AND GOVERNED BY FRENCH LAW	
Valneva France SAS *Président* (President) Since February 2019 - **BliNK Biomedical SAS** *Membre du Comité de supervision* (Supervisory Board member) Since January 2015	-
COMPANIES INCORPORATED UNDER AND GOVERNED BY THE LAW OF OTHER COUNTRIES	
Valneva Scotland Ltd. Director Since June 2017 **Valneva USA Inc.** ▪ Director Since December 2015 ▪ Deputy CEO Since December 2015 **Valneva UK Limited** Director Since October 2015 **Valneva Sweden AB** Board member Since February 2015 **Valneva Canada Inc.** ▪ Member of the Board of Directors Since January 2015 ▪ President Since January 2015 **Vaccines Holdings Sweden AB** ▪ Board member Since December 2014 ▪ Managing Director Since December 2014 **Valneva Austria GmbH** *Geschäftsführer* Since August 2013	**Grimaud (Deyang) Animal Health Co Ltd.** Board member From September 2000 to February 2019 **Valneva Toyama Japan K.K.** (Company liquidated on December 17, 2018) Representative Director & President From April 2011 to December 2018 **Chengdu Grimaud Breeding Farm Co Ltd.** Board member From January 2000 to July 2018
OTHER POSITIONS	
Fonds Pays de la Loire Participations Chair of the Governing Board (*Président du Conseil de direction*) Since September 2016 **Atlanpole Biothérapies** ▪ President *(Président)* Since February 2018 ▪ Board member *(Administrateur)* Since January 2015	**Atlanpole Biothérapies** Treasurer *(Trésorier)* January 2015 to February 2018

(1) Current listed companies are indicated by (*).

Mr. Frédéric Jacotot

MEMBER OF VALNEVA SE'S MANAGEMENT BOARD — GENERAL COUNSEL & CORPORATE SECRETARY (58 YEARS OLD)

First appointment to Valneva SE's Management Board by the Supervisory Board on March 21, 2017 (with effect as from April 1, 2017)

End of current term of office at the 2022 General Meeting called to approve the annual financial statements for the fiscal year ended December 31, 2021

Offices and positions currently held in any company other than Valneva SE[1]	Offices and positions previously held in any company other than Valneva SE (in the last five years)
COMPANIES INCORPORATED UNDER AND GOVERNED BY FRENCH LAW	
Valneva France SAS *Président du Comité de supervision* (Chair of the Supervisory Board) Since February 2019	-
COMPANIES INCORPORATED UNDER AND GOVERNED BY THE LAW OF OTHER COUNTRIES	
Valneva Sweden AB Board member Since June 2017 **Vaccines Holdings Sweden AB** Board member Since June 2017 **Valneva Austria GmbH** *Geschäftsführer* Since September 2017	-

(1) Current listed companies are indicated by (*).

Mr. Juan Carlos Jaramillo

MEMBER OF VALNEVA SE'S MANAGEMENT BOARD — CHIEF MEDICAL OFFICER (51 YEARS OLD)

Appointment to Valneva SE's Management Board by the Supervisory Board on June 17, 2020 (with effect as from October 1, 2020)

End of term of office at the 2022 General Meeting called to approve the annual financial statements for the fiscal year ended December 31, 2021

Offices and positions currently held in any company other than Valneva SE[1]	Offices and positions previously held in any company other than Valneva SE (in the last five years)
COMPANIES INCORPORATED UNDER AND GOVERNED BY FRENCH LAW	
Valneva France SAS *Membre du Comité de supervision* (Supervisory Board member) Since November 2020	-
COMPANIES INCORPORATED UNDER AND GOVERNED BY THE LAW OF OTHER COUNTRIES	
Valneva Canada Inc. Member of the Board of Directors Since December 2020 **Valneva Austria GmbH** *Geschäftsführer* Since November 2020 **Valneva USA Inc.** Director Since November 2020 **Valneva Sweden AB** Board member Since October 2020	**Daiichi Sankyo GmbH** ▪ Senior Vice President, Head of Market Access & Pricing From April 2017 to September 2020 ▪ Senior Vice President, European Head of Medical Affairs and Market Access & Pricing From April 2013 to March 2017

(1) Current listed companies are indicated by (*).

Mr. Peter Bühler

MEMBER OF VALNEVA SE'S MANAGEMENT BOARD - CHIEF FINANCIAL OFFICER
(52 YEARS OLD)

Appointment to Valneva SE's Management Board by the Supervisory Board on July 28, 2021 (with effect as from January 1 st, 2022)
End of term of office at the 2022 General Meeting called to approve the annual financial statements for the fiscal year ended December 31, 2021 (1)

Offices and positions currently held in any company other than Valneva SE(2)	Offices and positions previously held in any company other than Valneva SE (in the last five years)
COMPANIES INCORPORATED UNDER AND GOVERNED BY FRENCH LAW	
-	-
COMPANIES INCORPORATED UNDER AND GOVERNED BY THE LAW OF OTHER COUNTRIES	
Valneva Austria GmbH *Geschäftsführer* Since January 2022 **Valneva Sweden AB** Board member Since January 2022	**Alba Bioscience Ltd.** Member of the Board of Directors From May 2021 to November 2021 **Quotient Biocampus Ltd.** Member of the Board of Directors From May 2021 to November 2021 **QBD (QS IP) Ltd.** Member of the Board of Directors From January 2021 to November 2021 **Quotient Ltd.** Chief Financial OfficerFrom February 2020 to December 2021 **Quotient Suisse SA** Member of the Board of Directors From January 2020 to September 2021 **Zaluvida AG** Chief Financial Officer From April 2017 to March 2019 **Stallergenes Greer Plc** Chief Financial Officer From April 2013 to April 2017

(1) However, Valneva Austria GmbH has undertaken, in the absence of a cause for termination (in the meaning of Section 27 of the Austrian White Collar Employment Act), to renew Mr. Bühler's Management Agreement related to his Managing Director position at Valneva Austria, for an additional 3 years.
(2) Current listed companies are indicated by (*).

***

Business addresses

The business address of Messrs. Franck Grimaud and Frédéric Jacotot is located at Valneva SE, 6 rue Alain Bombard, 44800 Saint-Herblain (France).

The business address of Messrs. Thomas Lingelbach, Juan Carlos Jaramillo and Peter Bühler is located at Valneva Austria GmbH, Campus Vienna Biocenter 3, 1030, Vienna (Austria).

2.1.2. Supervisory Board

The Company's Supervisory Board is currently composed of the following members:

- Mr. Frédéric Grimaud, Chair of the Board;
- Mr. James Sulat, Vice-Chair of the Board;
- Ms. Anne-Marie Graffin;
- Ms. Sharon Tetlow; and
- Ms. Johanna Pattenier.

Supervisory Board's history since January 1, 2021

MARCH 12, 2021

Name	Title	
Mr. Thomas Casdagli	Board member	Resignation

Business address

The business address of the Supervisory Board members is the registered office of the Company: 6 rue Alain Bombard, 44800 Saint-Herblain (France).

Employee-elected Supervisory Board members

None.

Non-voting Observers (*Censeur*)

During its meeting held on June 17, 2020, the Company's Supervisory Board decided to appoint Mr. Alexander von Gabain as non-voting observer to the Board. On March 23, 2022, the Supervisory Board further decided to appoint Bpifrance Participations SA, represented by Ms. Maïlys Ferrère, as non-voting observer. Mr. von Gabain and Bpifrance Participations only take part in meetings of the Supervisory Board in an advisory capacity and does not vote on Board decisions.

Note: under the loan agreement entered into with the investment funds OrbiMed and Deerfield[1], each of the lenders has the right to appoint a representative as "non-voting observer". This person is then authorized to attend Board meetings and to receive the related documentation. To date, only OrbiMed has exercised this right.

Cooptations

None.

Number of qualifying shares to be held by each Supervisory Board member

None on the date of this URD[2].

(1) See Section 1.4.2 (o) of this URD.
(2) However, please see Section 2.6.1.2 regarding a future change.

Mr. Frédéric Grimaud

CHAIR OF VALNEVA SE'S SUPERVISORY BOARD (57 YEARS OLD)

First appointment to Vivalis SA's (now Valneva SE) Supervisory Board by the Extraordinary General Meeting on November 29, 2002

End of current term of office at the 2022 General Meeting called to approve the annual financial statements for the fiscal year ended December 31, 2021

Independant	Audit and Governance Committee	Nomination and Compensation Committee	Experience and expertise
No	Member since June 17, 2020	-	Leader of an industrial group in the field of life sciences

Offices and positions currently held in any company other than Valneva SE[1]

COMPANIES INCORPORATED UNDER AND GOVERNED BY FRENCH LAW

Groupe Grimaud La Corbière SAS
(formerly Groupe Grimaud La Corbière SA)
President & Chief Executive Officer
(Président - Directeur Général) since January 2021
(previously Chair of the Management Board
(Président du directoire), since June 2004)

Choice Genetics SAS
- Permanent representative of the company Groupe Grimaud La Corbière SAS, in its capacity as Chair of the Board
  Since July 2020
- Nomination and Compensation Committee member
  (Membre du Comité de nomination et rémunération)
  Since November 2014

Pen Ar Lan SA
Chair of the Board *(Président du conseil d'administration)*
Since July 2020

Filavie SAS
Chair of the Board *(Président du conseil d'administration)*
Since July 2017

Genesis Investment SAS
Supervisory Board member
(Membre du conseil de surveillance)
Since March 2016

Permanent representative of the company Groupe Grimaud La Corbière SAS in its capacity as President of the following companies :
- Choice Genetics SAS - Since July 2020
- Vital Meat SAS - Since December 2018
- Hubbard Holding SAS - Since December 2015
- Hypharm SAS - Since December 2015
- Filavie SAS - Since December 2015
- Novogen SAS - Since December 2015
- Blue Genetics Holding SAS - Since December 2015
- Grimaud Frères Holding SAS - Since December 2014

Permanent representative of the company Grimaud Frères Holding SAS, in its capacity as President of the company Grimaud Frères Sélection SAS
Since December 2015

Permanent representative of the company Choice Genetics France SAS, in its capacity as President of the company Choice Genetics SAS
Since December 2015

Offices and positions previously held in any company other than Valneva SE (in the last five years)

Choice Genetics SAS
Board member (*Administrateur*)
From March 2020 to July 2020

La Couvée SAS
Management and Steering Committee member
(*Membre du Comité de pilotage et de direction*)
From June 2005 to J Mo moiuly 2020

Permanent representative of the company Groupe Grimaud La Corbière SA, in its capacity as of President of the following companies:
- Galor SAS
  From December 2015 to December 2020
- Choice Genetics SAS
  From December 2015 to March 2020

Permanent representative of the company Groupe Grimaud La Corbière SA, in its capacity as Chair of the Board of the company **Choice Genetics SAS**
From December 2015 to March 2020

Pen Ar Lan SA
Chair of the Board (*Président du conseil d'administration*)
From November 2011 to March 2020

Permanent representative of the company Grimaud Frères Holding SAS, in its capacity as **President of the company Les élevages de la Fronière SAS**
From July 2015 to December 2018

Permanent representative of the company Hubbard Holding SAS, in its capacity as President of the company **Hubbard SAS**
From February 2013 to February 2018

Offices and positions currently held in any company other than Valneva SE[1]	Offices and positions previously held in any company other than Valneva SE (in the last five years)
COMPANIES INCORPORATED UNDER AND GOVERNED BY THE LAW OF OTHER COUNTRIES	
BMR Blue Genetics Private Limited Board member (*Administrateur*) Since July 2020 **Novogen NA Inc.** Chair of the Board Since September 2017 **Blue Genetics Mexico** Chair of the Board Since July 2013 **Grimaud Vietnam Company Limited** President Since June 2009 **Choice Genetics USA LLC** Board member Since May 2008 **Grimaud (Putian) Breeding Farm Co Ltd.** Chair of the Board Since December 2000 **Grimaud (Deyang) Animal Health Co Ltd.** Chair of the Board Since November 2000 **Grimaud Italia SRL** Board member Since 2000 **Chengdu Grimaud Breeding Farm Co Ltd.** Chair of the Board Since October 1996	**Hubbard UK Ltd.** (Company liquidated on February 25, 2020) Director From September 2017 to February 2020 **Choice Genetics Vietnam** Chair of the Council From January 2013 to February 2019 **Hubbard Polska Sp Zoo** Supervisory Board member From 2006 to February 2018 **Blue Genetics Vietnam** Chairman of the Council From July 2014 to January 2018 **Hubbard LLC** Chair of the Board From March 2005 to December 2017 **Ovogenetics Holding BV** Director From December 2014 to May 2016
OTHER POSITIONS	
Sodiaal Qualified Personality at the Office (*Personnalité Qualifiée au sein du Bureau*) Since February 2020	

(1) Current listed companies are indicated by (*).

Mr. James Sulat

VICE-PRESIDENT OF VALNEVA SE'S SUPERVISORY BOARD (71 YEARS OLD)

First appointment to Valneva SE's Supervisory Board by the Extraordinary General Meeting on March 7, 2013 (with effect as from May 28, 2013)

End of current term of office at the 2022 General Meeting called to approve the annual financial statements for the fiscal year ended December 31, 2021

Independant	Audit and Governance Committee	Nomination and Compensation Committee	Experience and expertise
Yes	Member since March 23, 2021 (previously Chair, since May 31, 2013)	Member since March 23, 2021	Finance, Strategy, Capital Markets and Corporate Governance

Offices and positions currently held in any company other than Valneva SE[1]	Offices and positions previously held in any company other than Valneva SE (in the last five years)
COMPANIES INCORPORATED UNDER AND GOVERNED BY FRENCH LAW	
-	-
COMPANIES INCORPORATED UNDER AND GOVERNED BY THE LAW OF OTHER COUNTRIES	
GS Holdings, Inc. Member of the Board of Directors Since October 2021 **Exicure, Inc.** (*) ▪ Member of the Board of Directors Since January 2021 ▪ Chair of the Audit Committee Since January 2021	**Arch Therapeutics, Inc.** Member of the Board of Directors From August 2015 to December 2021 **AMAG Pharmaceuticals, Inc.** ▪ Chair of the Compensation Committee From May 2019 to November 2020 ▪ Member of the Board of Directors From April 2014 to November 2020 ▪ Transactions Committee member From April 2014 to November 2020 ▪ Audit Committee member From April 2014 to May 2019 **Momenta Pharmaceuticals Inc.** ▪ Member of the Board of Directors From June 2018 to June 2019 ▪ Audit Committee member From June 2008 to June 2019 ▪ Nominations and Corporate Governance Committee member From June 2008 to June 2019 ▪ Chair of the Board of Directors From December 2008 to June 2018 **Tolero Pharmaceuticals, Inc.** Member of the Board of Directors From May 2015 to January 2017

(1) Current listed companies are indicated by (*).

Ms. Anne-Marie Graffin

MEMBER OF VALNEVA SE'S SUPERVISORY BOARD (60 YEARS OLD)

First appointment to Valneva SE's Supervisory Board by the Extraordinary General Meeting on March 7, 2013 (with effect as from July 5, 2013)

End of current term of office at the 2022 General Meeting called to approve the annual financial statements for the fiscal year ended December 31, 2021

Independant	Audit and Governance Committee	Nomination and Compensation Committee	Experience and expertise
Yes	-	Chair since June 17, 2020	Experience as an executive in the vaccine industry

Offices and positions currently held in any company other than Valneva SE[1]	Offices and positions previously held in any company other than Valneva SE (in the last five years)
COMPANIES INCORPORATED UNDER AND GOVERNED BY FRENCH LAW	
M2Care SAS Board member (*Administrateur*) Since October 2019 **Nanobiotix SA** (*) Supervisory Board member *(Membre du conseil de surveillance)* Since January 2014 **Sartorius Stedim Biotech SA** (*) Board member *(Administrateur)* Since April 2015 **SMAG Consulting SAS** (formerly SARL SMAG Consulting) President since April 2021 (previously Managing Director *(Gérant)* of the SARL, since September 2011)	-
COMPANIES INCORPORATED UNDER AND GOVERNED BY THE LAW OF OTHER COUNTRIES	
-	-

(1) Current listed companies are indicated by (*).

Ms. Sharon Tetlow

MEMBER OF VALNEVA SE'S SUPERVISORY BOARD (62 YEARS OLD)

Appointment to Valneva SE's Supervisory Board by the Ordinary General Meeting on June 17, 2020

End of term of office at the 2023 General Meeting called to approve the annual financial statements for the fiscal year ended December 31, 2022

Independent	Audit and Governance Committee	Nomination and Compensation Committee	Experience and expertise
Yes	Chair since March 23, 2021 (and member since June 17, 2020)	-	Seasoned financial executive with more than three decades specializing in the life sciences industry

Offices and positions currently held in any company other than Valneva SE[1]	Offices and positions previously held in any company other than Valneva SE (in the last five years)
COMPANIES INCORPORATED UNDER AND GOVERNED BY FRENCH LAW	
-	-
COMPANIES INCORPORATED UNDER AND GOVERNED BY THE LAW OF OTHER COUNTRIES	
Altamont Pharma Acquisition Corp. Member of the Board of Directors Since February 2021 **Dice Molecules, Inc.** ▪ Member of the Nominating and Governance committee Since February 2021 ▪ Member of the Board of Directors Since November 2020 ▪ Chair of the Audit Committee Since November 2020 **Catalyst Biosciences, Inc.** (*) ▪ Member of the Board of Directors Since January 2020 ▪ Chair of the Audit Committee Since June 2020 **Potrero Hill Advisors, LLC** Managing Partner Since January 2016	**Altamont Pharma Acquisition Corp.** Member of the Board of Directors From February 2021 to Januray 2022 **Armetheon, Inc.** ▪ Member of the Board of directors From November 2016 to September 2017 ▪ Member of the Audit Committee From November 2016 to September 2017 ▪ Member of the Transaction Committee **Danforth Advisors LLC** Managing Director From April 2013 to January 2016
OTHER POSITIONS	
Katherine Michiels School, Project Open Mind Board member Since February 2016	

(1) Current listed companies are indicated by (*).

Ms. Johanna Pattenier

MEMBER OF VALNEVA SE'S SUPERVISORY BOARD (62 YEARS OLD)

Appointment to Valneva SE's Supervisory Board by the Ordinary General Meeting on June 17, 2020

End of term of office at the 2023 General Meeting called to approve the annual financial statements for the fiscal year ended December 31, 2022

Independent	Audit and Governance Committee	Nomination and Compensation Committee	Experience and expertise
Yes	-	Member since June 17, 2020	Seasoned executive with more than two decades of market access, medical and commercial experience in the pharmaceutical industry

Offices and positions currently held in any company other than Valneva SE[1]	Offices and positions previously held in any company other than Valneva SE (in the last five years)
COMPANIES INCORPORATED UNDER AND GOVERNED BY FRENCH LAW	
-	-
COMPANIES INCORPORATED UNDER AND GOVERNED BY THE LAW OF OTHER COUNTRIES	
-	**Novartis Vaccines and Diagnostics** Site Head and General Manager From March 2015 to December 2016

(1) Current listed companies are indicated by (*).

2.1.3. Rules governing the management and supervisory bodies

(a) Rules governing the Management Board

Provisions of the Company's Articles of Association

Membership (Article 14 of the Articles of Association)

The Company is directed by a Management Board, which carries out its duties under the control of the Supervisory Board.

The Management Board shall be composed of two to at most seven members, appointed by the Supervisory Board.

On penalty of nullity of appointment, the members of the Management Board shall be natural persons. They may be chosen from outside the shareholders.

If a member of the Supervisory Board is appointed to the Management Board, his mandate on the former Board shall end as soon as he takes up his position.

The members of the Management Board shall be appointed by the Supervisory Board; they shall be dismissed by the Ordinary General Meeting or by the Supervisory Board.

If the dismissal is decided without just cause, it may give rise to damages.

In the event that the concerned party has concluded an employment agreement with the Company, the revoking of his functions as a member of the Management Board shall not have the effect of terminating this agreement.

The Management Board shall be appointed for a period of three (3) years, ending on the date of the General Meeting convened to decide on the financial statements for the past financial year and held during the year in which the mandate expires, on expiry of which, it shall be entirely renewed. In the event of a vacancy, the Supervisory Board shall make provision within two months for the filling of the vacant position. A member of the Supervisory Board may be appointed by the Supervisory Board to exercise the duties of a member of the Management Board for the remaining period until the renewal of the Management Board and up to six months. During this period, the duties of the party in question on the Supervisory Board shall be suspended.

The members of the Management Board shall all be re-electable.

The age limit for the exercise of duties of the members of the Management Board shall be set at seventy (70). A member of the Management Board in office shall be considered to have resigned at the end of the financial year during which he reaches this age. A member of the Management Board who has been put under guardianship shall also be deemed to have resigned automatically.

Compulsory retirement in accordance with the preceding paragraph shall not invalidate the discussions and decisions in which the member of the Management Board deemed to have resigned automatically took part.

The Supervisory Board shall appoint one of the members of the Management Board as Chairman. The Chairman of the Management Board shall carry out his duties for the duration of his mandate as a member of the Management Board.

The Chairman of the Management Board may be dismissed by decision of the General Meeting or by the decision of the Supervisory Board, with a majority of the members of the Supervisory Board.

Management Board meetings (Article 14 of the Articles of Association)

The Management Board shall meet as often as the interests of the Company demand, on convening by its Chairman, its *Directeur Général* or by at least half of its members, at the registered office of the Company or at any other location indicated in the convening notice; it may be convened by any means, including by e-mail or even verbally. The agenda must appear in the convening notice but may be supplemented at the time of the meeting.

The Chairman of the Management Board shall chair the sessions and appoint a Secretary, who may be chosen from outside of its members. In the absence of the Chairman of the Management Board, the sessions shall be chaired by the *Directeur Général* or failing that, by the member of the Management Board whom the Management Board has appointed for this purpose.

For decisions to be valid, at least half of the members must be present. If the Management Board includes two members, the decisions shall be taken unanimously. If it includes more than two members, decisions shall be taken by a majority of members present. Each member of the Management Board shall have one voting right and the Chairman shall not have a casting vote in the event of a tied vote[(1)].

For the purposes of calculating the quorum and majority, members of the Management Board who take part in its meeting *via* conference call or telecommunications media, which permit their identification and guarantee their effective participation, the nature and conditions of application of which are determined by legislative and regulatory provisions in effect shall be considered to be present.

However, this procedure may not be used to establish the Annual Financial Statements and Management Report, or to establish the consolidated accounts and Management Report for the Group, if it is not included in the Annual Report.

The Statutory Auditors shall be convened to all of the meetings of the Management Board which examine or draw up the annual or interim financial statements.

The decisions are confirmed by minutes drawn up in a special register and signed by the Chairman of the Management Board and another member of the Management Board who has taken part in the session.

The minutes shall mention the name of the present or represented members and those of the absent members. Copies or extracts of these minutes shall be certified the Chairman of the Management Board, one of its members or any other person designated by the Management Board and during the liquidation period, by the liquidator.

The members of the Management Board may allocate the executive tasks among themselves with the authorization of the Supervisory Board, pursuant to Article R. 225-39 of the French Commercial Code. This allocation may in no case dispense the Management Board from meeting and deciding on the most important management issues of the Company nor have the effect of depriving the Management Board of its character as a body which provides the general management of the Company in a collective manner.

(1) However, the company intends to submit a resolution in June 2022 to give the Chairman of the Board of Directors a casting vote in the event of a tie.

Compensation of Management Board members (Article 14 of the Articles of Association)

The procedure for and amount of remuneration of each of the members of the Management Board shall be set by the Supervisory Board.

Responsibilities and powers of the Management Board (Article 15 of the Articles of Association)

The Management Board shall be assigned the most extensive powers for acting in all circumstances in the name of the Company and shall exercise these within the limits of the Company object and subject to those expressly attributed by law to the Supervisory Board and to the General Meetings of shareholders and those which require the prior authorization of the Supervisory Board, as specified below.

Any limitation on the powers of the Management Board shall be unenforceable against third parties.

The Management Board shall convene the General Meetings of the shareholders, set their agenda and execute their decisions.

At least once a quarter, the Management Board shall submit a report to the Supervisory Board which retraces the principal actions or events occurring in the management of the Company.

After the closure of each financial year and within the following three (3) months, the Management Board shall submit the annual documents to the Supervisory Board, as well as all documents provided by law, for verification and control purposes. It shall propose the allocation of results for the past financial year.

The Chairman of the Management Board shall represent the Company in its relations with third parties. At the same time, the Supervisory Board shall be authorized to attribute the same power of representation to one or several members of the Management Board, for which each of them shall then have the title of *Directeur Général.* The Supervisory Board may abolish this power of representation by withdrawing the role of *Directeur Général* from the member of the Management Board. The Company shall even be committed by the actions of the Chairman or one of the *Directeurs Généraux which* do not relate to the Company object, unless it demonstrates that the third party was aware that this action exceeded this object or could not have been unaware of the same in view of the circumstances.

The stipulations limiting this power of representation are unenforceable against third parties.

The actions committing the Company with regard to third parties are validly executed with a single signature of any one of the members of the Management Board authorized to represent the Company, pursuant to the stipulations of this Article.

The Management Board may entrust special, permanent or temporary missions which it determines to one or several of its members or to any other person and delegate the powers to them which it judges necessary for one or several given objects, with or without the power of subdelegation.

The Management Board shall examine and present the quarterly and half-yearly accounts to the Supervisory Board.

The Management Board shall decide or authorize the issuance of bonds under the conditions of Article L. 228-40 of the French Commercial Code, unless the General Meeting decides to exercise this power. The Management Board may delegate to its Chairman and, with the agreement of the same, to one or several of its members, the powers necessary for realizing the issuance of bonds, within a one-year deadline, and draw up the procedures for these.

The members of the Management Board, as well as any person convened on to attend its meetings shall be bound by secrecy with regard to information of a confidential character or which is presented as such.

Provisions of the Management Board's Rules of procedure

Rules of procedure of the Company's Management Board define the Management Board's duties of and its operating procedures, in accordance with the law and the Company's Articles of Association, as well as the corporate governance rules applicable to publicly traded companies.

The main provisions of the Management Board's Rules of procedure, as amended on January 10, 2022, are as follows:

Number of members — Meetings

Pursuant to the Articles of Association, there may be at least two members and no more than seven members of the Management Board.

The Management Board shall meet at least once each calendar month and written minutes of such meetings shall be prepared.

Powers and distribution

The Management Board has the most extensive powers for acting in all circumstances in the name of the Company and shall exercise these within the limits of the Company object and subject to those expressly attributed by law to the Supervisory Board and to the General Meetings of shareholders, and those which require the prior authorization of the Supervisory Board, as specified in Article 19 of the Company's Articles of Association.

Any limitation on the powers of the Management Board shall be unenforceable against third parties.

The members of the Management Board work to lead the Company. All powers of the Management Board are exercised collegially with joint and several liability.

However, pursuant to Article R. 225-39 of the French Commercial Code, and with the prior authorization of the Supervisory Board, the members of the Management Board divide the supervision of the business of the Company as follows set in Annex 1 [(1)] :

- President & Chief Executive Officer:
  - Industrial Operations (COO),
  - Technical Development,
  - Quality and Regulatory Compliance,
  - Global Human Resources,
  - Program Management;

(1) However, from the second half of 2022, it is planned to integrate new members, generating a new distribution of responsibilities.

- *Directeur Général* & Chief Business Officer:
  - Commercial Operations;
  - Business Development,
  - Corporate Development;
- Chief Financial Officer:
  - Group Accounting & Tax,
  - Group Controlling,
  - Glabal & Local Finance,
  - IT,
  - Investor Relations,
  - Corporate Communications;
- Chief Medical Officer:
  - Pre-clinical R&D,
  - Clinical Development,
  - Medical Affairs,
  - Pharmacovigilance,
  - Project Management,
  - R&D alliances & Portfolio Management,
  - Market Access/Health Economics;
- General Counsel & Corporate Secretary:
  - Corporate Legal Affairs,
  - Global & Local Legal Support,
  - Secretary to Supervisory Board and Management Board,
  - Corporate Compliance,
  - Intellectual Property.

In spite of such distribution, the individual actions of each member of the Management Board are deemed to have been collegially made. As such, all members of the Management Board are bound by these individual actions and jointly and severally liable for them.

At the monthly Management Board meetings, the Management Board has to be informed of the decisions made by those of its members who are responsible for supervising the particular business functions mentioned above.

Powers of the President & CEO and of the *Directeur Général* & CBO

The President & CEO *(Président du directoire)* represents the Company in its relations with third parties.

The Supervisory Board has decided to give the same power of representation to one member of the Management Board, who has the title of *Directeur Général* & CBO *("Directeur Général").*

The Company shall be bound by the actions of the *President du directoire* or *Directeur Général* which do not relate to the Company's business purpose, unless it demonstrates that the third party was aware that this action exceeded this business purpose or could not have been unaware of the same in view of the circumstances.

Delegation of Powers or Signing Authority

The *Président du directoire* – Chairman of the Management Board – as well as the *Directeur Général* can convey their respective authority to another member of the Management Board or to any other person (***the Agent***) to represent the Company *vis-à-vis* third parties in specific areas covered by the delegation, subject to the following conditions:

- the scope of the delegation of powers must be limited: they may not delegate all of his/their management powers. The terms of the delegation must, therefore, be specific and limited in nature;
- as a general rule, the Agent can bind the Company with respect to third parties only to the extent of the authority which was given to him.
- Any agreement, contract or commitment (each an ***Agreement***) made on behalf of the Company must be agreed and signed by the *Président du directoire* and any Management Board member unless such an Agreement is worth less than €1,000,000 (one million euros) per year, in which case it will be approved and signed in accordance with the Company's signing authority rules as adopted by the Management Board and as applicable at the relevant time.

Limitations on the powers of the *Président du directoire* or the *Directeur Général* shall be unenforceable against third parties.

Mutual Information

The members of the Management Board have a duty to mutually consult with each other about:

- the most important decisions made by the Management Board, or decisions made in the area of activity for which they are responsible within the Company, particularly actions intended to develop or adapt the business of the Company;
- more generally, all actions related to the implementation of the Company's general strategy shall be referred to the Management Board.

Reporting duty to the Supervisory Board

According to Article L. 225-68, paragraph 4 of the French Commercial Code, the Management Board shall quarterly submit to the Supervisory Board a written report on the Company's business activities.

The Management Board shall meet regularly, either in person or by telephone, with the Chairman of the Supervisory Board.

Confidentiality

In compliance with Article L. 225-92 of the French Commercial Code, all members of the Management Board or people attending Management Board meetings are bound by professional secrecy with respect to discussions and deliberations of such Board and any information they may receive in the course of their duties.

All members of the Management Board or people attending Management Board meetings are obligated not to disclose any such information outside the Management Board.

Compliance

All members of the Management Board or people attending Management Board meetings undertake to comply with the Valneva insider policy.

All members of the Management Board are responsible for maintaining the commitments set forth in the Company's Code of Conduct in connection with all of the business conducted by themselves and by the functions reporting to them.

(b) Rules governing the Supervisory Board

Provisions of the Company's Articles of Association

Supervisory Board membership (Articles 16 and 17 of the Articles of Association)

The Supervisory Board consists of at least three (3) members and at most eighteen (18) members, appointed by the Ordinary General Meeting, subject to legal exemptions.

The members of the Supervisory Board, who are natural persons, must be aged less than eighty (80), subject to the following stipulations.

A legal person may be appointed as member of the Supervisory Board but must, under the conditions provided by the law, designate a natural person who shall be its permanent representative on the Supervisory Board. The permanent representatives must be aged less than eighty (80), subject to the following stipulations.

The term of office of the members of the Supervisory Board is set at three (3) years (with one year understood as the interval between two consecutive Ordinary General Meetings), subject to the following stipulations.

The term of office of any member of the Supervisory Board shall be limited to the remaining period until the annual Ordinary General Meeting, held in the year during which the member of the Supervisory Board in question reaches the age of eighty (80).

A member of the Supervisory Board put under guardianship shall be deemed to have resigned automatically. Such compulsory resignation shall not invalidate the discussions and decisions in which the member of the Supervisory Board deemed to have resigned automatically took part.

The members of the Supervisory Board shall be re-elected on one or several occasions, subject to the above stipulations concerning the age limit. They may be dismissed at any time by decision of the Ordinary General Meeting, under the conditions and pursuant to the procedures provided by law.

In the event of a vacancy, due to death or resignation, of one or several positions on the Supervisory Board, the Supervisory Board may make appointments in a provisional capacity between two General Meetings. These appointments shall be submitted for the ratification of the following Ordinary General Meeting. In the absence of ratification, the decisions taken and the acts previously carried out by the Board shall nevertheless remain valid.

When the number of members of the Supervisory Board has fallen below the legal minimum, the Management Board shall call the Ordinary General Meeting within the shortest possible period, with a view to establishing a full Board.

The member appointed as a replacement for another whose mandate has not expired, shall only remain in office during the remaining time of the mandate of his predecessor.

Furthermore, the Supervisory Board may include elected members representing employees, pursuant to the provisions of Article L. 225-79 and, as appropriate, L. 225-71 and L. 22-10-22 of the French Commercial Code.

Note: Recommendation No. 11 of the MiddleNext Code does not include provisions with respect to the term of Supervisory Board members' appointments. In contrast, it is recommended that the Supervisory Board ensures that the term of appointments be adapted, within the limits established by the law, to the specific characteristics of the Company. The term of Supervisory Board members' appointment is set by the Company's Articles of Association at three years (one year being understood as the period between two consecutive Annual General Meetings), in accordance with the law. However, in contrast to the Recommendation of the MiddleNext Code, the renewals of offices are partially scattered (3 offices expire in June 2022, 2 others in June 2023).

Supervisory Board meetings (Articles 18 and 21 of the Articles of Association)

The Board shall, among its members, appoint a Chairman and a Deputy Chairman, who are responsible for convening Board meetings and, as the case may be, directing its discussions. The Chairman shall also designate a Secretary, who may be selected outside the shareholders and, together with the Chairman and the Deputy Chairman, shall form the Board committee.

They shall be appointed for the duration of their mandate for the Supervisory Board and shall always be re-electable.

The Chairman and the Deputy Chairman shall be natural persons.

In the event of absence or impediment of the Chairman, the session of the Supervisory Board shall be chaired by the Deputy Chairman.

Supervisory Board meetings shall be held as often as the interests of the Company require and at least once per quarter, at the request of the Chairman, the Deputy Chairman or a member of the Supervisory Board, made by any written means, including by email or even verbally.

At the same time, the Chairman shall convene the Supervisory Board on a date which must not be more than fifteen (15) days later, when at least one member of the Management Board or at least one third of the members of the Supervisory Board submits a grounded request in this sense. If the request has remained without response, its authors may themselves call the meeting, indicating the agenda of the session. Other than this case, the agenda shall be set by the Chairman and may only be set at the time of the meeting.

Supervisory Board meetings may also be held (i) by videoconference or any other electronic means of telecommunication or remote transmission, or (ii) by written decision on the conditions and within the limits provided for by law.

In-person meetings shall take place at the registered office or at any other location indicated in the convening notice.

For resolutions to be valid, at least half of the members of the Supervisory Board must be present. Subject to the

provisions of Article 19 of the Articles of Association, decisions shall be taken by a majority of votes of present or represented members; in the event of a tie vote, the Chairman of the session shall have the deciding vote.

Moreover, for the purposes of calculating the quorum and majority, the members of the Supervisory Board who take part in the Supervisory Board meetings by videoconference or any other electronic means of telecommunications or remote transmission shall be considered to be present, except for the adoption of decisions relating to verification and control of the annual financial statements and, as appropriate, of the consolidated accounts.

The members of the Supervisory Board may be represented at each session by one of their colleagues, but one member may only represent one of his colleagues as a proxy. These powers shall only be valid for a single session and may be granted by simple letter, e-mail or fax.

An attendance register shall be kept at the registered office, which shall be signed by the members of the Supervisory Board who take part in the board meeting.

The production of an extract or copy of the minutes shall serve as sufficient evidence for the number of members in office and their attendance or representation.

The decisions of the Supervisory Board shall be noted in the minutes drawn up in a special register or on numbered and initialled loose sheets, pursuant to the conditions set by the current legislation.

These minutes shall be signed by the Chairman of the session and by another member of the Supervisory Board.

In the event of impediment of the chairman of the session, the minutes shall be signed by at least two members of the Supervisory Board.

The copies or extracts of these minutes shall be certified by the Chairman, the Deputy Chairman, a member of the Management Board or by a proxy authorised for this purpose.

The Supervisory Board shall draw up internal regulations which may provide that with the exception of decisions relating to the verification and inspection of the annual financial statements, as well as the verification and inspection of the consolidated financial statements, for the purposes of calculating the quorum and majority, the members of the Supervisory Board shall be considered to be present who attend the meeting via videoconference or telecommunications media which permit their identification and guarantee their effective participation, the nature and conditions of application of which are determined by the current legal and regulatory provisions.

The members of the Supervisory Board, as well as any person taking part in the meetings of the Supervisory Board, shall be bound to secrecy with regard to the resolutions of the Supervisory Board, as well as to the information presenting a confidential character or presented as such by the Chairman of the Supervisory Board or the Chairman of the Management Board.

The Statutory Auditors shall be convened to all of the meetings of the Supervisory Board which examine or draw up the annual or interim financial statements.

The Supervisory Board may appoint one or several observers who only take part in meetings of the Supervisory Board and its Committees in an advisory capacity.

The observer or observers are called to attend as observer the meetings of the Supervisory Board. The observer or observers must receive the same information as the members of the Supervisory Board.

The observers may be consulted by members of the Supervisory Board, as necessary, on all questions within their competences and for which they can deliver an opinion or an advice.

The observer(s) may not be remunerated.

Compensation of Supervisory Board members (Article 20 of the Articles of Association)

The members of the Supervisory Board may receive by way of remuneration of their activity a fixed annual amount, determined by the Ordinary General Meeting, shall be maintained until a decision to the contrary and shall be charged to the general expenses of the Company.

The Supervisory Board shall share these benefits among its members in a manner which it considers appropriate.

The Supervisory Board may also allocate exceptional remuneration to certain of its members for missions or mandates entrusted to them in the cases and under the conditions provided by law.

No remuneration, permanent or otherwise, may be paid to the members of the Supervisory Board, other than what is allocated to the Chairman and possibly to the Deputy Chairman, or that due by way of an employment contract corresponding to an effective job.

Responsibilities and powers of the Supervisory Board (Article 19 of the Articles of Association)

The Supervisory Board shall exercise permanent control of the management of the Company carried out by the Management Board.

It shall appoint the members of the Management Board and set their remuneration. It shall designate the Chairman of the Management Board and possibly the *Directeurs Généraux*. It may also pronounce their dismissal under the conditions provided by law and by the Articles of Association of the Company.

It shall convene the General Meeting of shareholders, in the absence of convening by the Management Board.

It shall carry out the verifications and inspections which it considers appropriate at any time of the year and may order the forwarding of documents which it considers necessary for carrying out its mission.

The Supervisory Board shall authorise the following agreements and operations, prior to their conclusion:

1. By a majority of present or represented members, pursuant to current legal and regulatory provisions:

(i) any sale of property in kind;

(ii) any total or partial sale of equity holdings;

(iii) any grant of security, as well as guarantees; and

(iv) any agreement referred to in Article 22 of the Company's Articles of Association and subject, according to Article L. 229-7 of the French Commercial Code, to the rules set forth in Articles L. 225-89 to L. 225-90 of the French Commercial Code, which relates to the Supervisory Board's approval of regulated agreements, with the exception of agreements related to standard transactions entered into upon ordinary terms[1].

2. With a majority representing more than half of its members in office:

(i) approval of the annual budget;

(ii) approval of the business plan;

(iii) appointment and revocation of the members of the Management Board and *Directeurs Généraux*, decisions on their remuneration and leaving terms;

(iv) submission of draft resolutions to the General Meeting relating to any distribution (including distribution of dividends or reserves) to the shareholders;

(v) approval of material changes in accounting policies;

(vi) submission of draft resolutions to the Extraordinary General Meeting and exercise of delegations of authority or delegations of powers granted by General Meetings and relating to the issue of shares or securities granting access, immediately and/or in the future, to the share capital of the Company;

(vii) share capital reductions and share buyback programs;

(viii) submission of draft resolutions to the General Meeting relating to any amendment of the Articles of Association;

(ix) acquisition and disposal of business branches, equity interests or assets for an amount exceeding €1 million, as well as any lease management *(location-gérance)* of all or part of the business, except for the transactions previously submitted and approved as part of the annual budget or business plan;

(x) assignment of rights to, and the licensing of antibodies, vaccines or related products for an amount exceeding €1.5 million;

(xi) implementation of any capital expenditure for an amount exceeding €1 million, if not previously submitted and approved as part of the annual budget;

(xii) implementation of any expense for recruiting a team for a total annual gross compensation (including social charges and withholding taxes) of €1.5 million in the first year, if not previously submitted and approved as part of the annual budget;

(xiii) any implementation, refinancing or amendment to the terms of any borrowings (including any bonds) for an amount exceeding €1 million, if not previously submitted and approved as part of the annual budget;

(xiv) allocation of options entitling their holders to subscribe for newly issued shares *(options de souscription d'actions)* or to acquire existing shares *(options d'achat d'actions)*, allocation of free shares or other plans in favor of the Management Board members and key employees (*i.e.* employees with an annual gross compensation in excess of €100,000);

(xv) any merger, demerger, asset contribution, dissolution, liquidation or other restructuring;

(xvi) any settlement or compromise relating to any litigation of an amount exceeding €500,000, provided that any settlement or compromise relating to a litigation of an amount exceeding €250,000 will be reviewed by the Audit and Governance Committee of the Supervisory Board;

(xvii) any material change in the business; and

(xviii) any agreement or undertaking to do any of the foregoing.

Any decision to transfer out of France the registered office and/or the research and development centre(s) operated by the Company in France shall be subject to the prior authorisation of the Supervisory Board resolving unanimously.

The Supervisory Board shall receive a report from the Management Board on the progress of the company's affairs whenever it considers it necessary and at least once a quarter.

Within the deadline of three months from the end of the financial year, the Management Board shall present the annual financial statements and its draft Management Report for the General Meeting to the Supervisory Board, for verification and control purposes.

It shall present its observations on the Report by the Management Board, as well as on the annual financial statements to the Annual Ordinary General Meeting of shareholders.

The Supervisory Board may grant all special mandates or specific missions to one or several of its members, for one or several given objects.

The Supervisory Board may also appoint, among its members, one or several specialized Committees, the composition and duties of which it shall set and which shall carry out their activities on the Supervisory Board's responsibility, provided that such duties cannot result in the Supervisory Board delegating to the Committees the powers exclusively given to it by the law or the Company's Articles of Association, or in any decrease in, or limitation of, the powers of the Supervisory Board.

Provisions of the Supervisory Board's Rules of procedure

In compliance with Recommendation No. 9 of the MiddleNext Code, Valneva SE's Supervisory Board has Rules of procedure which may be consulted on Valneva's website: **www.valneva.com**. A hardcopy can also be requested from the following address: Valneva SE, 6 rue Alain Bombard, 44800 Saint-Herblain (France), or by email from: **investors@valneva.com**.

(1) However, please refer to the paragraph "Procedure for review of ordinary agreements with related parties", at the end of this Section 2.1.3 (b).

These Rules of procedure set forth the missions and objectives of the Supervisory Board and its Committees, as well as its operating procedures. The main provisions of the Supervisory Board's Rules of procedure, as amended on April 28, 2021, are as follows:

Independence and duty to speak

Each Supervisory Board member shall ensure he or she retains his or her independence of judgment, decision and action. He or she undertakes not to be influenced by any factor outside the Company's corporate interest that it is his or her duty to pursue.

Each Supervisory Board member shall disclose to the Supervisory Board any matter that might come to his or her attention and which he or she considers as likely to affect the Company's corporate interest.

Each Supervisory Board member shall express his or her questions or opinions to ensure that the Company's corporate interest is pursued at all times, and shall do his or her utmost to convince other Supervisory Board members in order to ensure that such interest is pursued. In the event there is a disagreement between Supervisory Board members during a Supervisory Board meeting, the dissenting member may request that his or her position be recorded in the minutes of the meeting.

Independence and conflicts of interests

Each Supervisory Board member shall do his or her best effort to avoid any conflict arising between his or her interests and the Company's corporate interest. He or she shall inform the Supervisory Board as soon as he or she becomes aware of any conflict of interests or potential conflict of interests, and subsequently refrain from taking part in discussions and voting on any related resolutions.

Once in each fiscal year, the Supervisory Board shall review the conflicts of interests and potential conflicts of interests of which it has been informed.

Loyalty and good faith

Each Supervisory Board member and attendee shall refrain from acting in any way that might go against the corporate interest of the Company and shall act in good faith in all circumstances.

Each Supervisory Board member shall undertake to comply with all the decisions adopted by the Supervisory Board which are in compliance with applicable laws and regulations.

Confidentiality

In accordance with Article L. 225-92 of the French Commercial Code, each Supervisory Board member and attendee shall be bound by professional secrecy with respect to discussions, deliberations and consultations of the Supervisory Board and Committees of the Supervisory Board, as well as any information he or she may receive in the performance of his or her duties.

Each Supervisory Board member or attendee shall be bound not to disclose any such information outside the Supervisory Board.

Insider policy

Each Supervisory Board member and attendee shall comply with the Company's insider policy.

Diligence

By accepting his or her office as Supervisory Board member, each member undertakes to devote the necessary time, care and attention to his or her duties, in accordance with applicable laws and regulations. Unless genuinely unable to do so, each Supervisory Board member shall attend all meetings of the Supervisory Board and the Committees he or she belongs to and shall participate in all written consultation processes.

Each Supervisory Board members shall resign from office as Supervisory Board member in the event they consider themselves unable to exercise their duties in accordance with the application laws and regulations and/or the Rules of procedure.

Professionalism, self-evaluation and protection

Each Supervisory Board member shall contribute to the collegiate administration and efficiency of the work of the Supervisory Board and of any Committee. He or she shall make any recommendation which might improve the Supervisory Board procedures.

Each Supervisory Board member shall have a duty to ensure that the deliberations and decisions of the Supervisory Board are made in the Company's corporate interest and recorded in meeting minutes or written decisions.

Each Supervisory Board member shall ensure that all information required in relation to the items to be discussed during Supervisory Board's meetings or to be decided by written consultation of the Supervisory Board is obtained in time.

Once in each fiscal year, the Chairman of the Supervisory Board shall request all Supervisory Board members to provide their opinion on the functioning of the Supervisory Board and its Committees and on the preparation of the Supervisory Board's work.

The Chairman of the Supervisory Board shall make sure that the potential liability of Supervisory Board members is adequately insured and shall inform these members of the coverage thus provided.

Participation by means of videoconference or telecommunications

Supervisory Board meetings may be held by any means of videoconference or telecommunications allowing the identification of the Supervisory Board member, deemed present for the calculation of a quorum and a majority, and ensuring their effective participation, except with respect to Supervisory Board meetings called to deliberate on the verification or audit of annual financial statements and, as appropriate, consolidated financial statements.

Every Supervisory Board member who participates in a Supervisory Board meeting by means of videoconference or telecommunications undertakes to obtain prior approval from the Chairman of the Supervisory Board for all those persons in his environment who may hear or see the discussions conducted by the Supervisory Board.

The Supervisory Board meeting attendance register must be signed by the Supervisory Board members taking part in in-person meetings. In the case of videoconference or other telecommunications methods, the register must specify which method is used.

In the minutes of each meeting, statements of the number of Supervisory Board members in office, their presence, including, where appropriate, by authorised videoconference, tele-transmission or telecommunications or their representation, shall be sufficient proof thereof in relation to third parties.

The minutes shall also specify the occurrence of any technical incident if that incident disrupted the meeting.

Decisions by written consultation

The following decisions of the Supervisory Board may be adopted by way of written consultation:

- decision following delegation of powers granted by the General Meetings of shareholders, amendments to the Company's Articles of Association in order to comply with laws and regulations, subject to the ratification of these amendments by the next General Meeting of shareholders;
- prior authorization of the transactions referred to in Article 19 of the Articles of Association;
- prior authorization of security interests, endorsements and guarantees;
- convening a General Meeting of shareholders to appoint Supervisory Board members if the number of Supervisory Board members falls short of the minimum required by applicable laws and regulations;
- temporary appointment of Supervisory Board members in the event of a vacancy due to the death or resignation of one or more Supervisory Board members, between two General Meetings of shareholders;
- appointment of Supervisory Board members if the number of Supervisory Board members falls short of the minimum required by the Articles of Association but meets the minimum required by applicable laws and regulations;
- temporary appointment of Supervisory Board members if the composition of the Supervisory Board no longer complies with the provisions of the first paragraph of Article L. 225-69-1 of the French Commercial Code;
- convening General or Special Meetings of shareholders; and
- changing the registered office of the Company within the same district (*département*).

The Supervisory Board members must provide answers to any written consultation within the period of time specified in the consultation documentation.

In order for a written consultation to be valid, a number of Supervisory Board members representing the quorum for meetings of the Supervisory Board as required by Article 18.2 of the Company's Articles of Association must participate in the relevant written consultation. The majority for the decisions of the Supervisory Board adopted through written consultation shall be as required by Articles 18 and 19 of the Company's Articles of Association.

The minutes of the decisions of the Supervisory Board approved by way of written consultation must specify that the decisions were approved by way of written consultation.

The Supervisory Board members undertake to take all necessary steps in order to ensure the confidentiality of the documentation provided to them in the context of a written consultation.

Committees — Common provisions

The Supervisory Board may set up its own Committees to facilitate its proper functioning and to contribute effectively to the preparation of its decisions.

A Committee's mission is to study the matters and projects which the Supervisory Board or its Chairman refers to it for consideration, to prepare the work and decisions of the Supervisory Board relating to such matters and projects, and to report the findings to the Supervisory Board in the form of reports, proposals, opinions, information or recommendations.

Committees shall perform their duties under the responsibility of the Supervisory Board. No Committee may deal, on its own initiative, with matters that extend beyond the specific scope of its responsibilities. Committees have no decision-making power.

A Committee may be convened by any means, including verbally, by its Chairperson who shall set the agenda, or by any other member of the Committee if the Chairperson does not convene the Committee despite a member's request. Committees must be convened at least seven (7) calendar days before the meeting of the Committee (except in the event of an emergency requiring a shorter notice period; in which case a shorter period of notice shall be given to Committee members to enable them to attend the meeting).

Committee members shall be provided with relevant supporting documentation at least five (5) calendar days before the meeting of the Committee (except in the event of an emergency, provided that Committee members are given enough time to enable them to be fully aware of such documentation).

Committees meetings may be held via videoconference or telecommunications or may be consulted by way of written consultation.

To fulfil their mission, Committee members may invite and be assisted by persons of their choice, including employees of the Company and Management Board members. They shall be entitled in this respect to request that the Management Board hires experts of their choice, the fees of which shall be fully borne by the Company, up to a maximum to be set annually by the Board.

Committees may obtain any internal document and information it requires to function properly by requesting it through the Supervisory Board Secretary.

All members of a Committee are subject to a duty of confidentiality in respect of the information they receive.

The term of office of Committee members shall coincide with their term of office as Supervisory Board members, provided that the Board and/or the Committee member shall be entitled to terminate the office of the latter at any time without such termination resulting in a termination of his or her Supervisory Board membership.

Committee meetings shall be recorded in minutes. These minutes shall be made available to members of the same Committee and to the other members of the Supervisory Board. The Chairman of the Committee or the member appointed for that purpose shall draw up a report to the Board on the work of the Committee.

Procedure for review of ordinary agreements with related parties

Background and scope

Following the enactment of French Law 2019-486 of May 22, 2019, known as *Loi Pacte*, the Company's Supervisory Board created a procedure to regularly assess whether the agreements with related parties which relate to ordinary transactions and have been entered into upon customary terms & conditions (***Ordinary Agreements***) meet the legal requirements to qualify as such. This procedure applies to all members of the Legal and Finance Departments within the Group, as well as to the members of the Management Board and Supervisory Board.

Description and implementation of the procedure

Any member of the Legal or Finance Departments who is aware of an agreement, or a draft agreement, that may fall within the scope of Articles L. 225-86 *et seq.* of the French Commercial Code shall report thereon to the General Counsel without delay. The General Counsel, or any qualified person designated by the General Counsel, determines, in accordance with the applicable legal criteria, whether the agreement in question falls within the regime of regulated agreements or constitutes an Ordinary Agreement. If the General Counsel or his designee determines that the agreement falls within the scope of the Ordinary Agreements, he/she shall record the reasons accurately and in writing. The explanatory memorandum will be kept in the archives of the Legal Department. It may be provided to the Statutory Auditors upon request.

At least once per calendar year, the Management Board will provide the Audit and Corporate Governance Committee and the Supervisory Board with a summary of the Ordinary Agreements entered into or performed during the previous fiscal year, together with the reasons justifying their categorization as Ordinary Agreements. This will be followed by a discussion of the Supervisory Board, during which the Board will check that the agreements so reported do meet the criteria required by law to qualify as Ordinary Agreements.

The Company's Supervisory Board reviewed the qualification of the Ordinary Agreements entered into or performed during the fiscal year 2021, during its meeting held on March 23, 2022. The categorization of these agreements as Ordinary Agreements was confirmed.

(c) Service agreements

There are no service agreements binding the members of the Supervisory Board to the Company or to one of its affiliates.

However, concerning the Management Board members, please refer to the description of the Management Agreements set forth within the Group[1].

2.1.4. Absence of conflicts of interests and previous convictions, non-accumulation of appointments

Conflicts of interests involving the Management Board, the Supervisory Board and executive management bodies

Except for Mr. Frédéric Grimaud who is a second cousin of Mr. Franck Grimaud, member of the Company's Management Board, there is no family relationship in the Boards and management bodies of the Company.

To the Company's knowledge, there is generally no potential conflict of interest between the duties of the members of the Management Board and the Supervisory Board and their private interests and/or other duties, which would prevent them from performing their duties. However, certain conflicts of interest may arise from time to time when members of the Supervisory Board are also officers, directors or shareholders of companies that have a business relationship with Valneva. These conflicts of interest are dealt with by the Group in accordance with the rules set out in the Board's rule of procedure[2] and the MiddleNext recommendations.

To the Company's knowledge, there are no agreements executed with certain major shareholders, customers, suppliers or others, pursuant to which a member of the Management Board or the Supervisory Board of the Company has been appointed in that capacity.

Independence of the Supervisory Board members (Recommendation No. 3 of the MiddleNext Code)

There are five criteria from which the independence of Supervisory Board members can be presumed and which is characterized by the absence of any significant financial, family or personal relationship likely to affect their independence of judgment:

- Criterion 1: they must not have been, during the last five years, an employee or corporate officer of the Company or a company of the Group;

(1) See Section 2.6.2.1 (b) and (d) of this URD.
(2) See Section 2.1.3 (b) of this URD.

- Criterion 2: they must not have had any material business relationship with the Company or the Group for the last two years (as a client, supplier, competitor, service provider, creditor, banker, etc.);
- Criterion 3: they must not be a reference shareholder of the Company or hold a significant percentage of voting rights;
- Criterion 4: they must not have a close relationship or close family ties with a corporate officer or a reference shareholder;
- Criterion 5: they must not have been a Statutory Auditor of the Company in the course of the previous six years.

	Criterion No. 1	Criterion No. 2	Criterion No. 3	Criterion No. 4	Criterion No. 5
Frédéric Grimaud	✓				✓
James Sulat	✓	✓	✓	✓	✓
Anne-Marie Graffin	✓	✓	✓	✓	✓
Sharon Tetlow	✓	✓	✓	✓	✓
Johanna Pattenier	✓	✓	✓	✓	✓

In accordance with the criteria for independence defined previously, the Company considers that Mr. Sulat, as well as Ms. Graffin, Ms. Tetlow and Ms. Pattenier, meet all these criteria and consequently, are independent members of Valneva SE's Supervisory Board. Therefore, the Company meets Recommendation No. 3 of the MiddleNext Code, which advises a minimum of two independent members.

Absence of previous convictions

As far as the Company is aware, no member of the Management Board or the Supervisory Board has been:

- convicted of fraud over the last five years;
- associated with any bankruptcy, receivership, liquidation proceeding or with any company's placement under judicial administration over the last five years;
- the subject of any indictment and/or official public sanction pronounced by any statutory or regulatory authorities (including professional bodies) over the last five years; and
- disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer, or from participating in the management or conduct of the affairs of any issuer over the last five years.

Non-accumulation of appointments

Recommendation No. 18 of the MiddleNext Code provides that the suitability of holding an employment contract while serving as a corporate officer shall be determined by the Supervisory Board and in light of regulations.

For companies with a Management Board and a Supervisory Board, this Recommendation applies to the Chair of the Management Board. The Chair of the Company's Management Board does not have any employment contract with Valneva SE. He does however have a Management Agreement with Valneva SE's subsidiary, Valneva Austria GmbH, in which he is also a Managing Director. In accordance with Austrian law, the Management Agreement of a Managing Director within a GmbH contains many labor law-related provisions and therefore, is close to a standard employment agreement.

In addition, the members of the Management Board and Supervisory Board comply with the rules governing multiple appointments under French law (Articles L. 225-21 and L. 225-94-1 of the French Commercial Code).

The Management Board members do not simultaneously hold more than five offices as managing director, member of the Management Board, sole managing director, director or member of the Supervisory Board of *sociétés anonymes* having their registered office on French territory.

The members of the Supervisory Board do not simultaneously hold more than five appointments as director or member of the Supervisory Board of other *Sociétés Anonymes* with a head office in France, it being understood that (a) this number does not include directorships or Supervisory Board memberships in companies controlled by Valneva SE within the meaning of Article L. 233-16 of the French Commercial Code, and (b) directorships in companies whose shares are not listed on a regulated stock market and which are controlled, within the meaning of Article L. 233-16 of the French Commercial Code, by a single company, count as one directorship, provided that the number of such directorships does not exceed five.

No Supervisory Board member can legally exercise a management function in the Company; the MiddleNext Code Recommendation (Recommendation No. 1) whereby a Board member "manager" must not accept more than two offices in other listed companies is consequently not relevant in the case of Valneva SE.

2.2. Conditions of reparation and organization of the work of the Supervisory Board for the fiscal year ended December 31, 2021

2.2.1. Holding of the Supervisory Board meetings and attendance rate

The Management Board members are invited to attend every Supervisory Board meeting, except closed sessions.

The Statutory Auditors are also invited to those Supervisory Board meetings that examine the half-year and annual financial statements.

Minutes are drawn up for every Supervisory Board meeting and submitted for approval to each Supervisory Board member before the next meeting is held.

*

Valneva SE's Supervisory Board met 29 times in the fiscal year 2021, 4 of these meetings included a closed session without the Management Board. The average attendance rate was 96.59%. The Supervisory Board members thus generally comply with the attendance requirement set out in Recommendation No. 1 of the MiddleNext governance Code.

On September 26, 2019, the Supervisory Board created new rules that make the payment of part of the fees of the Supervisory Board members conditional upon minimum Supervisory Board and committee meeting attendance requirements, thus complying with MiddleNext Recommendation No. 12:

- Supervisory Board members attend not less than 75% of all Supervisory Board meetings and, if applicable, committee meetings, held in-person or by telephone or video conference in a 12-month allocation period (June 1 - May 31);
- the attendance rates for each Supervisory Board member is based on attendance sheets, approved minutes and committee Chairs' reports;
- if any Supervisory Board member fails to attend 75% of such meetings in any such period, the rest of the Board will meet and assess whether that member sufficiently fulfilled his/her duties. In doing so, the Supervisory Board will take into account that member's work outside of Supervisory Board and Committee meetings and meeting preparation, *e.g.* in significant interactions with the Management Board, as properly documented, provided that his/her attendance to Supervisory Board and Committee meetings did not fall short of 66%;
- Supervisory Board members are requested to keep appropriate documentation of the specifics of such work, including the date, place, duration and purpose, and to make it available to the rest of the Supervisory Board for purposes of the above-mentioned assessment;
- members whose work is being assessed in accordance with the above will not participate in the related discussions and votes;
- if, following such assessment, the Supervisory Board determines that a member did not sufficiently fulfill his/her duties in a 12-month allocation period, the Supervisory Board will set a revised amount of fees for that period, and the difference with the initial amount will be deducted from the fees payable for the immediately following period.

The period from June 1, 2020 until May 31, 2021 was the second 12-month allocation period in which the above-mentioned assessment was performed. During its meeting on September 15, 2021, the Supervisory Board noted that the attendance rate of all Board members did not fall below 82% and that, consequently, there was no need to adjust compensation for service.

As the combined general shareholders' meetings of June 23, 2021 was held in closed session due to the health crisis, the members of the Supervisory Board were not able to attend. However, two of the Supervisory Board members logged on to the Internet for the Meeting of June 23, 2021 to listen to the audio broadcast. Recommendation No. 1 of the MiddleNext Code could therefore not be fully satisfied.

2.2.2. Notification of meetings to Supervisory Board members and Statutory Auditors

Each year, Valneva SE makes a provisional schedule of the Supervisory Board meetings for the following calendar year.

Furthermore, Valneva SE sends a meeting notice by email to the Supervisory Board members and by registered letter with acknowledgement to the Statutory Auditors when appropriate, approximately 8 days before the meeting.

In advance of Supervisory Board meetings, all documents, technical files and information necessary for the performance of their duties are provided to all Supervisory Board members. The Management Board may inform the Supervisory Board members of major events and provide additional information outside meetings. Consequently, the Company applies Recommendation No. 4 of the MiddleNext Code. However, in contrast to this Recommendation, the Rules of Procedures of the Supervisory Board do not define specific requirements for issuing this information. Instead, it is incumbent on each Supervisory Board member to ensure that they receive this information in a timely manner.

Furthermore, the Supervisory Board members are reminded of the confidential nature of items provided to them, especially in the documents themselves (Recommendation No. 1 of the MiddleNext Code). From the third quarter of 2021, confidential documents provided to the Supervisory Board are no longer sent by email but made available via a secured platform.

2.2.3. Purpose of meetings

For the year 2021, the Supervisory Board considered and/or decided on the following matters:

- Quarterly Reports from the Management Board;
- Assessment of Management Board performance, related bonus calculation;
- Management Board goals and objectives;
- Management Board compensation;
- Review of consolidated and entity financial statements and management report;
- Presentation of key changes to the MiddleNext Governance Code;
- Annual review of "points to be watched" under the MiddleNext Governance Code;
- Supervisory Board report on the Company's corporate governance;
- Draft resolutions to be submitted to the shareholders;
- Annual review of regulated agreements and ordinary transactions;
- Authorization to extend the term of regulated agreements;
- Approval of regulated agreements;
- Company policy on gender equality;
- Strategic projects;
- Amendments to the Supervisory Board's internal rules;
- Modification to Supervisory Board fees;
- Amendments to the Management Board's internal rules;
- Review of Consolidated Half-Year Financial Statements and Management Board Financial Report;
- Share capital reduction;
- Approval of 2022 budget;
- Authorizations to execute Security Agreements and parent guarantees;
- Discharge of Valneva Austria GmbH's Managing Directors;
- Review of AGM results;
- Amendment to the Supervisory Board report on corporate governance;
- Start of US Offering process and determination of Offering characteristics;
- Public filing of Form F-1 Registration Statement for the US Offering process;
- IT security;
- Supervisory Board meeting attendance report;
- Appointment of Supervisory Board members;
- Supervisory Board's self-evaluation;
- Appointment of a Management Board member and approval of a Management Agreement;
- Authorization to amend and extend Management Agreements;
- Approval of Related Person Transactions Policy;
- Investment Act Resolutions;
- Review of Amended UK Supply Agreement and Amended CTFA;
- Authorization for the Company to provide the European Commission with a Commitment Letter;
- Approval of Advance Purchase Agreement with the European Commission and of related agreements (comfort letter and guarantee);
- Approval of public filing of Form F-1 Registration Statement and URD;

- Directors' and officers' liability insurance;
- Determination of Audit Committee members' independence;
- Approval of terms and execution of New French Law Bank Account Agreement;
- Appointment of AGM chairperson;
- Termination of UK Supply Agreement;
- Vesting of 2017 Free convertible preferred share program;
- Approval of half-year financial statements in accordance with EU IFRS and IASB IFRS;
- Review of updated LRP;
- Annual review of conflicts of interest;
- VLA1553 market access.

2.2.4. Evaluation of the work of the Supervisory Board

Recommendation No. 13 of the MiddleNext Code provides that the Supervisory Board should conduct a yearly evaluation of its work. This self-assessment was conducted in October 20, 2021.

2.2.5. Committees

In compliance with Recommendation No. 7 of the MiddleNext Code, the Company has created Committees in light of its own situation.

2.2.5.1. Nomination and Compensation Committee

Composition

The Nomination and Compensation Committee is or was composed of the following members:

- Ms. Anne-Marie Graffin, Chair of the Committee from June 17, 2020;
- Mr. James Sulat (since March 23, 2021);
- Ms. Johanna Pattenier, from June 17, 2020;
- Mr. Thomas Casdagli (from December 12, 2019 until March 12, 2021).

The Committee meets as often as required to serve the Company's interests and at least twice a year.

Duties

The Committee issues proposals to the Supervisory Board on all aspects of top managers' appointment and remuneration.

It draws up succession plans for corporate officers and Members of the Supervisory Board to be able to propose replacements to the Supervisory Board when a seat falls vacant.

As part of its duties, the Committee has the following specific responsibilities:

(a) with respect to appointments, the Committee shall:

- issue recommendations on the appropriateness of appointments, revocation, dismissal and renewal of appointment of members and Chairman of the Supervisory Board, Committees or Management Board. It shall also issue recommendations on the candidates considered, in terms of expertise, availability, appropriateness and complementarity with other Supervisory Board members and Management Board members,
- at any time, be in a position to formulate proposals on potential successors to the Chairman of the Management Board or Supervisory Board, and
- issue recommendations, upon Management Board request, on the appointment or resignation of a member of the Board of Directors (or any equivalent body), and on the appointment or dismissal of permanent representatives of the Company on such Board of Directors or equivalent bodies;

(b) in the area of remuneration, the Committee shall:

- examine and make proposals with respect to the various components of corporate officers' (including Management Board members) remuneration, the allocation of incentive bonuses and all the provisions relating to retirement benefits and any other kind of benefit,
- ensure the consistency of these rules with the annual assessment of the performance of the Company's corporate officers, on one hand, and with the Company's strategy on the other hand, and verify that these rules are applied properly,
- make recommendations to the Supervisory Board relating to the overall amount of Supervisory Board members' fees to be proposed to the General Meeting and on the allocation of these attendance fees between said Supervisory Board members,
- examine the Management Board's policy and projects with respect to rights issues reserved to employees, and
- assist the Supervisory Board in the drafting of sections of the Annual Report that fall within its scope.

2.2.5.2. Audit and Governance Committee

The members of the audit and governance Committee shall satisfy the independence and financial literacy requirements of the Nasdaq Stock Market ("Nasdaq") applicable to audit and governance committee members as in effect from time to time, when and as required by Nasdaq. At least one member shall satisfy the applicable Nasdaq financial sophistication requirements as in effect from time to time.

Composition

The Audit and Governance Committee is or was composed of the following members:

- Ms. Sharon Tetlow, Chair of the Committee since March 23, 2021 (Committee member since June 17, 2020);
- Mr. James Sulat, member since March 23, 2021 (previously Chair, since May 31, 2013);
- Mr. Frederic Grimaud, from June 17, 2020.

The Committee meets as often as required to serve the Company's interests and at least twice a year.

Authority

The Committee shall have authority to propose the appointment and compensation for (at the Company's expense), retain and oversee the Auditors as set forth in Section 10A(m)(2) of the Securities Exchange Act of 1934, as amended, and the rules thereunder and otherwise to fulfill its responsibilities under this charter. The Committee shall have authority to propose the retention and compensation for, at the expense of the Company, special legal, accounting or other advisors or consultants as it deems necessary or appropriate in the performance of its duties. The Committee shall also have authority to incur, on behalf of the Company, ordinary administrative expenses that, as determined by the Committee, are necessary or appropriate in carrying out its duties. Each member of the Committee shall have full access to all books, records, facilities and personnel of the Company as deemed necessary or appropriate by any member of the Committee to discharge his or her responsibilities hereunder. The Committee shall have authority to require that any of the Company's personnel, counsel, accountants (including the auditors) or investment bankers, or any other consultant or advisor to the Company, attend any meeting of the Committee or meet with any member of the Committee or any of its special, outside legal, accounting or other, advisors or consultants.

Duties

The primary purpose of the Committee shall be to support the Supervisory Board in fulfilling the Board's oversight responsibilities with respect to the Company's corporate accounting and financial reporting processes, systems of internal control over financial reporting and audits of financial statements, as well as the quality and integrity of the Company's financial statements and reports and the qualifications, independence and performance of the registered public accounting firm or firms engaged as the Company's independent outside auditors for the purpose of preparing or issuing an audit report or performing audit services.

The Committee shall deal with questions of accounting and audit; it shall prepare the adoption of the financial statements and monitor the implementation of proper risk management processes. In addition, the Committee shall monitor the independence of the Auditors, especially with respect to the additional services provided to the Company (audit-related and non-audit-related services). The Committee shall review the Reports issued by the Auditors, the Management Board and the Supervisory Board. References to "auditors" in this Section shall refer to both statutory auditors and any other registered public accounting firm engaged to perform audit services.

The Committee shall also provide advice on and monitor the implementation of the corporate governance and corporate compliance policies of the Company.

As part of its duties, the Committee has the following specific responsibilities:

- ensure that procedures are in place, when and as required by applicable laws and rules, for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- review and oversight of related-party transactions as required by Nasdaq rules;
- review, audit and monitor the implementation of, and issue recommendations on, the following items:
  - scope of consolidation, accounting methods and audit procedures,
  - quarterly, half-yearly and annual financial statements, and in particular provisions, material risks and off-balance sheet commitments,
  - accounting positions relating to material transactions,
  - proposed adoptions of material changes to accounting methods,
  - Company's financial position,
  - review by the Auditors of the half year and annual separate accounts and consolidated financial statements, and
  - procedures for preparing detailed financial information to be provided to shareholders and to the market, and Company press releases relating to accounting and financial information;
- oversight of the Auditors and ensuring that conditions guaranteeing the independence of these Auditors exist through the following procedures:
  - prior to engagement of any prospective auditors, to review a written disclosure by the prospective auditors of all relationships between the prospective auditors, or their affiliates, and the Company, or persons in financial oversight roles at the Company, that may reasonably be thought to bear on independence, and to discuss with the prospective auditors the potential effects of such relationships on the independence of the prospective auditors, consistent with Ethics and Independence Rule 3526, Communication with Audit Committees Concerning Independence ("**Rule 3526**"), of the Public Company Accounting Oversight Board (United States);
  - review with management and the auditors, or any other registered public accounting firm engaged to perform review or attest services, any conflicts or disagreements between management and the auditors, or such other accounting firm, whether or not resolved, regarding financial reporting, accounting practices or policies or other matters, that individually or in the aggregate could be significant to the Company's financial statements or the auditors' report, and to resolve any conflicts or disagreements regarding financial reporting;

- oversight of the financial reporting process, and direct responsibility for proposing the appointment, compensation and retention of the auditors and oversight of their work and that of any other registered public accounting firm engaged for the purpose of performing other review or attest services for the Company;
- steering of the selection procedure applicable to the Auditors,
- submission of recommendations to the Supervisory Board on the Management Board's proposals to the General Meeting with respect to appointing, replacing and reappointing the Auditors,
- assessment of the amount of fees paid to the Auditors and recommendation thereon to the Management Board,
- monitoring that the Auditors comply with the rules governing their independence,
- at least annually, consistent with Rule 3526, to receive and review written disclosures from the auditors delineating all relationships between the auditors, or their affiliates, and the Company, or persons in financial oversight roles at the Company, that may reasonably be thought to bear on independence and a letter from the auditors affirming their independence, to consider and discuss with the auditors any potential effects of any such relationships on the independence of the auditors as well as any compensation or services that could affect the auditors' objectivity and independence, and to assess and otherwise take appropriate action to oversee the independence of the auditors;
- approval of services other than the certification of accounts, after analyzing risks affecting the independence of Auditors and the safeguard measures adopted,
- supervising the audit assignment of the Auditors, taking into account, as applicable, items noted by the French Superior Council of Statutory Auditors *(Haut Conseil du Commissariat aux Comptes)* following an audit;

- oversight of internal audit procedures and monitoring the efficiency of internal and risk management procedures:
  - submission of recommendations on the mission and organization of the Company's Internal Audit Department and its action plan,
  - review of the main conclusions made by the Internal Audit Department within its work, followed by a Report to the Supervisory Board, and
  - review of the contribution of the Internal Audit Department within the evaluation of the risk management process and of the internal control.

The Committee meets prior to any Supervisory Board meeting called to deliberate on the review or approval of the financial statements, the Annual Management Report, presentation of budgets for the coming year or the review of risks and internal control procedures.

The Committee's review of the financial statements shall be accompanied by a presentation by the Auditors highlighting the key points, not only of the results, but also of the accounting choices made, and a presentation by the Finance Department of the Company on the risk exposure and significant off-balance sheet commitments.

This Committee reports on a regular basis to the Supervisory Board on the performance of its mission and informs the Supervisory Board immediately in the event of a problem. The Committee also reports to the Supervisory Board on the results of the accounts' certification assignment to contribute to the integrity of financial information, and the role it played in this process.

2.2.5.3. Strategy Committee

A Strategy Committee has been provided for under the Supervisory Board's Rules of procedures. However, this Committee is not yet effective.

The main provisions relating to this Committee in the Internal Rules of the Supervisory Board are hereinafter set out:

Composition and operation

The Strategy Committee shall be composed of at least three members or their permanent representatives appointed by the Supervisory Board.

The Committee shall meet as often as required to serve the Company's interest, and at least twice per year.

Duties

The Committee shall:

- review and issue recommendations to the Supervisory Board on projects for the strategic plans and annual budgets of the Company drawn up by the Management Board. In this respect, the Committee may interview the Management Board members on the assumptions applied in drawing up the said plans;
- review and issue recommendations to the Supervisory Board on the creation of any business division or subsidiary, on investments in any business division or on the acquisition of any equity interest in a country in which the Company does not operate;
- review and issue recommendations to the Supervisory Board on all proposed mergers, spin-offs or asset transfers in connection with the Company; and
- review and issue recommendations to the Supervisory Board on any transaction entailing a significant alteration in the scope of the business activities of the Company and its subsidiaries.

2.3. Authorizations for capital increases

In accordance with the provisions of Article L. 225-37-4, 3°, of the French Commercial Code (as referred to in Article L. 225-68, paragraph 6 of the same Code), the Section "Powers of the Management Board, in particular for the issuance and buyback of shares"(1) provides information on the current authorizations granted to the Management Board by the General Meeting of the Company to proceed with capital increases in accordance with Articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code, and on the uses made thereof during the fiscal year 2021.

2.4. Limitations imposed on the powers of the Management Board by the Supervisory Board

Please refer to the Section "Rules governing the management and supervisory bodies"(2).

(1) See Section 2.7.8 of this URD.
(2) See the description of Article 15 of the Company's Articles of Association and the Management Board's rules of procedure, in Section 2.1.3 (a), as well as the description of Article 19 of the Company's Articles of Association, in Section 2.1.3 (b) of this URD.

2.5. Agreements entered into between a corporate officer or a shareholder holding more than 10% of the Company's voting rights, and another corporation controlled by the Company within the meaning of Article L. 233-3 of the French Commercial Code

Contracting party	Agreement	Purpose of the agreement[1]
Mr. Thomas Lingelbach	**Management Agreement** entered into with the subsidiary Valneva Austria GmbH on July 9, 2018 (as amended, notably in March 2021[2]). Agreement in force since Valneva SE's Annual General Meeting of June 27, 2019.	This agreement provides for the payment of compensation and benefits to Mr. Thomas Lingelbach, in his capacity as Managing Director of the subsidiary Valneva Austria GmbH. It will end at the close of Valneva SE's 2022 Annual General Meeting called to approve the financial statements for the fiscal year ended December 31, 2021.
	Management Agreement entered into with the subsidiary Valneva Austria GmbH in March 2022.	This agreement provides for the payment of compensation and benefits of Mr. Thomas Lingelbach in his capacity as Managing Director of the subsidiary Valneva Austria GmbH, with effect from the Annual General Meeting of Valneva SE called to approve in 2022 the financial statements for the fiscal year ended December 31, 2021.
Mr. Juan Carlos Jaramillo	**Management Agreement** entered into with the subsidiary Valneva Austria GmbH on June 17, 2020 (as amended in March 2021[1]). Agreement in force since October 1, 2020.	This agreement provides for the payment of compensation and benefits to Mr. Juan Carlos Jaramillo, in his capacity as Managing Director of the subsidiary Valneva Austria GmbH. It will end at the close of Valneva SE's 2022 Annual General Meeting called to approve the financial statements for the fiscal year ended December 31, 2021.
	Management Agreement entered into with the subsidiary Valneva Austria GmbH in March 2022.	This agreement provides for the payment of compensation and benefits of Mr. Juan Carlos Jaramillo in his capacity as Managing Director of the subsidiary Valneva Austria GmbH, with effect from the Annual General Meeting of Valneva SE called to approve in 2022 the financial statements for the fiscal year ended December 31, 2021.
Mr. Peter Bühler	**Management Agreement** entered into with the subsidiary Valneva Austria GmbH on June 30, 2021. Agreement in force since January 1, 2022.	This agreement provides for the payment of compensation and benefits to Mr. Peter Bühler, in his capacity as Managing Director of the subsidiary Valneva Austria GmbH. It will end at the close of Valneva SE's 2022 Annual General Meeting called to approve the financial statements for the fiscal year ended December 31, 2021.
	Management Agreement entered into with the subsidiary Valneva Austria GmbH in March 2022.	This agreement provides for the payment of compensation and benefits of Mr. Peter Bühler in his capacity as Managing Director of the subsidiary Valneva Austria GmbH, with effect from the Annual General Meeting of Valneva SE called to approve in 2022 the financial statements for the fiscal year ended December 31, 2021.

(1) Detailed information on selected terms of the agreements is provided in Sections 2.6.2.1 (b) and/or (d) of this URD.
(2) This amendment notably provides for additional compensation in the event of a change of control of the Company, as well as changes to the rules governing compensation in the event of termination of the Management Agreement or non-renewal of the corporate officer's term of office at expiration.

2.6. Compensation of the Management Board and Supervisory Board members – Shareholding

2.6.1. Compensation policy for corporate officers

The Company complies with MiddleNext Recommendation No. 16 on the compensation of corporate officers. Its compensation policy is set out below and has been adopted by the Supervisory Board based on a proposal from the Nomination and Compensation Committee, in accordance with the Supervisory Board's Internal Rules. The management of potential conflicts of interest is based on Article 6 of the Board's rules and Recommendation No. 2 of the MiddleNext Code.

The compensation policy contributes to the development and commercial strategy of the Company by setting objectives on which the variable compensation of the Management Board depends. It contributes to the Company's sustainability through the long-term incentive programs. The Human Resources department verifies the consistency of the compensation of the Management Board with that of salaried senior managers, but the compensation of the Management Board is not determined on the basis of that of employees.

2.6.1.1. Compensation policy applicable to the Management Board members

The principles set out below in connection with the compensation of the Management Board in 2022 may apply to any new member of the Management Board possibly appointed in the future (including the Chair). The amounts of compensation and benefits paid during or granted to the Management Board members for 2021[1] are presented in the Section "Compensation paid or granted to the Management Board members" of this URD[2]. The members of the Management Board have entered into Management Agreements with the Company or its subsidiaries, for the same duration as their term of office, and for which the applicable notice period is two months, end of month (three months, end-of-month for the Chair of the Management Board) under the former contracts expiring in June 2022 and six months, end of the month under the new contracts that will come into force at the end of the General Meeting in June 2022. The terms of office of the Management Board members, as well as the conditions of termination of their Management Agreement(s), are described in the Section "Indemnities or benefits granted to the corporate officers in case of appointment, termination or change of duties" of this URD[3].

Fixed, variable and special compensation

	Chair of the Management Board	Other Management Board members[4]
Fixed compensation	▪ Gross annual compensation of approximately €450,000 to €550,000, in line with the Company's practice. Based on a comparative study conducted by Pearl Meyer in early 2022, the compensation of the Chair of the Management Board was readjusted by the Supervisory Board for 2022. ▪ Fixed compensation based on an assessment of the market, the individual performance of the officer and his or her responsibilities (Recommendation No. 13 of the Middlenext Code). ▪ When the Chair's compensation does not undergo market revaluation, it is adjusted annually based on the same inflation figures as those used to adjust the salaries of the Group's employees in each country.	▪ Gross annual compensation of approximately €200,000 to €400,000. Based on a comparative study conducted by Pearl Meyer in early 2022, the compensation of the members of the Management Board was readjusted by the Supervisory Board for 2022. ▪ Fixed compensation based on an assessment of the market, the individual performance of the officer and his or her responsibilities (Recommendation No. 13 of the Middlenext Code). Depending on market requirements, the range of compensation used for a future Chief Commercial Officer could be similar to that of the Chair of the Management Board. ▪ When the Management Board's compensation does not undergo market revaluation, it is adjusted annually based on the same inflation figures as those used to adjust the salaries of the Group's employees in each country.

(1) In accordance with their compensation policy and components which were adopted, by a very large majority, by the Ordinary General Meeting of June 23, 2021.
(2) See Section 2.6.2.1.
(3) See Section 2.6.2.1 (d).
(4) Currently Mr. Grimaud, Mr. Jacotot, Mr. Jaramillo and Mr. Bühler.

	Chair of the Management Board	Other Management Board members[4]
Annual variable compensation	Maximum 60% of gross annual fixed compensation ▪ See below the paragraph "Variable or exceptional compensation rules applicable to the Management Board members"	Maximum 50% of gross annual fixed compensation ▪ See below the paragraph "Variable or exceptional compensation rules applicable to the Management Board members"
Multi-year variable compensation	The members of Valneva SE's Management Board do not have any multi-year variable compensation.	
Free share grants and stock options	The Company implements programs to grant free ordinary shares or stock options intended to retain the long-term loyalty of the Company's executives. Management Board members benefit from these programs. For a description of the plans in force: see the "Options to subscribe for or purchase shares" section of this URD[1]. For 2022, and again each year thereafter, the Company wishes to grant the Management Board free shares and stock options (in the proportions of 30% and 70% respectively) representing, on the initial grant date, a value (the ***Incentive Value***) set by the Supervisory Board for each management Board member based on a Pearl Meyer European comparative study. To calculate the number of free shares and options to be granted, the average closing price on EuroNext Paris will be taken into account during the 20 trading days immediately preceding the initial grant (the ***Reference Price***), and the value of each option for 2022 will be 50% of the value of the share (figure determined according to the Black-Scholes model and potentially reassessed after 2022). 2022 Incentive Value: CBO (Chief Executive Officer) and General Counsel: €480,000 each CMO and CFO: €620,000 each Chair of the Management Board (CEO): €1,450,000 Example: for a Reference Price of €15, an incentive value of €480,000 will result in the allocation of 9,600 free shares and 44,800 stock options. Two-thirds of the free shares will be vested two years after the initial grant, the last third being vested three years after the initial grant. The stock options will be divided into three equal tranches (subject to rounding) and exercisable one year after the grant for tranche 1, two years after the grant for tranche 2 and three years after the grant for tranche 3. The exercise price of the stock options will be 100% of the Reference Price. The vesting of free shares and the exercise of stock options will be subject to an employment condition but will not be subject to performance conditions (notwithstanding Recommendation 21 of the MiddleNext Code), the Board considering that the high proportion of stock options constitute an indirect performance condition (via the Reference Price). Free share and stock option plans contribute to the objective of recognizing the Company's value on the markets by involving the Management Board in improving this value recognition. These plans do not include any lock-up period. In addition, as part of the recruitment of members of the Management Board, the Company may be required, in order to be competitive on the market, to grant free shares or stock options as part of the terms and conditions governing the arrival of the executive officer. The value of these grants is lower than the Incentive Value mentioned above. Thus, the Management Agreement of Mr Peter Bühler includes the grant of additional free shares in 2022, for a value of €200,000 (number of shares to be calculated on the basis of the weighted average price of Valneva's ordinary share on EuroNext Paris over the 90 trading days preceding the initial grant). These free shares will have a vesting period of two years, subject to continued employment but without performance condition.	
Exceptional compensation	See sub-paragraphs "Rating", "Exceptional compensation for the fiscal year 2021" and "Exceptional compensation in the event of a change of control" in the paragraph "Variable or exceptional compensation for members of the Management Board" below.	
Attendance fees	Valneva SE does not grant attendance fees to Management Board members.	

(1) See Section 2.6.2.1 (c).

	Chair of the Management Board	Other Management Board members[4]
Benefits:		
A long-term insurance savings products	A long-term life insurance policy as a retirement savings product has been taken out by Valneva Austria GmbH, a subsidiary of Valneva SE, for Mr. Thomas Lingelbach, Mr. Juan Carlos Jaramillo and Mr. Bühler (and will also be taken out for any new member of the Management Board who has a Management Agreement with Valneva Austria GmbH), in line with normal practice in Austria. Policy terms: the savings are released when the beneficiary reaches the retirement age in Austria (currently 65) or on his/her death if occurring before reaching this age. The cost of the policy (approximately €1,500 per month or €18,000 per year) is incurred by the subsidiary Valneva Austria GmbH.	
Unemployment insurance	The Company has taken out a policy for company executive officers (*Garantie Sociale des Chefs et Dirigeants d'Entreprises* or GSC) for the members of the Management Board contractually attached to Valneva SE and having their tax residence in France, in accordance with normal market practice in France. The purpose of this contract is to guarantee the payment of compensation in case of unemployment (up to 70% of the last professional net income filed with the tax authorities). The cost of the policy (approximately €8,000 to €12,000 per year and per person) is paid by Valneva SE. At the entry into force of the new Management Agreements in June 2022, holders of an agreement with Valneva Austria GmbH will receive contractual compensation in the event of unemployment under the same legal and financial terms and conditions as GSC insurance, noting that the amount of Austrian insurance is capped (currently at €1,700 per month).	
Car rental	Each Management Board member is provided with a vehicle. The maximum leasing fee is €1,320 per month or €15,840 for the year for each Management Board member. The leasing of a car can be replaced with a "car allowance" of the same amount, paid to Management Board members. This is the case in 2022 for Mr. Bühler and Mr. Jaramillo. Car insurance and other car-related expenses are incurred by the Company or by the subsidiary to which the member of the Management Board is contractually linked.	
Reimbursement of the costs of travel from the place of residence to the place of work by plane and associated costs	The Company or its subsidiaries reimburse Management Board members for the cost of weekend trips by plane between their place of residence and the sites of Valneva Group, including transportation to and from the airport.	
Foreign tax residents	With respect to those Management Board members who are tax residents of a country other than France and Austria, the Company or its subsidiaries bear charges for local pension plans and assistance from tax advisors. Tax assistance is also provided in the event of relocation.	
Other miscellaneous benefits	Other miscellaneous benefits such as, though not limited to, the provision of a cell phone or laptop computer, the leasing of a parking place, relocation expenses, etc.) are granted to members of the Management Board of the Company or its subsidiary to which the Management Board member is contractually linked.	

Variable or exceptional compensation rules applicable to the Management Board members

The ***Bonus*** represents the variable part of the Management Board's annual compensation. The process applicable to the Bonus complies with the best practices in terms of performance management systems. The main steps in this process are as follows:

- the Management Board receives goals for a new business year from the Supervisory Board;
- these goals are set according to the recommendation of the Nomination and Compensation Committee;
- the Management Board goals are linked to key strategic and operational objectives necessary to develop the Company according to its published strategy and financial guidance;
- the Management Board goals are SMART (Specific, Measurable, Accepted, Relevant, Time-bound);
- performance against agreed goals is reviewed throughout each business year;
- the Management Board goals may be adjusted during the year in case of major changes in the business´ environment or priorities;
- performance against the agreed Management Board goals is assessed upon completion of a business year (***the Appraisal***);
- Bonus pay-out is linked to the Appraisal and based on the individual Management Board members Target Bonus. The ***Target Bonus*** is the Bonus assuming a 100% Appraisal;
- the Appraisal is made by the Supervisory Board upon the recommendation of the Nomination and Compensation Committee.

The Target Bonus represents either 50% or 60% of the yearly gross salary. From 2020, the Supervisory Board decided that the achievement of one or more specific targets may exceed 100% but that the assessment of the total of the objectives remains limited to 100%.

A majority of the Management Board goals are wholly or partly of a quantitative nature and split between operational and strategic objectives.

For the fiscal year 2021 (bonus to be paid in 2022), the collective objectives of the Management Board, as revised during the year due in particular to the changes in the business situation related to the VLA2001 vaccine candidate, were linked to:

- commercial and financial performance, weighted in total at 15%;
- development of business opportunities related to the COVID-19 vaccine candidate, weighted in total at 20%;
- R&D progression, weighted in total at 30%;
- Initial Public Offering in the United States, weighted in total at 20%;
- preparation of future strategic developments, weighted in total at 15%.

For the 2022 fiscal year (Bonus to be paid in 2023), the objectives are broken down into the following areas: commercial and financial performance (20%), progress of R&D programs (35%), business development related to the vaccine against COVID-19 (20%), preparation for the Company's growth (financing, access to markets, growth opportunities (20%), evolution of the Company's organization and improvement of its efficiency (5%) .

Note: When the Management Board achieves exceptional results exceeding the specified objectives, the Supervisory Board, on the recommendation of the Nomination and Compensation Committee, may decide to grant an exceptional bonus. This bonus, when granted, is generally for an amount less than the Target Bonus.

*

For the fiscal year 2021, the Company's Supervisory Board, in its meeting held on February 4, 2022, set the overall achievement of the Management Board's objectives at 100% and consequently determined the following bonuses:

Bonus associated with 2021 objectives:

- Chair of the Management Board (CEO): €252,000;
- Chief Executive Officer (CBO): €132,691.50;
- CMO; €144,210;
- General Counsel: €103,309.50.

Exceptional compensation for fiscal year 2021

In respect of the fiscal year 2021, the Company's Supervisory Board, at its meeting of February 4, 2022, in consideration in particular of the Management Board contributions to the growth of the Company's share capital and to the strategic positioning of the Company, decided to grant an exceptional bonus of €60,000 to each of the four members of the Management Board who were in office in 2021.

Exceptional compensation in the event of a change of control:

In the event of a change of control of the Company after the full vesting of the first or second tranche of free ordinary shares granted in December 2019, if the number of shares granted on an accelerated basis at the time of the change of control is less than the maximum theoretical number due to the application of the performance condition provided for in the plan (achievement of goals from the prior year), the Company or its subsidiaries will pay the Management Board members an indemnity intended to compensate for the reduction in the number of shares fully vested as a result of the application of the performance condition provided for in the plan. This indemnity will be calculated on the basis of the Valneva share price at the time of the change of control and will be increased by 45% in order to cover, on a flat-rate basis, the major part of the social security contributions and income tax due by the beneficiaries.

As Mr. Jaramillo is not a beneficiary of the 2019 plan, he would in such a case receive an amount equivalent to what he would have received if he had been granted 188,342 ordinary free shares under the remaining tranches of this plan, plus the aforementioned 45% increase.

As Mr. Bühler is not a beneficiary of the 2019 plan, he would in such a case receive an amount equivalent to what he would have received if he had been granted 71,204 ordinary free shares under the remaining tranches of this plan, plus the aforementioned 45% increase.

In the event of a change of control of the Company after the initial grant of the free ordinary shares allocated in 2022 and before the vesting of the first tranche of these shares, the Company or its subsidiaries will pay the Management Board members an indemnity representing the value of these shares at the time of the change of control (without any increase in this case).

*

The payment of Bonuses and where applicable, exceptional compensation, in respect of the fiscal years 2021 and 2022, which constitute elements of variable and compensation, will be subject to the approval, by the Company's Ordinary General Meeting ruling on the accounts for the fiscal year in question, of the elements of compensation of the person concerned, under the conditions provided for in Article L. 22-10-34, of the French Commercial Code.

Compensation or benefits due to corporate officers on starting, stopping or changing their duties

These financial benefits are granted to Management Board members in certain scenarios involving the termination or change of duties.

These benefits and their conditions for 2021 and 2022 are described in the Section "Indemnities or benefits granted to the corporate officers in case of appointment, termination or change of duties" of this URD(1).

Recommendation No. 19 of the MiddleNext Code provides guidelines for severance payments for executives. This recommendation is complied with.

(1) See Section 2.6.2.1 (d).

2.6.1.2. Compensation policy applicable to the Supervisory Board members

The principles set out below in connection with the compensation of the Supervisory Board members in 2022 may apply to any new member of the Supervisory Board possibly appointed in the future (including the Chair). The terms of office of the Supervisory Board members are specified in the Section "Supervisory Board" of this URD(1). The amounts of compensation paid during or granted to the Supervisory Board members for 2021(2) are presented in the Section "Compensation paid or granted to the Supervisory Board members" of this URD(3).

Compensation granted to the Supervisory Board members

The Company grants compensation to all members of the Supervisory Board of Valneva SE in consideration of their office. Based on a comparative study conducted by Pearl Meyer in early 2022, activity-based compensation was increased.

In addition, with respect to 2022 and subsequent years, the Board decided not to grant any new equity warrants (including the BSA 32 warrants authorized by the General Meeting of June 23, 2021) and to restructure the compensation of the members of the Board by providing for basic compensation (depending on the role on the Board) and additional compensation.

Basic compensation:

- **Chair of the Supervisory Board:** €90,000 per year;
- **Vice-Chair of the Supervisory Board or Committee Chair:** €60,000 per year;
- **Committee Chair and member of another committee**: €67,500 per year;
- **Member of a single committee**: €52,500 per year;
- **Member of two committees** (without chairmanship) : €60,000 per year;
- **Member of the Supervisory Board** (no Committee membership): €45 000 per year.

The above amounts may be increased by up to 30% if necessary to attract qualified persons in the context of the renewal or replacement of certain offices.

Additional compensation (for each member):

- €13,300 to be paid approximately one year after the General Meeting of June 2022 (or after the date of appointment of the member concerned, if later)
- €26,600 to be paid approximately two years after the General Meeting of June 2022 (or after the date of appointment of the member concerned, if later)
- €39,900 to be paid approximately three years after the General Meeting of June 2022 (or after the date of appointment of the member concerned, if later) and and annually thereafter.

As part of the new compensation policy, the Supervisory Board has decided that the Supervisory Board's rules of procedure will be amended prior to the June 2022 AGM and will include an obligation on the Supervisory Board members to gradually acquire Valneva shares.

In accordance with Recommendation No. 12 of the MiddleNext Code, the payment of the compensation granted to Board members is linked to certain attendance conditions for Supervisory Board members(4).

(1) See Section 2.1.2.
(2) In accordance with the compensation policy and components which were adopted, by a very large majority, by the Ordinary General Meeting of June 23, 2021.
(3) See Section 2.6.2.2.
(4) See Section 2.2.1 of this URD.

2.6.1.3. Draft resolutions of the Ordinary General Meeting of June 2022, following the "Say on Pay" principle

[...] resolution – Approval of the compensation policy applicable to the corporate officers

The General Meeting, acting in accordance with the quorum and majority voting requirements applicable to Ordinary General Meetings, after considering the Report by the Supervisory Board on the Corporate Governance dated March 23, 2022 and which includes, in particular, the compensation policy for corporate officers established in accordance with Article L. 22-10-26 of the French Commercial Code, approve the compensation policy applicable to the corporate officers, as provided in Sections 2.6.1.1 and 2.6.1.2 of the Company's 2021 Universal Registration Document (in which said Report by the Supervisory Board is incorporated).

[...] resolution – Approval of the information referred to in Article L. 22-10-9, I of the French Commercial Code, pursuant to Article L. 22-10-34, I of the French Commercial Code

The General Meeting, acting in accordance with the quorum and majority voting requirements applicable to Ordinary General Meetings, after considering the Report by the Supervisory Board on the Corporate Governance dated March 23, 2022 and which includes, in particular, the information referred to in Article L. 22-10-9, I of the French Commercial Code, approve such information, as provided in Section 2.6 and in particular in Sections 2.6.2 and 2.6.3 of the Company's 2021 Universal Registration Document (in which said Report by the Supervisory Board is incorporated).

[...] resolution – Approval of the fixed, variable and exceptional components making up the total compensation and benefits of any kind paid during, or granted in respect of the fiscal year ended December 31, 2021, to Mr. Thomas Lingelbach, Chair of the Management Board

The General Meeting, acting in accordance with the quorum and majority voting requirements applicable to Ordinary General Meetings and with Article L. 22-10-34 of the French Commercial Code, after considering the Report by the Supervisory Board on the Corporate Governance dated March 23, 2022 and which includes, in particular, the components referred to in Article L. 22-10-9 of the French Commercial Code, approve the fixed, variable and exceptional components making up the total compensation and benefits of any kind paid during, or granted in respect of the fiscal year ended December 31, 2021 of the Management Board members (other than the Chair of the Management Board), as provided in Section 2.6.2.1 of the Company's 2021 Universal Registration Document (in which said Report by the Supervisory Board is incorporated).

[...] resolution – Approval of the fixed, variable and exceptional components making up the total compensation and benefits of any kind paid during, or granted in respect of the fiscal year ended December 31, 2021, to the Management Board members (other than the Chair of the Management Board)

The General Meeting, acting in accordance with the quorum and majority voting requirements applicable to Ordinary General Meetings and with Article L. 22-10-34 of the French Commercial Code, after considering the Report by the Supervisory Board on the Corporate Governance dated March 23, 2022 and which includes, in particular, the components referred to in Article L. 22-10-9 of the French Commercial Code, approve the fixed, variable and exceptional components making up the total compensation and benefits of any kind paid during, or granted in respect of the fiscal year ended December 31, 2021 of the Management Board members (other than the Chair of the Management Board), as provided in Section 2.6.2.1 of the Company's 2021 Universal Registration Document (in which said Report by the Supervisory Board is incorporated).

[...] resolution – Approval of the fixed, variable and exceptional components making up the total compensation and benefits of any kind paid during, or granted in respect of the fiscal year ended December 31, 2021, to Mr. Frédéric Grimaud, Chair of the Supervisory Board

The General Meeting, acting in accordance with the quorum and majority voting requirements applicable to Ordinary General Meetings and with Article L. 22-10-34 of the French Commercial Code, after considering the Report by the Supervisory Board on the Corporate Governance dated March 23, 2022 and which includes, in particular, the components referred to in Article L. 22-10-9 of the French Commercial Code, approve the fixed, variable and exceptional components making up the total compensation and benefits of any kind paid during, or granted in respect of the fiscal year ended December 31, 2021, to Mr. Frédéric Grimaud, Chair of the Supervisory Board, as provided in Section 2.6.2.2 of the Company's 2021 Universal Registration Document (in which said Report by the Supervisory Board is incorporated).

2.6.2. Compensation paid or granted during the fiscal year 2021

The information presented in this Section applies to compensation granted or paid to the members of Valneva SE's Management Board and Supervisory Board by:

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

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

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

2.6.2.1. Compensation paid or granted to the Management Board members

(a) Summary of the Management Board members' compensation

Information provided with the exclusion of Mr. Peter Bühler, member of the Management Board from January 1, 2022.

	Mr. Thomas Lingelbach		Mr. Franck Grimaud		Mr. Frédéric Jacotot		Mr. Juan Carlos Jaramillo (Management Board member since October 1, 2020)	
	2021	2020	2021	2020	2021	2020	2021	2020
Compensation payable for the period	€769,137.73	€648,525.71	€482,348.52	€412,356.61	€378,585.86	€310,257.72	€527,175.40	€114,396.32
Measurement of multi-year variable compensation granted during the fiscal year	n.a. (no grant)	n.a. (no grant)	n.a. (no grant)	n.a. (no grant)	n.a. (no grant)	n.a. (no grant)	n.a. (no grant)	n.a. (no grant)
Measurement of options granted during the fiscal year	n.a. (no grant)	n.a. (no grant)	n.a. (no grant)	n.a. (no grant)	n.a. (no grant)	n.a. (no grant)	n.a. (no grant)	n.a. (no grant)
Measurement of Valneva SE free ordinary shares granted during the fiscal year	n.a. (no grant)	n.a. (no grant)	n.a. (no grant)	n.a. (no grant)	n.a. (no grant)	n.a. (no grant)	n.a. (no grant)	n.a. (no grant)
Valuation of free convertible preferred shares (***FCPS***) granted at the share price during the fiscal year	n.a. (no grant)	n.a. (no grant)	n.a. (no grant)	n.a. (no grant)	n.a. (no grant)	n.a. (no grant)	n.a. (no grant)	n.a. (no grant)
TOTAL	**€769,137.73**	**€648,525.71**	**€482,348.52**	**€412,356.61**	**€378,585.86**	**€310,257.72**	**€527,175.40**	**€114,396.32**

Proportion of granted compensations:

(Basis: TOTAL of the respective compensations granted, as shown above)

	Mr. Thomas Lingelbach		Mr. Franck Grimaud		Mr. Frédéric Jacotot		Mr. Juan Carlos Jaramillo (Board member since October 1, 2020)	
	2021	2020	2021	2020	2021	2020	2021	2020
Fixed compensation	54.61%	58.02%	55.02%	61.94%	54.58%	64.10%	54.71%	62.28%
Variable and exceptional compensation	40.56%	36.17%	39.95%	32.18%	43.14%	33.30%	38.74%	31.14%
Stock options and free shares (ordinary shares and FCPS)	0%	0%	0%	0%	0%	0%	0%	0%
Fringe benefits	4.83%	5.82%	5.03%	5.88%	2.29%	2.60%	6.55%	6.57%

(b) Presentation of individual compensation

Information provided with the exclusion of Mr. Peter Bühler, member of the Management Board from January 1, 2022.

Mr. Thomas Lingelbach – Chair of the Management Board, President & CEO of Valneva SE [1]

	2021		2020	
	Amounts earned	**Amounts paid**	**Amounts earned**	**Amounts paid**
Fixed compensation	€420,000 *(according to the decision of the Supervisory Board of the Company on February 9, 2021)* *Payable in 14 equal installments (12 installments at the end of the month and 2 additional installments, one on June 30 and the other on November 30 of each year)*	€420,000	€376,260.53 *(as per the decision of the Company's Supervisory Board of February 25, 2020, who increased Mr. Lingelbach's 2020 annual gross salary to €390,920 – payable in 14 equal installments, and taking into account a partial waiver of his fixed compensation with respect to Q2 2020)*	€376,260.53
Annual variable compensation	€252,000 *(Amount granted with respect to the objectives set for the year 2021, calculated on the basis of 60% of the gross annual salary defined by the Company's Supervisory Board on February 9, 2021, and taking into account the validation of 100% of the objectives by the Company's Supervisory Board on February 4, 2022)*	€234,552 *(Amount paid with respect to the objectives set for the year 2020)*	€234,552 *(Amount granted with respect to the objectives set for the year 2020, calculated on the basis of 60% of the gross annual salary defined by the Company's Supervisory Board on February 25, 2020, and taking into account the validation of 100% of the objectives by the Company's Supervisory Board on January 8, 2021)*	€200,668.80 *(Amount paid with respect to the objectives set for the year 2019)*
Multi-year variable compensation	€0	€0	€0	€0
Exceptional compensation	€60,000(**) *(as per the decision of the Company's Supervisory Board on February 4, 2022)*	€0	€0	€0
Fringe benefits:				
Car rental	▪ Lease fee: €1,210 per month, or €14,520 for the year 2021 ▪ Insurance: €3,506.64 for a complete year of insurance ▪ Other car related expenses (except fuel): €4,554.91	€18,767.28, including: ▪ €10,705.73 for the car leasing ▪ €3,506.64 for the car insurance ▪ €4,554.91 for other car related expenses	▪ Lease fee: €1,210 per month, or €14,520 for the year 2020 ▪ Insurance: €3,452.20 for a complete year of insurance ▪ Other car related expenses (except fuel): €2,997.06	€20,969.26, including: ▪ €14,520 for the car leasing ▪ €3,452.20 for the car insurance ▪ €2,997.06 for other car related expenses
Death and endowment insurance policy	Maximum €1,000 per month, or €12,000 for the year 2021	€12,000	Maximum €1,000 per month, or €12,000 for the year 2020	€12,000
Reimbursement of home workplace journeys made by flights and of associated costs(*)	€2,556.18	€2,556.18	€4,743.92	€4,743.92
TOTAL	**€769,137.73**	**€687,875.46**	**€648,525.71**	**€614,642.51**

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

(**) Exceptional bonus granted in recognition of the contribution of the corporate officers to the growth of the Company's capital and market presence over the course of 2021, in particular in view of the complementary Global Offering completed in November 2021 (cf. Section 1.1.2 (x) of this URD). This transaction was successful despite serious timeline constraints, which required which required significant attention from management. This Global Offering enabled the Company to leverage the recently announced Phase 3 results for its COVID-19 vaccine in order to further expand its investor base despite the difficult situation following the termination of the supply agreement with the United Kingdom.

(1) Amounts set and paid in accordance with (a) the provisions of the Management Agreement executed between Mr. Lingelbach and the subsidiary Valneva Austria GmbH, effective at the end of the Company's Combined General Meeting of June 27, 2019, and (b) the Company's Supervisory Board decisions, as applicable.

Mr. Franck Grimaud – Management Board member, *Directeur Général* & CBO of Valneva SE [1]

	2021		2020	
	Amounts earned	**Amounts paid**	**Amounts earned**	**Amounts paid**
Fixed compensation	€265,383 *(as per the decision of the Company's Supervisory Board on February 9, 2021)* *Payable in 12 installments*	€265,383	€255,431.13 *(as per the decision of the Company's Supervisory Board of February 25, 2020, who increased Mr. Grimaud's 2020 annual gross salary to €265,383 – payable in 12 equal installments, and taking into account a partial waiver of his fixed compensation with respect to Q2 2020)*	€255,431.13
Annual variable compensation	€132,691.50 *(Amount granted with respect to the objectives set for the year 2021, calculated on the basis of 50% of the gross annual salary defined by the Company's Supervisory Board on February 9, 2021, and taking into account the validation of 100% of the objectives by the Company's Supervisory Board on February 4, 2022)*	€132,691.50 *(Amount paid with respect to the objectives set for the year 2020)*	€132,691.50 *(Amount granted with respect to the objectives set for the year 2020, calculated on the basis of 50% of the gross annual salary defined by the Company's Supervisory Board on February 25, 2020, and taking into account the validation of 100% of the objectives by the Company's Supervisory Board on January 8, 2021)*	€108,549.06 *(Amount paid with respect to the objectives set for the year 2019)*
Multi-year variable compensation	€0	€0	€0	€0
Exceptional compensation	€60,000(**) *(as per the decision of the Company's Supervisory Board on February 4, 2022)*	€0	€0	€0
Fringe benefits:				
Car rental	▪ Lease fee: €1,210 per month, or €14,520 for the year 2021 ▪ Insurance: €1,750.02 for a complete year of insurance	€11,984.13, including: ▪ €10,234.11 for the car leasing ▪ €1,750.02 for the car insurance	▪ Lease fee: €1,210 per month, or €14,520 for the year 2020 ▪ Insurance: €1,709.98 for a complete year of insurance	€11,947.54, including: ▪ €10,237.56 for the car leasing ▪ €1,709.98 for the car insurance
GSC(*)	€8,004	€8,004	€8,004	€8,004
TOTAL	**€482,348.52**	**€418,062.63**	**€412,356.61**	**€383,931.73**

(*) A Social Insurance Contract for Company directors and Managers (Convention Garantie Sociale des Chefs et Dirigeants d'Entreprise) has been granted to Mr. Franck Grimaud. The purpose of this contract is to guarantee the payment of compensation in case of unemployment up to 70% of the last professional net income filed with the tax authorities. This GSC was set up pursuant to an authorization of the Board of Directors of October 26, 2000.

(**) Exceptional bonus granted in recognition of the contribution of the corporate officers to the growth of the Company's capital and market presence over the course of 2021, in particular in view of the complementary Global Offering completed in November 2021 (cf. Section 1.1.2 (x) of this URD). This transaction was successful despite serious timeline constraints, which required which required significant attention from management. This Global Offering enabled the Company to leverage the recently announced Phase 3 results for its COVID-19 vaccine in order to further expand its investor base despite the difficult situation following the termination of the supply agreement with the United Kingdom.

(1) Amounts set and paid in accordance with (a) the provisions of the Management Agreements executed between Mr. Franck Grimaud and Valneva SE, entered into force at the end of the Company's Combined General Meeting dated June 27, 2019, and (b) the Company's Supervisory Board decisions, as applicable.

Mr. Frédéric Jacotot – Management Board member, General Counsel & Corporate Secretary of Valneva SE [1]

	2021		2020	
	Amounts earned	**Amounts paid**	**Amounts earned**	**Amounts paid**
Fixed compensation	€206,619 *(as per the decision of the Company's Supervisory Board on February 9, 2021)* *Payable in 12 installments*	€206,619	€98,870.78 *(as per the decision of the Company's Supervisory Board of February 25, 2020, who increased Mr. Jacotot's 2020 annual gross salary to €206,619 – payable in 12 equal instalments, and taking into account a partial waiver of his fixed compensation with respect to Q2 2020)*	€193,150.12
Annual variable compensation	€103,309.50 *(Amount granted with respect to the objectives set for the year 2021, calculated on the basis of 50% of the gross annual salary defined by the Company's Supervisory Board on February 9, 2021, and taking into account the validation of 100% of the objectives by the Company's Supervisory Board on February 4, 2022)*	€103,309.50 *(Amount paid with respect to the objectives set for the year 2020)*	€103,309.50 *(Amount granted with respect to the objectives set for the year 2020, calculated on the basis of 50% of the gross annual salary defined by the Company's Supervisory Board on February 25, 2020, and taking into account the validation of 100% of the objectives by the Company's Supervisory Board on January 8, 2021)*	€56,461.68 *(Amount paid with respect to the objectives set for the year 2019)*
Multi-year variable compensation	€0	€0	€0	€0
Exceptional compensation	€60,000(*) *(as per the decision of the Company's Supervisory Board on February 4, 2022)*	€0	€0	€0
Fringe benefits [2]:				
GSC(**)	€8,657.36	€8,657.28	€8,077.44	€8,077.44
TOTAL	**€378,585.86**	**€318,585.78**	**€310,257.72**	**€257,689.24**

(*) Exceptional bonus granted in recognition of the contribution of the corporate officers to the growth of the Company's capital and market presence over the course of 2021, in particular in view of the complementary Global Offering completed in November 2021 (cf. Section 1.1.2 (x) of this URD). This transaction was successful despite serious timeline constraints, which required which required significant attention from management. This Global Offering enabled the Company to leverage the recently announced Phase 3 results for its COVID-19 vaccine in order to further expand its investor base despite the difficult situation following the termination of the supply agreement with the United Kingdom.

(**) A Social Insurance Contract for Company directors and Managers (Convention Garantie Sociale des Chefs et Dirigeants d'Entreprise) has been granted to Mr. Frédéric Jacotot, with effect as from January 1, 2020. The purpose of this contract is to guarantee the payment of compensation in case of unemployment up to 70% of the last professional net income filed with the tax authorities.

(1) Amounts set and paid in accordance with (a) the provisions of the Management Agreement executed between Mr. Frédéric Jacotot and Valneva SE, entered into force at the end of the Company's Combined General Meeting of June 27, 2019, and (b) the Company's Supervisory Board decisions, as applicable.

(2) Mr. Jacotot waived his right to a company car for 2020 and 2021, whose monthly rental amounts would have been borne by Valneva SE.

Mr. Juan Carlos Jaramillo – CMO (and Valneva SE's Management Board member since October 1, 2020) (1)

	2021		2020	
	Amounts earned	**Amounts paid**	**Amounts earned**	**Amounts paid**
Fixed compensation	€288,420 *(as per the decision of the Company's Supervisory Board on February 9, 2021)* *Payable in 14 equal installments (12 installments at the end of the month and 2 additional installments, one on June 30 and the other on November 30 of each year)*	€288,420	€71,250 *(Prorated amount taking into account the starting date of Mr. Jaramillo's office as Management Board member. The 2020 annual gross salary was set at €285,000 by his Management Agreement)* *Payable in 14 equal instalments (12 instalments at the end of the month and 2 additional instalments, one on June 30 and the other on November 30 of each year)*	€71,250
Annual variable compensation	€144,210 *(Amount granted with respect to the objectives set for the year 2021, calculated on the basis of 50% of the gross annual salary defined by the Company's Supervisory Board on February 9, 2021, and taking into account the validation of 100% of the objectives by the Company's Supervisory Board on February 4, 2022)*	€35,625 *(Amount paid with respect to the objectives set for the year 2020)*	€35,625 *(Amount granted with respect to the objectives set for the year 2020, calculated (i) on the basis of 50% of the 2020 gross annual salary defined for Mr. Jaramillo, and (ii) on a prorate basis, taking into account the starting date of Mr. Jaramillo's office as Management Board member. Amount set following the validation of 100% of the objectives by the Company's Supervisory Board on January 8, 2021)*	€0
Multi-year variable compensation	€0	€0	€0	€0
Exceptional compensation	€60,000(**) *(as per the decision of the Company's Supervisory Board on February 4, 2022)*	€0	€0	€0
Fringe benefits:				
Car allowance	€1,100 per month, or €13,200 for the year 2021	€13,200	€1,100 per month, or €3,300 from October to December 2020	€3,300
Death and endowment insurance policy	€1,000 per month, or €12,000 for the year 2021	€12,000	€3,000 *(Prorated amount taking into account the starting date of Mr. Jaramillo's office as Management Board member. The annual premium to be paid is set at €12,000, or €1,000 per month, in the terms of Mr. Jaramillo's Management Agreement)*	€3,000
Reimbursement of home workplace journeys made by flights and of associated costs(*)	€9,345.40	€9,345.40	€1,221.32	€1,221.32
TOTAL	**€527,175.40**	**€358,590.40**	**€114,396.32**	**€78,771.32**

(*) The current Management Agreement executed between Mr. Juan Carlos Jaramillo and the subsidiary Valneva Austria GmbH provides that Mr. Jaramillo be reimbursed for the costs of weekend flights between hometown in Spain and site of Valneva Austria, these costs including the transfers from and to the airport.

(**) Exceptional bonus granted in recognition of the contribution of the corporate officers to the growth of the Company's capital and market presence over the course of 2021, in particular in view of the complementary Global Offering completed in November 2021 (cf. Section 1.1.2 (x) of this URD). This transaction was successful despite serious timeline constraints, which required which required significant attention from management. This Global Offering enabled the Company to leverage the recently announced Phase 3 results for its COVID-19 vaccine in order to further expand its investor base despite the difficult situation following the termination of the supply agreement with the United Kingdom.

(1) Amounts defined and set in accordance with (a) the provisions of the Management Agreement entered into between Mr. Juan Carlos Jaramillo and the subsidiary Valneva Austria GmbH, effective since October 1, 2020, and (b) the Company's Supervisory Board decisions, as applicable.

(c) Options to subscribe for or purchase shares and free shares

- The Company has been offering employees stock options or free shares (restricted shares) through a series of plans established with the objective of promoting employee motivation and retention. In consequence, it applies the first part of Recommendation No. 21 of the MiddleNext Code on stock options and free shares.
- The number of such instruments granted to each employee notably depends on his or her job category.
- Between 2015 and 2021, the Company's stock option plans have been primarily 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 four-year free share programs (convertible preferred shares or ordinary shares). Under the 2017 Free convertible preferred share program, a prior personal investment in Valneva shares was required from the participants.
- As part of the Convertible Preferred Shares program granted in 2017 to corporate officers and senior executives, the vesting of these shares was not subject to performance conditions. However, their conversion into ordinary shares depended on the share price at the end of the program. Furthermore, the 2019-2023 Free share plan, as launched by the Company for the Management Board and Management Committee members, includes performance conditions (goal achievement for the Management Board and minimum annual performance for the Management Committee). Finally, since the main objective of the Company is to retain its corporate officers and key employees, it links the full vesting of shares or the exercise of stock options to the presence of the beneficiary within the Group.
- Most stock option plans do not include a discount on the exercise price. However, the 2013 stock option plan provided for a 10% discount on the average Euronext Paris closing Valneva share price over the 20 trading days immediately preceding the date the options were granted.
- A percentage of free shares or shares resulting from the exercise of stock options must be retained by Valneva's corporate officers until such time as they no longer perform their duties. Accordingly, the Company's Supervisory Board has decided that the members of the Management Board who are beneficiaries of the 2017-2021 Free convertible preferred share program are required to hold and retain in registered form at least 10% of the ordinary shares resulting from the conversion of these Convertible Preferred Shares. This rate amounts to 20% of the shares granted under the 2013 and 2015 stock-option plans and of the free shares granted under the 2019-2023 Free share plan.
- For 2022, the Company's policy in terms of free shares and subscription options will change significantly[1].

Options to subscribe for or purchase shares

Options to subscribe for or purchase shares granted by the Company in 2021 to Management Board members

None of the Management Board members received stock options to subscribe for or purchase shares during the fiscal year 2021.

Options to subscribe for or purchase shares of the Company exercised in 2021 by Management Board members

None of the Management Board members exercised stock options to subscribe for or purchase shares during the fiscal year 2021.

*

Considering the foregoing, tables 4 & 5 of Annex 2 of the AMF Position-Recommendation No. 2021-02 are non-applicable.

Stock option plans history

The majority of the Company's employees benefits from Valneva SE stock options. However, since 2013, the Company has set up five successive stock option plans for Valneva SE shares.

As of December 31, 2021, 3,933,385 options remained outstanding for all of the Company's plans. The maximum number of new ordinary shares of Valneva SE that may result from the exercise of these options was 3,996,588[2] (*i.e.* a potential capital increase for a total nominal amount of €599,488.20, representing a maximum potential dilution of 3.80%[3] of the Company's share capital).

Highlights of Company stock option plans in force in 2021 are hereinafter presented:

(1) See Section 2.6.1.1 of this URD.
(2) Provided that all stock options become available for exercise.
(3) Rate calculated in reference to a total share capital of 105,239,085 Valneva SE shares, divided into (a) 105,190,223 ordinary shares (ISIN FR0004056851) with a par value of €0.15 each, and (b) 48,862 preferred shares convertible into ordinary shares, also with a par value of €0.15 each.

Plan 7 (ESOP 2013)

Grant decision date	**General Meeting:** June 28, 2013 **Management Board meeting:** October 2, 2013
Number of beneficiaries at launch of plan	293
Duration of plan (as from the date of the decision of the Board of Directors or Management Board)	Until October 2, 2023
Maximum amount authorized by the General Meeting	Authorization to grant an amount of stock options conferring a right to subscribe to a total number of shares representing 4% maximum of the Company's share capital on the date the capital increase is adopted under the terms of the 9th resolution of Valneva's Combined General Meeting of March 7, 2014(1)
Exercise price for one new ordinary share	€2.919(2)
Option/share conversion ratio	1:1.099617653 (then rounded-up for each beneficiary)(3)
Stock options granted to employees and/or corporate officers by the Management Board at launch of plan	1,052,950
Starting date for the exercise of options	October 2, 2015 & October 2, 2017(4)
Stock options exercised as of December 31, 2021	0
New ordinary shares issued as of December 31, 2021 resulting from exercise of stock options	0
Outstanding stock options not yet exercised as of December 31, 2021	633,700 (all available for exercise)
Of which outstanding stock options held by corporate officers	*210,000* ■ *Mr. Thomas Lingelbach: 100,000* ■ *Mr. Franck Grimaud: 100,000* ■ *Mr. Frédéric Jacotot: 10,000*
New ordinary shares potentially resulting from stock option exercise as of December 31, 2021	696,903
Stock options having lapsed as of December 31, 2021	419,250
Stock options remaining to be granted at December 31, 2021 under the General Meeting's authorization – Authorization status	0 – Authorization declared null and void by the Combined General Meeting of June 26, 2014
Theoretical number of shares available for take up at December 31, 2021, if the Management Board makes use of the remainder amount under the General Meeting's authorization	0

(1) At the meeting of the Company's Supervisory Board held on August 29, 2013, the number of stock options was set at 2,231,356.
(2) The subscription price has been revised in accordance with the decision of the Company's Management Board of February 25, 2015.
(3) The conversion ratio has been revised in accordance with the decision of the Company's Management Board of February 25, 2015.
(4) 50% of options may be exercised after being held for two years by their beneficiary; the remaining 50% becoming available for exercise after being held for four years.

- **Changes in the plan since the end of the fiscal year 2021:** 615,918 stock options were exercised under this plan between January 4 and 11, 2022 (including 210,000 stock options exercised by corporate officers), allowing the issuance of 677,346 new ordinary shares of the Company. At the end of this exercise period, the number of stock options outstanding was 17,782. The number of new ordinary shares that may be issued if the remaining stock options were exercised amounted to 19,557.

Plan 8 (ESOP 2015)

Grant decision date	**General Meeting:** June 26, 2014 **Management Board meeting:** July 28, 2015
Number of beneficiaries at launch of plan	259
Duration of plan (as from the date of the decision of the Board of Directors or Management Board)	Until July 28, 2025
Maximum amount authorized by the General Meeting	Authorization to grant an amount of stock options conferring a right to subscribe to a total number of shares representing 4% maximum of the Company's share capital on the date of the stock option grant
Exercise price for one new ordinary share	€3.92
Option/share conversion ratio	1:1
Stock options granted to employees and/or corporate officers by the Management Board at launch of plan	712,000
Starting date for the exercise of options	July 28, 2017 & July 28, 2019[(1)]
Stock options exercised as of December 31, 2021	0
New ordinary shares issued as of December 31, 2021 resulting from exercise of stock options	0
Outstanding stock options not yet exercised as of December 31, 2021	522,500 (all available for exercise)
Of which outstanding stock options held by corporate officers	*100,000 (Mr. Thomas Lingelbach)*
New ordinary shares potentially resulting from stock option exercise as of December 31, 2021	522,500
Stock options having lapsed as of December 31, 2021	189,500
Stock options remaining to be granted at December 31, 2021 under the General Meeting's authorization – Authorization status	0 – Authorization declared null and void by the Combined General Meeting of June 30, 2016
Theoretical number of shares available for take up at December 31, 2021, if the Management Board makes use of the remainder amount under the General Meeting's authorization	0

(1) 50% of options may be exercised after being held for two years by their beneficiary; the remaining 50% becoming available for exercise after being held for four years.

- **Changes in the plan since the end of the fiscal year 2021:** 478,845 stock options were exercised under this plan between January 4 and 11, 2022 (including 100,000 stock options exercised by a corporate officer), allowing the issuance of an equivalent number of new ordinary shares of the Company. At the end of this exercise period, the number of stock options outstanding was 43,655 (giving entitlement to an equivalent number of new ordinary shares).

Plan 9 (ESOP 2016)

Grant decision date	**General Meeting:** June 30, 2016 **Management Board meeting:** October 7, 2016
Number of beneficiaries at launch of plan	402
Duration of plan (as from the date of the decision of the Board of Directors or Management Board)	Until October 7, 2026
Maximum amount authorized by the General Meeting	Authorization to grant an amount of stock options conferring a right to subscribe to a total number of shares representing 4% maximum of the Company's share capital on the date of the stock option grant
Exercise price for one new ordinary share	€2.71
Option/share conversion ratio	1:1
Stock options granted to employees and/or corporate officers by the Management Board at launch of plan	584,250
Starting date for the exercise of options	October 7, 2018 & October 7, 2020[1]
Stock options exercised as of December 31, 2021	363,050 (between January 18 and 25, 2021)
New ordinary shares issued as of December 31, 2021 resulting from exercise of stock options	363,050
Outstanding stock options not yet exercised as of December 31, 2021	36,200 (all available for exercise)
Of which outstanding stock options held by corporate officers	*0*
New ordinary shares potentially resulting from stock option exercise as of December 31, 2021	36,200
Stock options having lapsed as of December 31, 2021	185,000
Stock options remaining to be granted at December 31, 2021 under the General Meeting's authorization – Authorization status	0 – Authorization declared null and void by the Combined General Meeting of June 28, 2018
Theoretical number of shares available for take up at December 31, 2021, if the Management Board makes use of the remainder amount under the General Meeting's authorization	0

(1) 50% of options may be exercised after being held for two years by their beneficiary; the remaining 50% becoming available for exercise after being held for four years.

- **Changes in the plan since the end of the fiscal year 2021:** 20,200 stock options were exercised under this plan between January 4 and 11, 2022, allowing the issuance of an equivalent number of new ordinary shares of the Company. At the end of this exercise period, the number of stock options outstanding was 16,000 (giving entitlement to an equivalent number of new ordinary shares).

  On February 28, 2022, the total number of stock options that lapsed under the plan now amounted to 186,500. The number of stock options outstanding was 14,500 (giving entitlement to an equivalent number of new ordinary shares).

Plan 10 (ESOP 2017)

Grant decision date	**General Meeting:** June 30, 2016 **Management Board meeting:** December 7, 2017
Number of beneficiaries at launch of plan	424
Duration of plan (as from the date of the decision of the Board of Directors or Management Board)	Until December 7, 2027
Maximum amount authorized by the General Meeting	Authorization to grant an amount of stock options conferring a right to subscribe to a total number of shares representing 4% maximum of the Company's share capital on the date of the stock option grant
Exercise price for one new ordinary share	€2.85
Option/share conversion ratio	1:1
Stock options granted to employees and/or corporate officers by the Management Board at launch of plan	1,269,500
Starting date for the exercise of options	December 7, 2019 & December 7, 2021[1]
Stock options exercised as of December 31, 2021	427,025 (between January 18 and 25, 2021)
New ordinary shares issued as of December 31, 2021 resulting from exercise of stock options	427,025
Outstanding stock options not yet exercised as of December 31, 2021	552,725 (all available for exercise)
Of which outstanding stock options held by corporate officers	*0*
New ordinary shares potentially resulting from stock option exercise as of December 31, 2021	552,725
Stock options having lapsed as of December 31, 2021	289,750
Stock options remaining to be granted at December 31, 2021 under the General Meeting's authorization – Authorization status	0 – Authorization declared null and void by the Combined General Meeting of June 28, 2018
Theoretical number of shares available for take up at December 31, 2021, if the Management Board makes use of the remainder amount under the General Meeting's authorization	0

(1) 50% of options may be exercised after being held for two years by their beneficiary; the remaining 50% becoming available for exercise after being held for four years.

- **Changes in the plan since the end of the fiscal year 2021:** no changes to report in respect of this plan.

Plan 11 (ESOP 2019)

Grant decision date	**General Meeting:** June 28, 2018 **Management Board meeting:** September 30, 2019
Number of beneficiaries at launch of plan	464
Duration of plan (as from the date of the decision of the Board of Directors or Management Board)	Until September 30, 2029
Maximum amount authorized by the General Meeting	Authorization to grant an amount of stock options conferring a right to subscribe to a total number of shares representing 4% maximum of the Company's share capital on the date of the stock option grant
Exercise price for one new ordinary share	€3.05
Option/share conversion ratio	1:1
Stock options granted to employees and/or corporate officers by the Management Board at launch of plan	2,670,010
Starting date for the exercise of options	September 30, 2020, September 30, 2021 & September 30, 2022(1)
Stock options exercised as of December 31, 2021	0
New ordinary shares issued as of December 31, 2021 resulting from exercise of stock options	0
Outstanding stock options not yet exercised as of December 31, 2021	2,188,260 (including 1,458,692 stock options available for exercise)
Of which outstanding stock options held by corporate officers	*0*
New ordinary shares potentially resulting from stock option exercise as of December 31, 2021	2,188,260 (including 1,458,692 shares which can be issued from stock options available for exercise)
Stock options having lapsed as of December 31, 2021	481,750
Stock options remaining to be granted at December 31, 2021 under the General Meeting's authorization – Authorization status	0 – Authorization declared null and void by the Combined General Meeting of June 17, 2020
Theoretical number of shares available for take up at December 31, 2021, if the Management Board makes use of the remainder amount under the General Meeting's authorization	0

(1) 1/3 of options may be exercised after being held for one year by their beneficiary; then another 1/3 after being held for two years, and the remainder after being held for three years.

- **Changes in the plan since the end of the fiscal year 2021:** On February 28, 2022, the total number of stock options that lapsed under the plan was now 487,750. The number of stock options outstanding was 2,182,260 (giving entitlement to an equivalent number of new ordinary shares).

Valneva SE free shares (ordinary shares or preferred shares convertible into ordinary shares)

Ordinary shares

Free ordinary shares granted by the Company in 2021 to the Management Board members

During the fiscal year 2021, no free ordinary shares were granted by the Company to the Management Board members.

Vesting and delivery, in 2021, of free ordinary shares granted by the Company to the Management Board members

During the fiscal year 2021, no free ordinary shares were fully vested in and delivered to the Management Board members in the form of new Valneva SE ordinary shares.

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Considering the foregoing, tables 6 & 7 of Annex 2 of the AMF Position-Recommendation No. 2021-02 are non-applicable.

Preferred shares convertible into ordinary shares

Free convertible preferred shares granted by the Company in 2021 to the Management Board members

None of the Management Board members received free convertible preferred shares from the Company during the fiscal year 2021.

As a consequence of the foregoing, Table 6 of Annex 2 to AMF Position-Recommendation 2021-02 is not applicable.

Vesting and delivery, in 2021, of free convertible preferred shares granted by the Company to the Management Board members

During the fiscal year 2021, 14,898 free convertible preferred shares granted by the Company under the 2017-2021 Free convertible preferred share program, were vested in and delivered to Management Board members.

These preferred shares were subsequently converted into new Valneva SE ordinary shares, since the conversion requirements under the terms and conditions applicable to the 2017-2021 Free convertible preferred share program had been met(1).

2017-2021 FREE CONVERTIBLE PREFERRED SHARE PROGRAM, DATED DECEMBER 7, 2017

Corporate officer	Number of preferred shares convertible into ordinary shares vested during the fiscal year 2021	Vesting conditions
Thomas Lingelbach	5,596	Vesting period of four years from December 15, 2017, with an employment condition.
Franck Grimaud	4,651	
Frédéric Jacotot	4,651	

Free share plans history

Free ordinary share plans

At December 31, 2021, 1,782,404 free ordinary shares were in the course of being vested, representing a potential share capital increase of €267,360.60 in par value (or a maximum potential dilution of 1.69% (2) of the Company's share capital).

A detailed description of the free share plan in force during the fiscal year 2021 is hereinafter provided in the table:

(1) See below "2017-2021 Free convertible preferred share program" in the Paragraph "History of the Company's free share plans".
(2) Rate calculated in reference to a total share capital of 105,239,085 Valneva SE shares, divided into (a) 105,190,223 ordinary shares (ISIN FR0004056851) with a par value of €0.15 each, and (b) 48,862 preferred shares convertible into ordinary shares, also with a par value of €0.15 each.

2019-2023 FREE SHARE PLAN

General Meeting date	June 27, 2019
Date of Management Board decision	December 19, 2019
Maximum amount authorized by the General Meeting	Maximum three percent (3%) of the Company's share capital on the grant date, without exceeding the maximum legal amount applicable on the grant date.
Number of beneficiaries at launch of plan	14
Total number of free ordinary shares granted at the launch of the plan	2,191,947 allocated in three tranches, each amounting 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.
Of which the beneficiaries are corporate officers	*Mr. Thomas Lingelbach: 331,667* *Mr. Franck Grimaud: 262,570* *Mr. Frédéric Jacotot: 262,570*
Date of full vesting	The vesting period is set at two (2) years as from December 19, 2019 for the first tranche, three (3) years as from December 19, 2019 for the second tranche, and four (4) years as from December 19, 2019 for the third tranche. The vesting *(attribution définitive)* of each tranche will be subject to performance and employment conditions.
Date of availability	Following free shares vesting, no compulsory holding period will be applicable to the beneficiaries that are non-executive employees. However, in accordance with section II (4th Paragraph) of Article L. 225-197-1 of the French Commercial Code, in their meeting held on November 21, 2019, the Supervisory Board decided that the Management Board members should keep not less than 20% of the vested free shares of each tranche until termination of their office as Management Board member or corporate officer.
Free ordinary shares fully vested at December 31, 2021	0
Free ordinary shares being vested at December 31, 2021	1,782,404 (including 856,807 by the corporate officers)
Free ordinary shares lapsed at December 31, 2021	409,543 – Following the departure of former members of the Management Board and a beneficiary employee
Performance and employment conditions	Concerning non-corporate officers employees, the vesting of each tranche will be contingent upon the beneficiary's performance in the Relevant Year having been rated not lower than "Meets Expectations" (regardless of any qualifying sign), as assessed by his/her supervisor under the Company's employee performance appraisal rules. Concerning corporate officers, the vesting of each tranche will be contingent upon the level of achievement of objectives in the Relevant Year (as defined below), as assessed by the Supervisory Board, starting above 60% (60% = no vesting) and increasing in a linear way, so that 80% goal achievement will result in vesting of 50% of the relevant tranche and 100% goal achievement will result in vesting of 100% of the relevant tranche. ***Relevant Year*** means 2021 for the first tranche, 2022 for the second tranche and 2023 for the third tranche. If a vesting period expires before the performance has been assessed for the Relevant Year, the vesting of the relevant tranche will be postponed until all Participants have been assessed. Additionally, the beneficiaries must continuously remain a corporate officer or employee (full time or not less than 80%) of the Company or a direct or indirect subsidiary of the Company until vesting, subject to the retirement exception below or any individual exemption.
Provisions relating to retirement	Beneficiaries who will retire in accordance with the age requirements of their applicable retirement regime before complete vesting will remain entitled to a prorated amount of shares, for each unvested tranche, based on the period from the initial grant date until retirement, as compared to the total duration of the tranche in question (2, 3 or 4 years); provided, however, that the performance condition defined under the plan was met in the performance appraisal immediately preceding the retirement. For Management Board members (including the CEO), the level of performance will also affect the amount of shares kept.

2019-2023 FREE SHARE PLAN

Provisions relating to a change of control	If (a) a Change of Control (as defined below) occurs not earlier than December 19, 2021, and (b) the performance condition stated above was met for the calendar year immediately preceding the year of Change of Control (or for the year of Change of Control if already assessed), all tranches will vest immediately. For Management Board members (including the CEO), their level of performance will also affect the amount of shares that will be the subject of accelerated vesting. If a Change of Control takes place before December 19, 2021, and Article L. 225-197-1, III of the French Commercial Code does not apply, the plan will be cancelled and the Company will indemnify the beneficiaries for the loss of unvested free ordinary shares granted under the cancelled plan, subject however to the above-mentioned performance conditions, and for the Management Board (including the CEO), to the shareholders' approval to the indemnity so allocated. The gross amount of this indemnity will be calculated as though such free ordinary shares had been vested upon the Change of Control. The conditions and limitations set forth in the applicable plan rules will apply to this calculation, *mutatis mutandis*. ***"Change of Control"*** shall mean that a person or entity other than the Company's current shareholders has taken control of the Company, "control" having the meaning set forth in Article L. 233-3 of the French Commercial Code.
Free ordinary shares which may be granted at December 31, 2021 under the General Meeting's authorization – Authorization status	0 Authorization declared null and void by the Combined General Meeting of June 17, 2020
Theoretical number of shares available for take up at December 31, 2021, if the Management Board makes use of the remainder amount under the General Meeting's authorization	0

- **Changes in the plan since the end of the fiscal year 2021:** no changes to report in respect of this plan.

2017-2021 Free convertible preferred share program

A detailed description of the free convertible preferred shares awards in force during the fiscal year 2021 is provided in the table below:

2017-2021 FREE CONVERTIBLE PREFERRED SHARE PLAN	
General Meeting date	June 29, 2017
Date of Management Board decision	December 7, 2017
Maximum amount authorized by the General Meeting	The maximum number of free convertible preferred shares that may be granted by the Company may not represent more than 3% of the share capital of Valneva SE on the date of the Management Board's grant decision (it being understood that all of the Company's Free convertible preferred shares may not represent more than 6% of the share capital).
Prior personal investment	On November 30, 2017, the Supervisory Board authorized the Management Board to FCPS to members of the Company's Management Board and Executive Committee (today "Management Committee"), as well as to Manufacturing site Heads (collectively with the Management Board members, the ***Executive Managers***), on condition that the beneficiaries make a prior personal investment in the Company by purchasing Valneva SE ordinary shares. The personal investment required was €16,510 for the Chair of the Management Board, €13,722 for the other members of the Management Board, and €5,071 for the Senior Vice President and finally, €3,415 for the other Executive Managers.
Total number of FCPS	34,017, by decision of the Management Board on December 15, 2017 ▪ 5,596 to the Chair of the Management Board ▪ 4,651 to each of the other members of the Management Board then in office, and ▪ 1,157 for each of the other members of the Executive Committee (now the "Management Committee") as well as for the Manufacturing site Heads, also in office at that date (exception: the Senior Vice President was allocated a total of 1,718 convertible preferred shares in exchange for a greater prior personal investment).
Number of beneficiaries of the plan at the time of the initial grant of FCPS	14
FCPS vested as of December 31, 2021	32,463 (including 14,898 by the corporate officers), by decision of the Management Board on December 15, 2021 – *i.e.* after a period of four years from December 15, 2017 and taking into account, where applicable, the fulfillment of service conditions.
FCPS being vested at December 31, 2021	0
FCPS lapsed at December 31, 2021	1,554 – *Following the departure of former members of the Management Board*
FCPS which may be granted at December 31, 2021 under the General Meeting's authorization – Authorization status	0 Authorization declared null and void by the Combined General Meeting of June 27, 2019
Theoretical number of shares available for take up at December 31, 2021, if the Management Board makes use of the remainder amount under the General Meeting's authorization	0

Conversion of FCPS into ordinary shares of the Company

In accordance with article 5 of the Terms & Conditions applicable to the 2017-2021 Free convertible preferred share program (as set by the Management Board on December 15, 2017, the ***T&Cs***), the 32,463 FCPS became potentially convertible into Valneva SE ordinary shares on the day of their vesting – i.e. on December 15, 2021 (the ***Conversion Date***), on the basis of a conversion ratio to be determined according to (a) the Final Share Price (as defined below), and (b) the conversion table as appended to the T&Cs; it being specified that no conversion could occur if the Final Share Price was lower than €4.50 (the ***Floor Price***).

The ***Final Share Price*** was defined in the Plan Regulations as the volume-weighted average of the Company's ordinary share price over the six-month period immediately preceding the conversion date, rounded to the second decimal place.

*

On the Conversion Date, the Management Board noted that the Final Share Price (calculated between June 15, 2021 and December 14, 2021 inclusive) was €18.21, therefore higher than the Floor Price. Consequently, all the conditions required for a conversion of the FCPS were met.

In order to be able to set the conversion ratio corresponding to the Final Share Price, the Management Board updated the conversion table attached as Annex A to the T&Cs, according to the principle set forth in Article 5, paragraph 4 of the T&Cs, as follows: If the Final Share Price is higher than €8, the conversion ratio will be such that the participants' gross gain will not exceed the gross gain they would have realized if the Final Share Price was €8.

The Management Board, after having considered the updated conversion table, decided to set the conversion ratio applicable to the FCPS as follows: 27.23567 ordinary shares to 1 FCPS.

In this respect, and in accordance with the T&Cs, where the total number of ordinary shares to be received by a holder of convertible preferred shares by applying the conversion ratio to the number of convertible preferred shares held is not a whole number, that holder shall receive the next lower whole number of ordinary shares. The fraction of ordinary shares forming a fractional lot shall be paid in cash. In such an event, the holder of convertible preferred shares shall receive an amount equal to the product of (i) the fraction of an ordinary share forming a fractional lot and (ii) an amount equal to the first recorded market price of the ordinary share for the stock exchange trading session immediately preceding that of the ipso jure conversion of the preferred shares into ordinary shares.

Pursuant to Article 5 of the T&Cs, the holders of FCPS could in principle convert their FCPS into ordinary shares within a period of 3 months after the Conversion Date. According to decisions of the Supervisory Board and Management Board dated October 20, 2021, some foreign beneficiaries have been individually authorized to postpone the deadline for conversion of their FCPS up to a maximum of 12 months after full vesting of their FCPS, for reasons relating to the tax rules applicable to their country of residence. In any case, if the beneficiaries would not require conversion of the FCPS within the applicable period of time (the ***Conversion Period***), these FCPS would automatically convert into ordinary shares at the expiry of such Conversion Period.

*

On December 16, 2021, the Company received a request for conversion of an aggregate of 4,115 FCPS, resulting in the issuance of 112,074 new ordinary shares.

On January 3 and 4, 2022, the Company received new requests for conversion of an agreggate of 28,348 outstanding FCPS, resulting in the issuance of 772,070 new Valneva SE ordinary shares.

Note: Management Board members who are beneficiaries of the plan shall keep and retain under registered form at least 10% of the ordinary shares resulting from the conversion of their FCPS.

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

With respect to some members of the Company's Management Board, provisions exist for certain indemnities on termination of their offices and/or functions (other than for mere expiration of such offices or functions), under the terms of a Management Agreement executed with the Company or one of its subsidiaries, depending on the case.

	Employment agreement		Supplemental retirement plan		Indemnities or benefits payable on termination or change of duties		Indemnities relating to a non-compete clause	
Management Board members	Yes	No	Yes	No	Yes	No	Yes	No
Mr. Thomas Lingelbach First appointment to Valneva SE's Management Board by the Supervisory Board on May 10, 2013 (with effect as from May 28, 2013) End of current term of office at the 2022 General Meeting called to approve the annual financial statements for the fiscal year ended December 31, 2021		x(1)	x(2)		x(4)		x(5)	
Mr. Franck Grimaud First appointment to Vivalis SA's (now Valneva SE) Management Board by the Supervisory Board on November 29, 2002 End of current term of office at the 2022 General Meeting called to approve the annual financial statements for the fiscal year ended December 31, 2021		x		x	x(3) (4)		x(5)	
Mr. Frédéric Jacotot First appointment to Valneva SE's Management Board by the Supervisory Board on March 21, 2017 (with effect as from April 1, 2017) End of current term of office at the 2022 General Meeting called to approve the annual financial statements for the fiscal year ended December 31, 2021		x		x	x(3) (4)		x(5)	
Mr. Juan Carlos Jaramillo Appointment to Valneva SE's Management Board by the Supervisory Board on June 17, 2020 (with effect as from October 1, 2020) End of current term of office at the 2022 General Meeting called to approve the annual financial statements for the fiscal year ended December 31, 2021		x(1)	x(2)		x(4)		x(5)	
Mr. Peter Bühler Appointment to Valneva SE's Management Board by the Supervisory Board on July 28, 2021 (with effect as from January 1, 2022) End of current term of office at the 2022 General Meeting called to approve the annual financial statements for the fiscal year ended December 31, 2021		x(1)	x(2)		x(4)		x(5)	

(1) However, in accordance with Austrian law, the Management Agreement of a Managing Director within a GmbH contains many labor law-related provisions and therefore, is close to a standard employment agreement.

(2) Messrs. Thomas Lingelbach, Juan Carlos Jaramillo and Peter Bühler are beneficiaries of a life-insurance (savings plan type) in view of their retirement, whose fees are borne by the company Valneva Austria GmbH. The saving is released when the beneficiary reached the statutory retirement age in Austria (currently 65 years old), or on the date of his decease, if earlier. Please refer to the descriptions "Death and endowment insurance policy" below, in this Section 2.6.2.1 (d).

(3) See the description relating to the Garantie Sociale des Chefs et Dirigeants d'Entreprise of Messrs. Franck Grimaud and Frédéric Jacotot, in Section 2.6.2.1 (b) of this URD.

(4) Please refer to the description related to the indemnities payable by the Company or its subsidiaries, as appropriate, as well as the Sections "Death and endowment insurance policy", in this Section 2.6.2.1 (d).

(5) Please refer to the paragraph "Additional provisions specifically relating to the non-compete commitments", in this Section 2.6.2.1 (d).

Indemnities payable to Mr. Thomas Lingelbach, Chair of the Management Board

Management Agreement entered into with Valneva Austria GmbH on July 9, 2018 (as amended)

Effective as from the end of the Combined General Meeting of June 27, 2019

Management Agreement authorized by the Supervisory Board in its meeting of June 28, 2018

Amendment authorized by the Supervisory Board on January 15, 2021

(1) Inability to work due to illness or accident

- Valneva Austria GmbH shall pay an amount of compensation which would enable the corporate officer to receive the equivalent of 100% of the compensation outlined in Section 6.1 of the Management Agreement (as adjusted) for a period of three months, and 49% for an additional maximum period of three months.
- The limit for a two-year term of office is 100% compensation up to a maximum of six months, and 49% for a further maximum of six months.
- In all cases, payments shall cease upon termination of the Management Agreement.

(2) Termination or expiry of the Management Agreement
(i) at the initiative of Valneva Austria GmbH **without good cause** (under Section 20 of the Austrian White Collar Workers Act – *Angestelltengesetz*), or
(ii) at the initiative of the corporate officer **with good cause** (in compliance with Section 26 of the Austrian White Collar Workers Act – *Angestelltengesetz*), including resignation justified by circumstances entailing a reduction in law or fact of his responsibilities in Valneva SE, or
(iii) in the event the office is not renewed at the end of its term.

- Payment of an indemnity equal to 12 months' fixed compensation pursuant to Section 6.1 of the Management Agreement (as adjusted), notice period included

Estimate gross amounts to be paid by Valneva Austria GmbH, including charges borne by the subsidiary, in case of event (2) occurring at May 31, 2022 and subject to the complete execution of a 4-month notice period

Indemnities: €350,000
Charges: €26,686.73
Total: €376,686.73

(3) Termination of the Management Agreement
(i) at the initiative of Valneva Austria GmbH **with good cause** (under Section 27 of the Austrian White Collar Workers Act – *Angestelltengesetz*), or
(ii) at the initiative of the corporate officer **without good cause** (including resignation not justified by circumstances entailing a reduction in fact or in right of his responsibilities in Valneva SE)

- No severance benefits are payable to the corporate officer, without prejudice, however to the possible application of the non-compete provisions mentioned below in (4).
- Discontinuation of payment of any compensation, bonuses and benefits in kind as from the date of effect of the termination of the corporate office. This date is immediate in the case of a removal for good cause. In contrast, it shall enter into effect after the notice period provided for in Section 20 of the Austrian White Collar Workers Act – *Angestelltengesetz* (notice period ending on the last day of the current month) in the case of termination at the initiative of the corporate officer.

(4) Application of the non-compete clause

- The Management Agreement contains a post-contractual non-compete clause.
  This applies (i) automatically, except where expressly waived by Valneva Austria GmbH, in the event of dismissal by Valneva Austria GmbH for good cause (Section 27 of the Austrian White Collar Workers Act – *Angestelltengesetz*), or the early and unjustified resignation at the initiative of the corporate officer (Section 26 of the Austrian White Collar Workers Act – *Angestelltengesetz*), or resignation without cause at the initiative of the corporate officer and (ii) upon the express declaration by Valneva Austria GmbH in the case of termination by Valneva Austria GmbH without good cause.
- When the non-compete clause applies, this results in the payment of financial consideration equal to the amount of compensation defined by Section 6.1 of the Management Agreement (as adjusted) and the bonus defined by Section 6.3 of the Management Agreement, on a prorate basis, for the duration of the non-compete obligation (*i.e.* one year from the date of the Management Agreement's termination).

This payment shall not be payable in combination with the continued payment of compensation mentioned above in paragraph (2).

Estimate gross amounts to be paid by Valneva Austria GmbH, including charges borne by the subsidiary, in case of event (4) occurring at May 31, 2022

Indemnities in case of application of the non-compete clause for a period of 12 months: €656,250
Charges: €67,110.95
Total: €723,360.95

Except in the case of indemnities paid in consideration of the non-compete clause, any indemnity that would be payable by Valneva Austria GmbH in accordance with the foregoing shall be payable only if Mr. Thomas Lingelbach achieves not less than 60% of his individual and collective goals in the aggregate during the preceding calendar year, as these goals are set and assessed by the Supervisory Board.
Indemnities set in Section 12 of the Management Agreement shall exclude any other indemnity, compensation or benefit, to the extent permitted by law.
Any severance payments made to the corporate officer by the compensation fund upon termination of the Management Agreement, as well as prospective entitlements to the corporate officer to severance benefits (in case that the fund does not have to make a payment upon termination) shall be deducted from the indemnities set in Section 12 of the Management Agreement, to the extent permitted by law.

The contractual relationship between Valneva Austria GmbH and Mr. Thomas Lingelbach is regulated by the provisions of its Management Agreement, the Austrian Act on Limited Liability Companies *(GmbH-Gesetz),* the Austrian White Collar Workers Act *(Angestelltengesetz),* the Articles of Association of Valneva Austria GmbH and the binding resolutions of the General Meeting of Valneva Austria GmbH.

Management Agreement entered into with Valneva Austria GmbH in March 2022

Effective as from the end of the 2022 Annual General Meeting called to approve the annual financial statements for the fiscal year ended December 31, 2021

Management Agreement authorized by the Supervisory Board in its meeting of March 15, 2022

(1) Inability to work due to illness or accident

- Valneva Austria GmbH shall pay an amount of compensation which would enable the corporate officer to receive the equivalent of 100% of the compensation outlined in Section 6.1 of the Management Agreement (as adjusted) for a period of three months, and 49% for an additional maximum period of three months.
- The limit for a two-year term of office is 100% compensation up to a maximum of six months, and 49% for a further maximum of six months.
- In all cases, payments shall cease upon termination of the Management Agreement.

(2) Termination or expiry of the Management Agreement
(i) at the initiative of Valneva Austria GmbH **without good cause** (subject to a 6-month notice period expiring at the end of the month), or
(ii) at the initiative of the corporate officer **with good cause** (in compliance with Section 26 of the Austrian White Collar Workers Act – *Angestelltengesetz*), including resignation justified by circumstances entailing a reduction in law or fact of his responsibilities in Valneva SE, or
(iii) in the event the office is not renewed at the end of its term

- Payment of an indemnity equal to 12 months' fixed compensation pursuant to Section 6.1 of the Management Agreement (as adjusted), notice period included

Estimate gross amounts to be paid by Valneva Austria GmbH, including charges borne by the subsidiary, in case of event (2) occurring at December 31, 2022 and subject to the complete execution of the 6-month notice period

Indemnities: €262,500
Charges: €20,342.09
Total: €282,842.09

(3) Termination of the Management Agreement
(i) at the initiative of Valneva Austria GmbH **with good cause** (under Section 27 of the Austrian White Collar Workers Act – *Angestelltengesetz*), or
(ii) at the initiative of the corporate officer **without good cause** (including resignation not justified by circumstances entailing a reduction in fact or in right of his responsibilities in Valneva SE).

- No severance benefits are payable to the corporate officer, without prejudice, however to the possible application of the non-compete provisions mentioned below in paragraph (4), or of the unemployment indemnity described in (5).
- Discontinuation of payment of any compensation, bonuses and benefits in kind as from the date of effect of the termination of the corporate office. This date is immediate in the case of a removal for good cause. However, it takes effect at the end of a six-month notice period (expiring at the end of the month) in the event of termination at the initiative of the corporate officer.

(4) Application of the non-compete clause

- The Management Agreement contains a post-contractual non-compete clause.
  This applies (i) automatically, except where expressly waived by Valneva Austria GmbH, in the event of dismissal by Valneva Austria GmbH for good cause (Section 27 of the Austrian White Collar Workers Act – *Angestelltengesetz*), or the early and unjustified resignation at the initiative of the corporate officer (Section 26 of the Austrian White Collar Workers Act – *Angestelltengesetz*), or resignation without cause at the initiative of the corporate officer and (ii) upon the express declaration by Valneva Austria GmbH in the case of termination by Valneva Austria GmbH without good cause.
- When the non-compete clause applies, this results in the payment of financial consideration equal to the amount of compensation defined by Section 6.1 of the Management Agreement (as adjusted) and the bonus defined by Section 6.3 of the Management Agreement, on a prorate basis, for the duration of the non-compete obligation (*i.e.* one year from the date of the Management Agreement's termination).

This payment shall not be payable in combination with the continued payment of compensation mentioned above in paragraph (2).

Estimate gross amounts to be paid by Valneva Austria GmbH, including charges borne by the subsidiary, in case of event (4) occurring at December 31, 2022

Indemnities in case of application of the non-compete clause for a period of 12 months: €840,000
Charges: €78,326
Total: €918,326

(5) Unemployment indemnity

Applicable in the case of termination or end of Management Agreement
(i) at the initiative of Valneva Austria GmbH (whether for cause or without cause in the Austrian statutory sense), or
(ii) in the event that the office is not renewed by Valneva Austria GmbH at the end of its term,
and subject to the corporate officer not subsequently involved in any professional activity.

- Payment by Valneva Austria GmbH, for a maximum period of 12 months starting one month after the end of the Management Agreement, of a monthly unemployment indemnity (the ***Unemployment Indemnity)*** equal to what he would have received if he had been covered by the French private unemployment insurance for corporate officers and independent workers, known as ***GSC Insurance***, less any unemployment indemnity payable under the Austrian national unemployment insurance (or any other national unemployment insurance if applicable).
- This unemployment Indemnity:
  - shall be in addition to the contractual termination indemnity specified in paragraph (2) above, where applicable;
  - shall always be subject to all terms and conditions of the GSC Insurance as applicable at the relevant time, including without limitation (a) the requirement to be registered with appropriate authorities as an unemployed person seeking employment and (b) the requirement to be available for a professional activity and medically able to work;
  – is based on the concept of "involuntary loss of professional activity", which excludes all types of resignation and any departure by mutual agreement;
  – shall not be payable if none of the other Valneva SE Management Board members is covered by the actual GSC Insurance upon the Managing Director's dismissal or the expiration of this Management Agreement; and
  - shall no longer be due if and when the corporate officer engages in any type of professional activity again.

Except in the case of indemnities paid in consideration of the non-compete clause, any indemnity that would be payable by Valneva Austria GmbH in accordance with the foregoing shall be pay only if Mr. Thomas Lingelbach achieves not less than 60% of his individual and collective goals in the aggregate during the preceding calendar year, as these goals are set and assessed by the Supervisory Board.
Indemnities set in Section 12 of the Management Agreement shall exclude any other indemnity, compensation or benefit, to the extent permitted by law.
Any severance payments made to the corporate officer by the compensation fund upon termination of the Management Agreement, as well as prospective entitlements to the corporate officer to severance benefits (in case that the fund does not have to make a payment upon termination) shall be deducted from the indemnities set in Section 12 of the Management Agreement, to the extent permitted by law.

The contractual relationship between Valneva Austria GmbH and Mr. Thomas Lingelbach is regulated by the provisions of its Management Agreement, the Austrian Act on Limited Liability Companies *(GmbH-Gesetz),* the Austrian White Collar Workers Act *(Angestelltengesetz),* the Articles of Association of Valneva Austria GmbH and the binding resolutions of the General Meeting of Valneva Austria GmbH.

Indemnities payable to Mr. Franck Grimaud, Management Board member – *Directeur Général* & CBO

Management Agreement entered into with Valneva SE on July 9, 2018 (as amended)

Effective as from the end of the Combined General Meeting of June 27, 2019

Authorized by the Supervisory Board in its meeting of June 28, 2018

Amendment authorized by the Supervisory Board on January 15, 2021

(1) Inability to work due to illness or accident

- Valneva SE shall pay the difference between the health insurance allowance and the corporate officer's fixed compensation outlined in Section 6.1 of the Management Agreement (as adjusted), so that he receives an aggregate amount equal to 100% of his fixed compensation for a maximum period of three months, and to 49% of such compensation for an additional maximum period of three months at most.
- The limit for a two-year term of office is 100% compensation up to a maximum of six months, and 49% for a further maximum of six months.
- In all cases, payments shall cease upon termination of the Management Agreement.

(2) Termination or expiry of the Management Agreement
(i) removal of the corporate officer by Valneva SE ***without good cause*** *(juste motif);* or
(ii) resignation of the corporate officer justified by circumstances entailing a reduction in law or in fact of his responsibilities in Valneva SE, or
(iii) in the event the office is not renewed at the end of its term.

- Payment of an indemnity equal to 12 months' fixed compensation pursuant to Section 6.1 of the Management Agreement (as adjusted), notice period included

Estimate gross amounts to be paid by Valneva SE, including charges borne by the Company, in case of event (2) occurring at May 31, 2022 and subject to the complete execution of a 2-month notice period

Indemnities: €229,166.67
Charges: €96,250
Total: €325,416.67

(3) Termination of the Management Agreement pursuant to:
(i) removal of the corporate officer by Valneva SE **with good cause** *(juste motif),* or
(ii) resignation of the corporate officer **unjustified** by circumstances entailing in law or in fact a reduction in his responsibilities in Valneva SE.

- No severance benefits are payable to the corporate officer, without prejudice, however to the possible application of the non-compete provisions mentioned below in (4).
- Discontinuation of payment of any compensation, bonuses and benefits in kind as from the date of effect of the termination of the corporate office. This date is immediate in the case of a removal for good cause. It takes effect after a two-month notice period (end of month) in the event of resignation.

(4) Application of the non-compete clause

- The Management Agreement contains a post-contractual non-compete clause.
  This clause applies (i) automatically, except where expressly waived by Valneva SE, in the event of dismissal by Valneva SE for good cause *(juste motif)* or resignation of the corporate office not justified by circumstances entailing a reduction in responsibilities in right or in law in Valneva SE, and (ii) upon the express declaration by Valneva SE, in other cases of termination (removal by Valneva SE without good cause, resignation of the corporate officer justified by the circumstances defined above).
- When the non-compete clause applies, this results in the payment of financial consideration equal to the amount of compensation defined by Section 6.1 of the Management Agreement (as adjusted) and the bonus defined by Section 6.3 of the Management Agreement, on a prorate basis, for the duration of the non-compete obligation (*i.e.* one year from the date of the Management Agreement's termination).

This payment shall not be payable in combination with the continued payment of compensation mentioned above in paragraph (2).

Estimate gross amounts to be paid by Valneva SE, including charges borne by the Company, in case of event (4) occurring at May 31, 2022

Indemnities in case of application of the non-compete clause for a period of 12 months: €332,291.67
Charges: €139,562.52
Total: €471,854.24

Except in the case of indemnities paid in consideration of the non-compete clause, any indemnity that would be payable by Valneva SE in accordance with the foregoing shall be pay only if Mr. Franck Grimaud achieves not less than 60% of his individual and collective goals in the aggregate during the preceding calendar year, as these goals are set and assessed by the Supervisory Board.
Indemnities set in Section 12 of the Management Agreement shall exclude any other indemnity, compensation or benefit, to the extent permitted by law.

Relations between Valneva SE and Mr. Franck Grimaud, in his capacity as a member of the Company's Management Board and Managing Director, are governed by French law and regulations, the Company's Articles of Association, the provisions of the Management Agreement and the decisions of Valneva SE's Supervisory Board.

Management Agreement entered into with Valneva SE in March 2022

Effective as from the end of the 2022 Annual General Meeting called to approve the annual financial statements for the fiscal year ended December 31, 2021

Management Agreement authorized by the Supervisory Board in its meeting of March 15, 2022

(1) Inability to work due to illness or accident

- Valneva SE shall pay the difference between the health insurance allowance and the corporate officer's fixed compensation outlined in Section 6.1 of the Management Agreement (as adjusted), so that he receives an aggregate amount equal to 100% of his fixed compensation for a maximum period of three months, and to 49% of such compensation for an additional maximum period of three months at most.
- The limit for a two-year term of office is 100% compensation up to a maximum of six months, and 49% for a further maximum of six months.
- In all cases, payments shall cease upon termination of the Management Agreement.

(2) Termination or expiry of the Management Agreement
(i) following a dismissal of the corporate officer by Valneva SE **without just cause** (subject to a 6-month notice period expiring at the end of the month), or
(ii) resignation of the corporate officer **justified** by circumstances entailing a reduction in law or in fact of his responsibilities in Valneva SE, or
(iii) in the event the office is not renewed at the end of its term.

- Payment of an indemnity equal to 12 months' fixed compensation pursuant to Section 6.1 of the Management Agreement (as adjusted), notice period included

Estimate gross amounts to be paid by Valneva SE, including charges borne by the Company, in case of event (2) occurring at December 31, 2022 and subject to the complete execution of the 6-month notice period

Indemnities: €137,500
Charges: €57,750
Total: €195,250

(3) Termination of the Management Agreement pursuant to:
(i) removal of the corporate officer by Valneva SE **with good cause** *(juste motif),* or
(ii) resignation of the corporate officer **unjustified** by circumstances entailing in law or in fact a reduction in his responsibilities in Valneva SE.

- No severance benefits are payable to the corporate officer, without prejudice, however to the possible application of the non-compete provisions mentioned below in (4).
- Discontinuation of payment of any compensation, bonuses and benefits in kind as from the date of effect of the termination of the corporate office. This date is immediate in the case of a removal for good cause. It takes effect after a six-month notice period (end of month) in the event of resignation.

(4) Application of the non-compete clause

- The Management Agreement contains a post-contractual non-compete clause.
  This clause applies (i) automatically, except where expressly waived by Valneva SE, in the event of dismissal by Valneva SE for good cause *(juste motif)* or resignation of the corporate office not justified by circumstances entailing a reduction in responsibilities in right or in law in Valneva SE, and (ii) upon the express declaration by Valneva SE, in other cases of termination (removal by Valneva SE without good cause, resignation of the corporate officer justified by the circumstances defined above).
- When the non-compete clause applies, this results in the payment of financial consideration equal to the amount of compensation defined by Section 6.1 of the Management Agreement (as adjusted) and the bonus defined by Section 6.3 of the Management Agreement, on a prorate basis, for the duration of the non-compete obligation (*i.e.* one year from the date of the Management Agreement's termination).

This payment shall not be payable in combination with the continued payment of compensation mentioned above in paragraph (2).

Estimate gross amounts to be paid by Valneva SE, including charges borne by the Company, in case of event (4) occurring at December 31, 2022

Indemnities in case of application of the non-compete clause for a period of 12 months: €412,500
Charges: €173,250
Total: €585,750

Except in the case of indemnities paid in consideration of the non-compete clause, any indemnity that would be payable by Valneva SE in accordance with the foregoing shall be pay only if Mr. Franck Grimaud achieves not less than 60% of his individual and collective goals in the aggregate during the preceding calendar year, as these goals are set and assessed by the Supervisory Board.
Indemnities set in Section 12 of the Management Agreement shall exclude any other indemnity, compensation or benefit, to the extent permitted by law.

Relations between Valneva SE and Mr. Franck Grimaud, in his capacity as a member of the Company's Management Board and Managing Director, are governed by French law and regulations, the Company's Articles of Association, the provisions of the Management Agreement and the decisions of Valneva SE's Supervisory Board.

Indemnities payable to Mr. Frédéric Jacotot, Management Board member – General Counsel

Management Agreement entered into with Valneva SE on July 9, 2018 (as amended)

Effective as from the end of the Combined General Meeting of June 27, 2019

Authorized by the Supervisory Board in its meeting of June 28, 2018

Amendment authorized by the Supervisory Board on January 15, 2021

(1) Inability to work due to illness or accident

- Valneva SE shall pay the difference between the health insurance allowance and the corporate officer's fixed compensation outlined in Section 6.1 of the Management Agreement (as adjusted), so that he receives an aggregate amount equal to 100% of his fixed compensation for a maximum period of three months, and to 49% of such compensation for an additional maximum period of three months at most.
- The limit for a two-year term of office is 100% compensation up to a maximum of six months, and 49% for a further maximum of six months.

In all cases, payments shall cease upon termination of the Management Agreement.

(2) Termination or expiry of the Management Agreement
(ii) removal of the corporate officer by Valneva SE **without good cause** *(juste motif);* or
(iii) in the event the office is not renewed at the end of its term.

- Payment of an indemnity equal to 12 months' fixed compensation pursuant to Section 6.1 of the Management Agreement (as adjusted), notice period included

Estimate gross amounts to be paid by Valneva SE, including charges borne by the Company, in case of event (2) occurring at May 31, 2022 and subject to the complete execution of a 2-month notice period

Indemnities: €179,166.67
Charges: €75,250
Total: €254,416.67

(3) Termination of the Management Agreement pursuant to:
(i) removal of the corporate officer by Valneva SE **with good cause** *(juste motif),* or
(ii) resignation of the corporate officer **unjustified.**

- No severance benefits are payable to the corporate officer, without prejudice, however to the possible application of the non-compete provisions mentioned below in (4).
- Discontinuation of payment of any compensation, bonuses and benefits in kind as from the date of effect of the termination of the corporate office. This date is immediate in the case of a removal for good cause. It takes effect after a two-month notice period (end of month) in the event of resignation.

(4) Application of the non-compete clause

- The Management Agreement contains a post-contractual non-compete clause.
  This clause applies (i) automatically, except where expressly waived by Valneva SE, in the event of dismissal by Valneva SE for good cause *(juste motif)* or resignation of the corporate office not justified, and (ii) upon the express declaration by Valneva SE, in other cases of termination (removal by Valneva SE without good cause).
- When the non-compete clause applies, this results in the payment of financial consideration equal to the amount of compensation defined by Section 6.1 of the Management Agreement (as adjusted) and the bonus defined by Section 6.3 of the Management Agreement, on a prorate basis, for the duration of the non-compete obligation (*i.e.* one year from the date of the Management Agreement's termination).

This payment shall not be payable in combination with the continued payment of compensation mentioned above in paragraph (2).

Estimate gross amounts to be paid by Valneva SE, including charges borne by the Company, in case of event (4) occurring at May 31, 2022

Indemnities in case of application of the non-compete clause for a period of 12 months: €259,791.67
Charges: €109,112.52
Total: €368,904.24

Except in the case of indemnities paid in consideration of the non-compete clause, any indemnity that would be payable by Valneva SE in accordance with the foregoing shall be pay only if Mr. Frédéric Jacotot achieves not less than 60% of his individual and collective goals in the aggregate during the preceding calendar year, as these goals are set and assessed by the Supervisory Board.
Indemnities set in Section 12 of the Management Agreement shall exclude any other indemnity, compensation or benefit, to the extent permitted by law.

Relations between Valneva SE and Mr. Frédéric Jacotot, in his capacity as a member of the Company's Management Board and Managing Director, are governed by French law and regulations, the Company's Articles of Association, the provisions of the Management Agreement and the decisions of Valneva SE's Supervisory Board.

Management Agreement entered into with Valneva SE in March 2022

Effective as from the end of the 2022 Annual General Meeting called to approve the annual financial statements for the fiscal year ended December 31, 2021

Management Agreement authorized by the Supervisory Board in its meeting of March 15, 2022

(1) Inability to work due to illness or accident

- Valneva SE shall pay the difference between the health insurance allowance and the corporate officer's fixed compensation outlined in Section 6.1 of the Management Agreement (as adjusted), so that he receives an aggregate amount equal to 100% of his fixed compensation for a maximum period of three months, and to 49% of such compensation for an additional maximum period of three months at most.
- The limit for a two-year term of office is 100% compensation up to a maximum of six months, and 49% for a further maximum of six months.
- In all cases, payments shall cease upon termination of the Management Agreement.

(2) Termination or expiry of the Management Agreement
(i) following the dismissal of the corporate officer by Valneva SE **without just cause** (subject to a 6-month notice period expiring at the end of the month), or
(iii) in the event the office is not renewed at the end of its term.

- Payment of an indemnity equal to 12 months' fixed compensation pursuant to Section 6.1 of the Management Agreement (as adjusted), notice period included

Estimate gross amounts to be paid by Valneva SE, including charges borne by the Company, in case of event (2) occurring at December 31, 2022 and subject to the complete execution of the 6-month notice period

Indemnities: €107,500
Charges: €45,150
Total: €152,650

(3) Termination of the Management Agreement pursuant to:
(i) removal of the corporate officer by Valneva SE **with good cause** *(juste motif),* or
(ii) resignation of the corporate officer **unjustified.**

- No severance benefits are payable to the corporate officer, without prejudice, however to the possible application of the non-compete provisions mentioned below in (4).
- Discontinuation of payment of any compensation, bonuses and benefits in kind as from the date of effect of the termination of the corporate office. This date is immediate in the case of a removal for good cause. It takes effect after a six-month notice period (end of month) in the event of resignation.

(4) Application of the non-compete clause

- The Management Agreement contains a post-contractual non-compete clause.
  This clause applies (i) automatically, except where expressly waived by Valneva SE, in the event of dismissal by Valneva SE for good cause *(juste motif)* or resignation of the corporate office not justified, and (ii) upon the express declaration by Valneva SE, in other cases of termination (removal by Valneva SE without good cause).
- When the non-compete clause applies, this results in the payment of financial consideration equal to the amount of compensation defined by Section 6.1 of the Management Agreement (as adjusted) and the bonus defined by Section 6.3 of the Management Agreement, on a prorate basis, for the duration of the non-compete obligation (*i.e.* one year from the date of the Management Agreement's termination).

This payment shall not be payable in combination with the continued payment of compensation mentioned above in paragraph (2).

Estimate gross amounts to be paid by Valneva SE, including charges borne by the Company, in case of event (4) occurring at December 31, 2022

Indemnities in case of application of the non-compete clause for a period of 12 months: €322,500
Charges: €135,450
Total: €457,590

Except in the case of indemnities paid in consideration of the non-compete clause, any indemnity that would be payable by Valneva SE in accordance with the foregoing shall be pay only if Mr. Frédéric Jacotot achieves not less than 60% of his individual and collective goals in the aggregate during the preceding calendar year, as these goals are set and assessed by the Supervisory Board.
Indemnities set in Section 12 of the Management Agreement shall exclude any other indemnity, compensation or benefit, to the extent permitted by law.

Relations between Valneva SE and Mr. Frédéric Jacotot, in his capacity as a member of the Company's Management Board and Managing Director, are governed by French law and regulations, the Company's Articles of Association, the provisions of the Management Agreement and the decisions of Valneva SE's Supervisory Board.

Indemnities payable to Mr. Juan Carlos Jaramillo, Management Board member - CMO

Management Agreement entered into with Valneva Austria GmbH on June 17, 2020 (as amended)

Effective since October 1, 2020

Authorized by the Supervisory Board in its meeting of June 17, 2020

Amendment authorized by the Supervisory Board on December 21, 2020

(1) Inability to work due to illness or accident

- Valneva Austria GmbH shall pay the difference between the health insurance allowance and Mr. Jaramillo fixed compensation, so that the corporate officer shall receive an aggregate amount equal to 100% of his fixed compensation as outlined in Section 6.1 of the Management Agreement (as adjusted) for a period of three months, and 49% for an additional maximum period of three months.
- The limit for any period of 24 consecutive months is 100% compensation up to a maximum of six months, and 49% for a further maximum of six months.
- In all cases, payments shall cease upon expiry or termination of the Management Agreement.

(2) Termination or expiry of the Management Agreement
(i) at the initiative of Valneva Austria GmbH **without good cause,** or
(ii) at the initiative of the corporate officer **with good cause** (in compliance with Section 26 of the Austrian White Collar Workers Act – *Angestelltengesetz*), including resignation justified by circumstances entailing a reduction in law or fact of his responsibilities in Valneva SE, or
(iii) in the event the office is not renewed at the end of its term.

- Payment of an indemnity equal to 12 months' fixed compensation pursuant to Section 6.1 of the Management Agreement (as adjusted), notice period included

Estimate gross amounts to be paid by Valneva Austria GmbH, including charges borne by the subsidiary, in case of event (2) occurring at May 31, 2022 and subject to the complete execution of a 2-month notice period

Indemnities: €264,166.67
Charges: €24,482.35
Total: €288,649.02

(3) Termination of the Management Agreement
(i) at the initiative of Valneva Austria GmbH **with good cause** (under Section 27 of the Austrian White Collar Workers Act – *Angestelltengesetz*), or
(ii) at the initiative of the corporate officer **without good cause** (including resignation not justified by circumstances entailing a reduction in fact or in right of his responsibilities in Valneva SE).

- No severance benefits are payable to the corporate officer, without prejudice, however to the possible application of the non-compete provisions mentioned below in (4).
- Discontinuation of payment of any compensation, bonuses and benefits in kind as from the date of effect of the termination of the corporate office. This date is immediate in the case of a removal for good cause. In contrast, it shall enter into effect after the two-months' notice period (notice period ending on the last day of the current month) in the case of termination at the initiative of the corporate officer.

(4) Application of the non-compete clause

- The Management Agreement contains a post-contractual non-compete clause.
  This applies (i) automatically, except where expressly waived by Valneva Austria GmbH, in the event of dismissal by Valneva Austria GmbH for good cause (Section 27 of the Austrian White Collar Workers Act – *Angestelltengesetz*), or the early and unjustified resignation at the initiative of the corporate officer (Section 26 of the Austrian White Collar Workers Act – *Angestelltengesetz*), or resignation without cause at the initiative of the corporate officer and (ii) upon the express declaration by Valneva Austria GmbH in the case of termination by Valneva Austria GmbH without good cause.
- When the non-compete clause applies, this results in the payment of financial consideration equal to the amount of compensation defined by Section 6.1 of the Management Agreement (as adjusted) and the bonus defined by Section 6.3 of the Management Agreement, on a prorate basis, for the duration of the non-compete obligation (*i.e.* one year from the date of the Management Agreement's termination).

This payment shall not be payable in combination with the continued payment of compensation mentioned above in paragraph (2).

Estimate gross amounts to be paid by Valneva Austria GmbH, including charges borne by the subsidiary, in case of event (4) occurring at May 31, 2022

Indemnities in case of application of the non-compete clause for a period of 12 months: €383,041.67
Charges: €52,677.74
Total: €435,719.41

Except in the case of indemnities paid in consideration of the non-compete clause, any indemnity that would be payable by Valneva Austria GmbH in accordance with the foregoing shall be pay only if Mr. Juan Carlos Jaramillo achieves not less than 60% of his individual and collective goals in the aggregate during the preceding calendar year, as these goals are set and assessed by the Supervisory Board.
Indemnities set in Section 12 of the Management Agreement shall exclude any other indemnity, compensation or benefit, to the extent permitted by law.
Any severance payments made to the corporate officer by the compensation fund upon termination of the Management Agreement, as well as prospective entitlements to the corporate officer to severance benefits (in case that the fund does not have to make a payment upon termination) shall be deducted from the indemnities set in Section 12 of the Management Agreement, to the extent permitted by law.

The contractual relationship between Valneva Austria GmbH and Mr. Juan Carlos Jaramillo is regulated by the provisions of its Management Agreement, the Austrian Act on Limited Liability Companies *(GmbH-Gesetz),* the Austrian White Collar Workers Act *(Angestelltengesetz),* the Articles of Association of Valneva Austria GmbH and the binding resolutions of the General Meeting of Valneva Austria GmbH.

Management Agreement entered into with Valneva SE in March 2022

Effective as from the end of the 2022 Annual General Meeting called to approve the annual financial statements for the fiscal year ended December 31, 2021

Management Agreement authorized by the Supervisory Board in its meeting of March 15, 2022

(1) Inability to work due to illness or accident

- Valneva Austria GmbH shall pay the difference between the health insurance allowance and Mr. Jaramillo fixed compensation, so that the corporate officer shall receive an aggregate amount equal to 100% of his fixed compensation as outlined in Section 6.1 of the Management Agreement (as adjusted) for a period of three months, and 49% for an additional maximum period of three months.
- The limit for any period of 24 consecutive months is 100% compensation up to a maximum of six months, and 49% for a further maximum of six months.
- In all cases, payments shall cease upon expiry or termination of the Management Agreement.

(2) Termination or expiry of the Management Agreement

(i) at the initiative of Valneva Austria GmbH **without good cause** (subject to a 6-month notice period expiring at the end of the month), or
(ii) at the initiative of the corporate officer **with good cause** (in compliance with Section 26 of the Austrian White Collar Workers Act – *Angestelltengesetz*), including resignation justified by circumstances entailing a reduction in law or fact of his responsibilities in Valneva SE, or
(iii) in the event the office is not renewed at the end of its term.

- Payment of an indemnity equal to 12 months' fixed compensation pursuant to Section 6.1 of the Management Agreement (as adjusted), notice period included

Estimate gross amounts to be paid by Valneva Austria GmbH, including charges borne by the subsidiary, in case of event (2) occurring at December 31, 2022 and subject to the complete execution of the 6-month notice period

Indemnities: €158,500
Charges: €13,966.39
Total: €172,466.39

(3) Termination of the Management Agreement

(i) at the initiative of Valneva Austria GmbH **with good cause** (under Section 27 of the Austrian White Collar Workers Act – *Angestelltengesetz*), or
(ii) at the initiative of the corporate officer **without good cause** (including resignation not justified by circumstances entailing a reduction in fact or in right of his responsibilities in Valneva SE).

- No severance benefits are payable to the corporate officer, without prejudice, however to the possible application of the non-compete provisions mentioned below in (4), or of the unemployment indemnity described in (5).
- Discontinuation of payment of any compensation, bonuses and benefits in kind as from the date of effect of the termination of the corporate office. This date is immediate in the case of a removal for good cause. However, it takes effect at the end of a six-month notice period (expiring at the end of the month) in the event of termination at the initiative of the corporate officer.

(4) Application of the non-compete clause

- The Management Agreement contains a post-contractual non-compete clause.
  This applies (i) automatically, except where expressly waived by Valneva Austria GmbH, in the event of dismissal by Valneva Austria GmbH for good cause (Section 27 of the Austrian White Collar Workers Act – *Angestelltengesetz*), or the early and unjustified resignation at the initiative of the corporate officer (Section 26 of the Austrian White Collar Workers Act – *Angestelltengesetz*), or resignation without cause at the initiative of the corporate officer and (ii) upon the express declaration by Valneva Austria GmbH in the case of termination by Valneva Austria GmbH without good cause.
- When the non-compete clause applies, this results in the payment of financial consideration equal to the amount of compensation defined by Section 6.1 of the Management Agreement (as adjusted) and the bonus defined by Section 6.3 of the Management Agreement, on a prorate basis, for the duration of the non-compete obligation (*i.e.* one year from the date of the Management Agreement's termination).

This payment shall not be payable in combination with the continued payment of compensation mentioned above in paragraph (2).

Estimate gross amounts to be paid by Valneva Austria GmbH, including charges borne by the subsidiary, in case of event (4) occurring at December 31, 2022

Indemnities in case of application of the non-compete clause for a period of 12 months: €475,500
Charges: €59,065.55
Total: €534,565.55

(5) Unemployment indemnity

Applicable in the case of termination or end of Management Agreement
(i) at the initiative of Valneva Austria GmbH (whether for cause or without cause in the Austrian statutory sense), or
(ii) in the event that the office is not renewed by Valneva Austria GmbH at the end of its term,
and subject to the corporate officer not subsequently involved in any professional activity.

- Payment by Valneva Austria GmbH, for a maximum period of 12 months starting one month after the end of the Management Agreement, of a monthly unemployment indemnity (the ***Unemployment Indemnity)*** equal to what he would have received if he had been covered by the French private unemployment insurance for corporate officers and independent workers, known as ***GSC Insurance***, less any unemployment indemnity payable under the Austrian national unemployment insurance (or any other national unemployment insurance if applicable).
- This unemployment Indemnity:
  - shall be in addition to the contractual termination indemnity specified in paragraph (2) above, where applicable;
  - shall always be subject to all terms and conditions of the GSC Insurance as applicable at the relevant time, including without limitation (a) the requirement to be registered with appropriate authorities as an unemployed person seeking employment and (b) the requirement to be available for a professional activity and medically able to work;
  – is based on the concept of "involuntary loss of professional activity", which excludes all types of resignation and any departure by mutual agreement;
  – shall not be payable if none of the other Valneva SE Management Board members is covered by the actual GSC Insurance upon the Managing Director's dismissal or the expiration of this Management Agreement; and
  - shall no longer be due if and when the corporate officer engages in any type of professional activity again.

The contractual relationship between Valneva Austria GmbH and Mr. Juan Carlos Jaramillo is regulated by the provisions of its Management Agreement, the Austrian Act on Limited Liability Companies *(GmbH-Gesetz),* the Austrian White Collar Workers Act *(Angestelltengesetz),* the Articles of Association of Valneva Austria GmbH and the binding resolutions of the General Meeting of Valneva Austria GmbH.

Indemnities payable to Mr. Peter Bühler, CFO (and member of the Management Board from January 1, 2022)

Management Agreement entered into with Valneva Austria GmbH on June 30, 2021

Effective since January 1, 2022

Authorized by the Supervisory Board in its meeting of June 29, 2021

(1) Inability to work due to illness or accident

- Valneva Austria GmbH shall pay the difference between the health insurance allowance and Mr. Bühler's fixed compensation, so that the corporate officer shall receive an aggregate amount equal to 100% of his fixed compensation as outlined in Section 6.1 of the Management Agreement (as adjusted) for a period of three months, and 49% for an additional maximum period of three months.
- The limit for any period of 24 consecutive months is 100% compensation up to a maximum of six months, and 49% for a further maximum of six months.
- In all cases, payments shall cease upon expiry or termination of the Management Agreement.

(2) Termination or expiry of the Management Agreement

(i) at the initiative of Valneva Austria GmbH **without good cause,** or
(ii) at the initiative of the corporate officer **with good cause** (in compliance with Section 26 of the Austrian White Collar Workers Act – *Angestelltengesetz*), including resignation justified by circumstances entailing a reduction in law or fact of his responsibilities in Valneva SE, or
(iii) in the event the office is not renewed at the end of its term.

- Payment of an indemnity equal to 12 months' fixed compensation pursuant to Section 6.1 of the Management Agreement (as adjusted), notice period included

Estimate gross amounts to be paid by Valneva Austria GmbH, including charges borne by the subsidiary, in case of event (2) occurring at May 31, 2022 and subject to the complete execution of a 2-month notice period

Indemnities: €291,666.67
Charges: €26,905.10
Total: €318,571.77

(3) Termination of the Management Agreement

(i) at the initiative of Valneva Austria GmbH **with good cause** (under Section 27 of the Austrian White Collar Workers Act – *Angestelltengesetz*), or
(ii) at the initiative of the corporate officer **without good cause** (including resignation not justified by circumstances entailing a reduction in fact or in right of his responsibilities in Valneva SE).

- No severance benefits are payable to the corporate officer, without prejudice, however to the possible application of the non-compete provisions mentioned below in (4).
- Discontinuation of payment of any compensation, bonuses and benefits in kind as from the date of effect of the termination of the corporate office. This date is immediate in the case of a removal for good cause. In contrast, it shall enter into effect after the two-months' notice period (notice period ending on the last day of the current month) in the case of termination at the initiative of the corporate officer.

(4) Application of the non-compete clause

- The Management Agreement contains a post-contractual non-compete clause.
  This applies (i) automatically, except where expressly waived by Valneva Austria GmbH, in the event of dismissal by Valneva Austria GmbH for good cause (Section 27 of the Austrian White Collar Workers Act – *Angestelltengesetz*), or the early and unjustified resignation at the initiative of the corporate officer (Section 26 of the Austrian White Collar Workers Act – *Angestelltengesetz*), or resignation without cause at the initiative of the corporate officer and (ii) upon the express declaration by Valneva Austria GmbH in the case of termination by Valneva Austria GmbH without good cause.
- When the non-compete clause applies, this results in the payment of financial consideration equal to the amount of compensation defined by Section 6.1 of the Management Agreement (as adjusted) and the bonus defined by Section 6.3 of the Management Agreement, on a prorate basis, for the duration of the non-compete obligation (*i.e.* one year from the date of the Management Agreement's termination).

This payment shall not be payable in combination with the continued payment of compensation mentioned above in paragraph (2).

Estimate gross amounts to be paid by Valneva Austria GmbH, including charges borne by the subsidiary, in case of event (4) occurring at May 31, 2022

Indemnities in case of application of the non-compete clause for a period of 12 months: €422,916.67
Charges: €56,148.66
Total: €479,065.32

Except in the case of indemnities paid in consideration of the non-compete clause, any indemnity that would be payable by Valneva Austria GmbH in accordance with the foregoing shall be paid only if Mr. Peter Bühler achieves not less than 60% of his individual and collective goals in the aggregate during the preceding calendar year, as these goals are set and assessed by the Supervisory Board.
Indemnities set in Section 12 of the Management Agreement shall exclude any other indemnity, compensation or benefit, to the extent permitted by law.
Any severance payments made to the corporate officer by the compensation fund upon termination of the Management Agreement, as well as prospective entitlements to the corporate officer to severance benefits (in case that the fund does not have to make a payment upon termination) shall be deducted from the indemnities set in Section 12 of the Management Agreement, to the extent permitted by law.

The contractual relationship between Valneva Austria GmbH and Mr. Peter Bühler is regulated by the provisions of its Management Agreement, the Austrian Act on Limited Liability Companies *(GmbH-Gesetz),* the Austrian White Collar Workers Act *(Angestelltengesetz),* the Articles of Association of Valneva Austria GmbH and the binding resolutions of the General Meeting of Valneva Austria GmbH.

Management Agreement concluded with Valneva SE in March 2022

Effective as from the end of the 2022 Annual General Meeting called to approve the annual financial statements for the fiscal year ended December 31, 2021

Management Agreement authorized by the Supervisory Board in its meeting of March 15, 2022

(1) Inability to work due to illness or accident

- Valneva Austria GmbH shall pay the difference between the health insurance allowance and Mr. Bühler's fixed compensation, so that the corporate officer shall receive an aggregate amount equal to 100% of his fixed compensation as outlined in Section 6.1 of the Management Agreement (as adjusted) for a period of three months, and 49% for an additional maximum period of three months.
- The limit for any period of 24 consecutive months is 100% compensation up to a maximum of six months, and 49% for a further maximum of six months.
- In all cases, payments shall cease upon expiry or termination of the Management Agreement.

(2) Termination or expiry of the Management Agreement

(i) at the initiative of Valneva Austria GmbH **without good cause** (subject to a 6-month notice period expiring at the end of the month), or
(ii) at the initiative of the corporate officer **with good cause** (in compliance with Section 26 of the Austrian White Collar Workers Act – *Angestelltengesetz*), including resignation justified by circumstances entailing a reduction in law or fact of his responsibilities in Valneva SE, or
(iii) in the event the office is not renewed at the end of its term.

- Payment of an indemnity equal to 12 months' fixed compensation pursuant to Section 6.1 of the Management Agreement (as adjusted), notice period included

Estimate gross amounts to be paid by Valneva Austria GmbH, including charges borne by the subsidiary, in case of event (2) occurring at December 31, 2022 and subject to the complete execution of the 6-month notice period

Indemnities: €190,000
Charges: €16,741.54
Total: €206,741.54

(3) Termination of the Management Agreement

(i) at the initiative of Valneva Austria GmbH **with good cause** (under Section 27 of the Austrian White Collar Workers Act – *Angestelltengesetz*), or
(ii) at the initiative of the corporate officer **without good cause** (including resignation not justified by circumstances entailing a reduction in fact or in right of his responsibilities in Valneva SE).

- No severance benefits are payable to the corporate officer, without prejudice, however to the possible application of the non-compete provisions mentioned below in (4), or of the unemployment indemnity described in (5).
- Discontinuation of payment of any compensation, bonuses and benefits in kind as from the date of effect of the termination of the corporate office. This date is immediate in the case of a removal for good cause. However, it takes effect at the end of a six-month notice period (expiring at the end of the month) in the event of termination at the initiative of the corporate officer.

(4) Application of the non-compete clause

- The Management Agreement contains a post-contractual non-compete clause.
  This applies (i) automatically, except where expressly waived by Valneva Austria GmbH, in the event of dismissal by Valneva Austria GmbH for good cause (Section 27 of the Austrian White Collar Workers Act – *Angestelltengesetz*), or the early and unjustified resignation at the initiative of the corporate officer (Section 26 of the Austrian White Collar Workers Act – *Angestelltengesetz*), or resignation without cause at the initiative of the corporate officer and (ii) upon the express declaration by Valneva Austria GmbH in the case of termination by Valneva Austria GmbH without good cause.
- When the non-compete clause applies, this results in the payment of financial consideration equal to the amount of compensation defined by Section 6.1 of the Management Agreement (as adjusted) and the bonus defined by Section 6.3 of the Management Agreement, on a prorate basis, for the duration of the non-compete obligation (*i.e.* one year from the date of the Management Agreement's termination).

This payment shall not be payable in combination with the continued payment of compensation mentioned above in paragraph (2).

Estimate gross amounts to be paid by Valneva Austria GmbH, including charges borne by the subsidiary, in case of event (4) occurring at December 31, 2022

Indemnities in case of application of the non-compete clause for a period of 12 months: €570,000
Charges: €67,391
Total: €637,391

(5) Unemployment indemnity

Applicable in the case of termination or end of Management Agreement
(i) at the initiative of Valneva Austria GmbH (whether for cause or without cause in the Austrian statutory sense), or
(ii) in the event that the office is not renewed by Valneva Austria GmbH at the end of its term,
and subject to the corporate officer not subsequently involved in any professional activity.

- Payment by Valneva Austria GmbH, for a maximum period of 12 months starting one month after the end of the Management Agreement, of a monthly unemployment indemnity (the ***Unemployment Indemnity)*** equal to what he would have received if he had been covered by the French private unemployment insurance for corporate officers and independent workers, known as ***GSC Insurance***, less any unemployment indemnity payable under the Austrian national unemployment insurance (or any other national unemployment insurance if applicable).
- This unemployment Indemnity:
  - shall be in addition to the contractual termination indemnity specified in paragraph (2) above, where applicable;
  - shall always be subject to all terms and conditions of the GSC Insurance as applicable at the relevant time, including without limitation (a) the requirement to be registered with appropriate authorities as an unemployed person seeking employment and (b) the requirement to be available for a professional activity and medically able to work;
  – is based on the concept of "involuntary loss of professional activity", which excludes all types of resignation and any departure by mutual agreement;
  – shall not be payable if none of the other Valneva SE Management Board members is covered by the actual GSC Insurance upon the Managing Director's dismissal or the expiration of this Management Agreement; and
  - shall no longer be due if and when the corporate officer engages in any type of professional activity again.

Except in the case of indemnities paid in consideration of the non-compete clause, any indemnity that would be payable by Valneva Austria GmbH in accordance with the foregoing shall be paid only if Mr. Peter Bühler achieves not less than 60% of his individual and collective goals in the aggregate during the preceding calendar year, as these goals are set and assessed by the Supervisory Board.
Indemnities set in Section 12 of the Management Agreement shall exclude any other indemnity, compensation or benefit, to the extent permitted by law.
Any severance payments made to the corporate officer by the compensation fund upon termination of the Management Agreement, as well as prospective entitlements to the corporate officer to severance benefits (in case that the fund does not have to make a payment upon termination) shall be deducted from the indemnities set in Section 12 of the Management Agreement, to the extent permitted by law.

The contractual relationship between Valneva Austria GmbH and Mr. Peter Bühler is regulated by the provisions of its Management Agreement, the Austrian Act on Limited Liability Companies *(GmbH-Gesetz),* the Austrian White Collar Workers Act *(Angestelltengesetz),* the Articles of Association of Valneva Austria GmbH and the binding resolutions of the General Meeting of Valneva Austria GmbH.

Additional provisions specifically relating to the non-compete commitments

Mr. Thomas Lingelbach

- Legal restrictions on competition pursuant to Section 24 of the Austrian Act on Limited Liability Companies apply to the corporate officer.
- Article 10.2 of the Management Agreement of Mr. Lingelbach (non-applicable if waiver by Valneva Austria GmbH): for a period of one year following the termination of his Management Agreement, the corporate officer shall not be gainfully employed with a competitor, especially in the fields of serums.

  "Being gainfully employed" means in particular (without limitation): (i) entering into a contractual relationship with a competitor of Valneva Austria GmbH, be it as white-collar employee, consultant or in a similar position; or (ii) becoming a direct or indirect owner or shareholder of a home or foreign competitor of Valneva Austria GmbH, except for the investment in listed stock corporations for investment reasons only; or (iii) becoming member of a legal (representative) body of a competitor of Valneva Austria GmbH, especially in the Management Board, the Supervisory Board or as acounsel or consultant, even if the services are not remunerated.
- Article 10.3 of the Management Agreement of Mr. Lingelbach: the corporate officer shall not, for aperiod of 12 months following the termination of the employment, induce personnel, freelancer, consultants or members of the Scientific Board in whichever form to terminate their employment contract with Valneva Austria GmbH.

Mr. Franck Grimaud

- Article 10.1 of the Management Agreement of Mr. Grimaud (non-applicable if waived by the Supervisory Board of Valneva SE): for a period of one year following the termination of his respective Management Agreement, the corporate officer shall not be gainfully employed with a competitor, especially in the fields of serums.

  "Being gainfully employed" means in particular (without limitation): (i) entering into a contractual relationship with a competitor of Valneva SE or Valneva Austria GmbH, be it as white-collar employee, consultant or in a similar position; or (ii) becoming direct or indirect owner or shareholder of a home or foreign competitor of Valneva SE or Valneva Austria GmbH, except for the investment in listed stock corporations for investment reasons only; or (iii) becoming member of a legal (representative) body of a competitor of Valneva SE or Valneva Austria GmbH, especially in the Management Board, the Supervisory Board or as a counsel or consultant, even if the services are not remunerated.
- Article 10.2 of the Management Agreement of Mr. Grimaud: the corporate officer shall not, for a period of 12 months following the termination of the employment, induce personnel, freelancers, consultants or members of the Scientific Board in whichever form to terminate their employment contract with Valneva SE.

Mr. Frédéric Jacotot

- Article 10.1 of the Management Agreement of Mr. Jacotot (non-applicable if waived by the Supervisory Board of Valneva SE): for a period of one year following the termination of his respective Management Agreement, the corporate officer shall not be gainfully employed with a competitor, especially in the fields of serums.

  "Being gainfully employed" means in particular (without limitation): (i) entering into a contractual relationship with a competitor of Valneva SE or Valneva Austria GmbH, be it as white-collar employee, consultant or in a similar position; or (ii) becoming direct or indirect owner or shareholder of a home or foreign competitor of Valneva SE or Valneva Austria GmbH, except for the investment in listed stock corporations for investment reasons only; or (iii) becoming member of a legal (representative) body of a competitor of Valneva SE or Valneva Austria GmbH, especially in the Management Board, the Supervisory Board or as a counsel or consultant, even if the services are not remunerated.
- Article 10.2 of the Management Agreement of Mr. Jacotot: the corporate officer shall not, for a period of 12 months following the termination of the employment, induce personnel, freelancers, consultants or members of the Scientific Board in whichever form to terminate their employment contracts with Valneva SE

Mr. Juan Carlos Jaramillo

- Legal restrictions on competition pursuant to Section 24 of the Austrian Act on Limited Liability Companies apply to the corporate officer.
- Article 10.2 of the Management Agreement of Mr. Jaramillo (non-applicable if waiver by Valneva Austria GmbH): for a period of one year following the termination of his Management Agreement, the corporate officer shall not be gainfully employed with a competitor, especially in the fields of serums.

  "Being gainfully employed" means in particular (without limitation): (i) entering into a contractual relationship with a competitor of Valneva Austria GmbH, be it as white-collar employee, consultant or in a similar position; or (ii) becoming a direct or indirect owner or shareholder of a home or foreign competitor of Valneva Austria GmbH, except for the investment in listed stock corporations for investment reasons only; or (iii) becoming a member of a governing body of a competitor of Valneva Austria GmbH, especially in the Management Board, the Supervisory Board or as a counsel or consultant, even if the services are not remunerated.

- Article 10.3 of the Management Agreement of Mr. Jaramillo: the corporate officer shall not, for a period of 12 months following the termination of the employment, induce personnel, freelancer, consultants or members of the Scientific Board in whichever form to terminate their employment contract with Valneva Austria GmbH.

Mr. Peter Bühler

- Legal restrictions on competition pursuant to Section 24 of the Austrian Act on Limited Liability Companies apply to the corporate officer.
- Article 10.2 of the Management Agreement of Mr. Bühler (non-applicable if waiver by Valneva Austria GmbH): for a period of one year following the termination of his Management Agreement, the corporate officer shall not be gainfully employed with a competitor, especially in the fields of serums.

  "Being gainfully employed" means in particular (without limitation): (i) entering into a contractual relationship with a competitor of Valneva Austria GmbH, be it as white-collar employee, consultant or in a similar position; or (ii) becoming a direct or indirect owner or shareholder of a home or foreign competitor of Valneva Austria GmbH, except for the investment in listed stock corporations for investment reasons only; or (iii) becoming a member of a governing body of a competitor of Valneva Austria GmbH, especially in the Management Board, the Supervisory Board or as a counsel or consultant, even if the services are not remunerated.
- Article 10.3 of the Management Agreement of Mr. Bühler: the corporate officer shall not, for a period of 12 months following the termination of the employment, induce personnel, freelancer, consultants or members of the Scientific Board in whichever form to terminate their employment contract with Valneva Austria GmbH.

Death and endowment insurance policy

Messrs. Thomas Lingelbach, Juan Carlos Jaramillo and Peter Bühler, in their capacity as Managing Director of Valneva Austria GmbH, benefit from a death and endowment insurance policy paid for by Valneva Austria GmbH.

The premium currently paid by Valneva Austria GmbH amounts to €1,000 per month and wll increase at €1,500 per month as from the General Meeting of June 2022[1].

Valneva Austria GmbH will stop paying this insurance premium upon termination or expiration of their Management Agreement.

Messrs. Lingelbach, Jaramillo and Bühler may then, at their sole discretion, (a) leave the accrued savings within the insurance policy until the retirement age (such savings would then approximately amount to €258,408 for Mr. Lingelbach, €20,654 for Mr. Jaramillo, and €7,026 for Mr. Bühler[2] (b) terminate the insurance policy and get the accrued savings as a cash settlement, or (c) convert the accrued savings into a life annuity paid by the insurance company.

Upon expiration of his Management Agreement at the end of June 2022, Mr. Lingelbach could receive approximately €168,932 in the event of a capital outflow, or approximately €7,546 per year in the event of conversion into a life annuity. Mr. Jaramillo could receive approximately €16,855 in the event of a capital outflow, or approximately €379 per year in the event of conversion into a life annuity. Finally Mr. Bühler could receive approximately €5,721 in the event of a capital outflow, or approximately €155 per year in the event of conversion into a life annuity.

(1) See Section 2.6.2.1 (b) of this URD.
(2) These numbers are approximate only because they depend on the actual financial performance of the insurance policy.

2.6.2.2. Compensation paid and granted to the Supervisory Board members

(a) Individual disclosure of fees and other compensation to non-executive officers in office during the fiscal year 2021 (gross amounts before tax)

	Amounts earned in 2021 (1)	Amounts paid in 2021(2)	Amounts earned in 2020 (3)	Amounts paid in 2020(4)
Mr. Frédéric Grimaud, Chairman of the Supervisory Board				
Fees	€75,000	€72,916.67	€50,000	€50,000
Other compensation	€0	€0	€0	€0
Mr. James Sulat, Member of the Supervisory Board (Vice-President of the Supervisory Board from June 17, 2020)				
Fees	€55,000	€54,166.67	€41,331.52	€30,498.19
Other compensation	€0	€0	€0	€0
Ms. Anne-Marie Graffin, Supervisory Board member				
Fees	€55,000	€53,333.33	€31,250	€24,646.74
Other compensation	€0	€0	€0	€0
Mr. Thomas Casdagli, Supervisory Board member (from December 12, 2019 until March 12, 2021)(5)				
Fees	€0	€0	€0	€0
Other compensation	€0	€0	€0	€0
Ms. Sharon Tetlow, Supervisory Board member (from June 17, 2020)				
Fees	€55,000	€50,625	€28,695.65	€13,695.65
Other compensation	€0	€0	€0	€0
Ms. Johanna Pattenier, Supervisory Board member (from June 17, 2020)				
Fees	€45,000	€43,750	€28,695.65	€13,695.65
Other compensation	€0	€0	€0	€0
TOTAL	**€285,000**	**€274,791.67**	**€179,972.82**	**€132,536.23**

(1) **Amounts set for the period from January 1, 2021 to May 31, 2021 (and then for each period of twelve months beginning on June 1, 2021 or any anniversary thereof),** following a decision of the Supervisory Board dated February 9, 2021. In the case of Ms. Sharon Tetlow, her compensation, initially set at €45,000, has been increased to €55,000 following a decision of the Supervisory Board dated March 23, 2021 after her appointment as Chair of the Audit and Governance Committee.
(2) **Amounts received from January 1, 2021 to December 31, 2021.**
(3) **Amounts initially set for the period from June 1, 2020 to May 31, 2021 (or from June 17, 2020 to May 31, 2021 for the members appointed as from June 17, 2020), before amendment for 2021 following a decision of the Supervisory Board dated February 9, 2021**. Amounts set following a decision of the Supervisory Board dated June 17, 2020 and taking into account, where applicable, the waiver by most members of the Supervisory Board of their fees (in particular for the second calendar quarter of 2020).
(4) **Amounts received from January 1, 2020 to December 31, 2020,** taking into account, where applicable, the waiver by most members of the Supervisory Board of their fees (in particular for the second calendar quarter of 2020).
(5) In the case of Mr. Thomas Casdagli, no compensation was allocated or paid to him in 2020 and 2021, as he expressly waived this right.

(b) Equity warrants (BSA)

BSA 27

Grant decision date	Management Board dated December 15, 2017
Number of BSAs authorized by the General Meeting	125,000 (Extraordinary General Meeting dated June 30, 2016)
Number of BSAs issued by the Management Board	87,500
Beneficiaries and amount of BSA granted	▪ 25,000 BSA 27 to the Chair of the Supervisory Board, Mr. Frédéric Grimaud ▪ 12,500 BSA 27 for each one of the following beneficiaries: - Mr. Alain Munoz - Ms. Anne-Marie Graffin - Mr. James Sulat - Mr. Alexander von Gabain - Mr. Ralf Clemens, Supervisory Board members at the time the plan was launched.
Number of BSAs lapsed at December 31, 2021	15,625
Number of BSAs exercised at December 31, 2021	50,000
Number of outstanding BSAs at December 31, 2021	21,875
Number of potential Valneva SE ordinary shares to be issued upon exercise of outstanding BSAs at December 31, 2021	21,875 (1 BSA to 1 Valneva SE ordinary share)
Exercise price per share	€2.574
Expiry date of the plan	December 15, 2022

- **Changes in the BSA 27 plan since the end of the fiscal year 2021**: as of February 28, 2022, and following the exercise of 6,250 BSA 27 in January and February 2022, the total number of exercised BSA 27 under this plan was 56,250. The number of outstanding BSA 27 was therefore 15,625 (entitling the holder to an equivalent number of new ordinary shares).

2.6.3. Change in the annual compensation of the employees and corporate officers, and of the performance of the Company, during the last five years

The information presented in the table opposite has been prepared taking into account the **compensation paid to each of the corporate officers for the relevant financial year** - including, as the case may be, the bonus or exceptional compensation, as well as benefits in kind - **set against** :

- **the average (1) and (2) median annual compensation (determined on a Full-Time Equivalent basis) paid for the relevant fiscal year to employees of the Company who are not corporate officers,** including, as the case may be, bonus or exceptional compensation, as well as benefits in kind; and
- **the gross Interprofessional Minimum Growth Wage (3) as set for the relevant fiscal year**, restated on an annual basis on the basis of the last known value for the corresponding year (as published in the *Journal Officiel*)(1).

In order to ensure the consistency of the data, certain components of the compensation of corporate officers have also been restated on an annual basis, in the event the corporate officer took office or terminated his duties during the fiscal year.

Please note:

- Ratios for members of the Management Board have been rounded up to the next higher unit if their value was equal to or greater than -.50, and down to the next lower unit if their value was below -.50. However, in order to provide more precise data, the percentages of change in the ratios of the members of the Management Board have been determined by taking into account the value of these ratios rounded to two decimal places.
- Concerning the Chair of the Supervisory Board, the ratios are presented with two decimals, again for the sake of precision (the level of compensation being fairly close to the average and median compensation of the employees who are not corporate officers).
- The sign "=", as the case may be, means that the compensation values remained the same from one year to another.

Comments:

- The increase in the compensation of Messrs. David Lawrence and Wolfgang Bender between the fiscal years 2017 and 2018 is explained by the fact that they received a variable compensation (in connection with the achievement of objectives) for the first time in the fiscal year 2018. Messrs. Lawrence and Bender also received an exceptional compensation in 2018, which is not reflected in 2017.
- The increase in compensation for all members of the Management Board between the fiscal years 2018 and 2019 is mainly due to the payment of a higher target bonus in 2019. Indeed, the Company's Supervisory Board had validated, for each of the Management Board members, 75% of the objectives set for the year 2017 (bonus paid in 2018), against 86% to 100% of the objectives set for the year 2018, depending on the concerned Management Board member (bonus paid in 2019).
- The decrease in the compensation of the Management Board members between the fiscal years 2019 and 2020 is due to the payment of exceptional compensation in 2019, which is not reflected in 2020.
- The increase in compensation for all members of the Management Board between the fiscal years 2020 and 2021 is mainly due to the payment of a higher target bonus in 2021. The Company's Supervisory Board approved 83% to 89% of the targets set for the year 2019, depending on the concerned Board member (bonus paid in 2020), against 100% of the targets set for the year 2020 for each member of the Management Board (bonus paid in 2021). In addition, on the basis of a comparative study conducted by AON in 2020 in preparation to a possible listing of the Company on the Nasdaq, the compensation of the Chair of the Management Board had been readjusted upwards by the Supervisory Board for 2021.
- The increase in the compensation of the Chair of the Supervisory Board between the fiscal years 2020 and 2021 was also based on the comparative study conducted by AON in 2020 (ranges of compensation for all Supervisory Board members were then increased).

(1) In accordance with Recommendation No. 16 of the MiddleNext Code.

	2017(i)	2018	2019(i)	2020(ii) (iii)	2021
Company's net result(*)	- 21.36%	- 10.28%	- 66.15 %	+ 47.97%	- 93.78%
Average remuneration of the non-corporate officer employees(*)	+ 6.46%	+ 10.82%	- 5.16%	+ 1.48%	+ 2.98%
CHANGE IN THE REMUNERATION OF THE MANAGEMENT BOARD MEMBERS (*) - COMPENSATION RATIOS					
Chair of the Management Board Mr. Thomas Lingelbach	**+ 8.39 %**	**+0.16 %**	**+ 15.42 %**	**- 9.92 %**	**+ 9.31 %**
Compensation ratio (1) / Change in % vs. N-1	11 / + 1.81	10 / - 9.62	12 / + 21.70	10 / - 11.24	11 / + 6.14
Compensation ratio (2) / Change in % vs. N-1	14 / + 3.65	12 / - 11.64	16 / + 31.57	14 / - 15.41	15 / + 10.03
Compensation ratio (3) / Change in % vs. N-1	34 / + 7.39	34 / - 1.06	38 / + 13.69	34 / - 10.98	36 / + 5.87
Management Board member - *Directeur Général* & CBO Mr. Franck Grimaud	**+ 0.63%**	**- 3.10%**	**+ 8.30%**	**- 5.63%**	**+ 6.14%**
Compensation ratio (1) / Change in % vs. N-1	7 / - 5.48	6 / - 12.56	7 / + 14.19	6 / - 7.01	7 / + 3.07
Compensation ratio (2) / Change in % vs. N-1	9 / - 3.77	8 / - 14.52	10 / + 23.46	9 / - 11.38	9 / + 6.84
Compensation ratio (3) / Change in % vs. N-1	22 / - 0.30	21 / - 4.28	23 / + 6.68	21 / - 6.74	22 / + 2.80
Management Board member - General Counsel & Corporate Secretary Mr. Frédéric Jacotot Management Board member since April 1, 2017	**n.a.**	**+ 2.53%**	**+ 13.08%**	**- 4.63%**	**+ 17.49%**
Compensation ratio (1) / Change in % vs. N-1	4 / n.a.	4 / - 7.48	5 / + 19.24	4 / - 6.02	5 / + 14.09
Compensation ratio (2) / Change in % vs. N-1	6 / n.a.	5 / - 9.55	7 / + 28.91	6 / - 10.44	7 / + 18.26
Compensation ratio (3) / Change in % vs. N-1	14 / n.a.	14 / + 1.28	16 / + 11.39	15 / - 5.75	17 / +13.79
Management Board member - CFO Mr. David Lawrence Management Board member from August 7, 2017 to September 30, 2020	**n.a.**	**+ 15.89%**	**+ 37.80%**	**- 9.51%**	**n.a.**
Compensation ratio (1) / Change in % vs. N-1	6 / n.a.	6 / + 4.58	8 / + 45.30	8 / - 10.83	n.a.
Compensation ratio (2) / Change in % vs. N-1	7 / n.a.	8 / + 2.24	12 / + 57.09	10 / - 15.02	n.a.
Compensation ratio (3) / Change in % vs. N-1	18 / n.a.	21 / + 14.49	28 / + 35.74	25 / - 10.58	n.a.
Management Board member - CMO(iv) ▪ Mr. Wolfgang Bender Management Board member from September 1, 2017 to October 31, 2020 ▪ Mr. Juan Carlos Jaramillo Management Board member since October 1, 2020	**n.a.**	**+ 16.33%**	**+ 34.18%**	**- 8.51%**	**+ 15.15%**
Compensation ratio (1) / Change in % vs. N-1	5 / n.a.	6 / + 4.98	8 / + 41.48	7 / - 9.84	6 / - 22.71
Compensation ratio (2) / Change in % vs. N-1	7 / n.a.	7 / + 2.63	11 / + 52.96	10 / - 14.08	8 / - 19.88
Compensation ratio (3) / Change in % vs. N-1	18 / n.a.	20 / + 14.92	27 / + 32.17	24 / - 9.59	19 / - 22.91
CHANGE IN THE REMUNERATION OF THE SUPERVISORY BOARD MEMBERS (*) - COMPENSATION RATIOS					
Chair of the Supervisory Board Mr. Frédéric Grimaud	**=**	**=**	**=**	**=**	**+ 45.83%**
Compensation ratio (1) / Change in % vs. N-1	0.87 / - 6.07	0.78 / - 9.76	0.83 / + 5.44	0.82 / - 1.46	1.15 / + 41.61
Compensation ratio (2) / Change in % vs. N-1	1.15 / - 4.37	1.01 / - 11.78	1.15 / + 13.99	1.08 / - 6.09	1.59 / + 46.79
Compensation ratio (3) / Change in % vs. N-1	2.81 / - 0.92	2.78 / - 1.21	2.74 / - 1.50	2.71 / - 1.18	3.82 / + 41.24

(*) Change compared to the previous year.

(i) For purposes of consistency in the information presented, the valuation of dilutive instruments granted to corporate officers (stock options or free shares), as the case may be, is excluded from the scope of the calculation of the compensation ratios. As a reminder, for the fiscal year 2019, this valuation amounted to €845,750.85 for the Chair of the Management Board and €669,553.50 for each of the members of the Management Board (other than Mr. Juan Carlos Jaramillo), concerning the allocation of free ordinary shares. In respect of the fiscal year 2017, this valuation amounted to €559,301 for the Chair of the Management Board and €464,826 for each of the members of the Management Board (other than Mr. Juan Carlos Jaramillo), concerning the allocation of FCPS.

(ii) Les valeurs présentées ont été définies sans tenir compte des renonciations partielles à rémunération fixe par certains membres du directoire pour le 2d trimestre 2020.

(iii) Indemnities or other compensation paid in connection with the term of office of a corporate officer have not been taken into account in the basis for calculating the corporate officer compensation, so as to maintain comparability of the ratios (these indemnities or other compensation are not recurrent). For information purposes, termination indemnities were granted for the fiscal 2020 to Mr. David Lawrence for a total amount of €776,197.65, as well as compensation for accrued but untaken holidays for a total amount of €33,816.34.

(iv) Figures in the 2020-related column are attribuable to Mr. Wolfgang Bender.

2.6.4. Shareholding of the Management and Supervisory Board members in the share capital of the Company

2.6.4.1. Share capital held by the Management and Supervisory Board members

The figures below have been calculated in reference to a share capital of 91,763,762 Valneva SE shares, divided into (a) 91,743,248 ordinary shares (ISIN FR0004056851) with a par value of €0.15 each, and (b) 20,514 preferred share convertible into ordinary shares, also with a par value of €0.15 each.

Shareholding of the Management Board members at February 28, 2022

Name	Shares owned	Number of stock options owned and free shares being acquired
Mr. Thomas Lingelbach Chairman of the Management Board – President & CEO	**205,244 Valneva SE shares** (or 0.19% of the Company's share capital) Divided as follows: ▪ 197,236 ordinary shares ▪ 8,008 convertible preferred shares	+ **331,667 free ordinary shares** being vested
Mr. Franck Grimaud Management Board member – *Directeur Général* & CBO	**526,218 Valneva SE shares** (or 0.49% of the Company's share capital) Divided as follows: ▪ 520,550 ordinary shares ▪ 5,668 convertible preferred shares	**+ 262,570 free ordinary shares** being vested
Mr. Frédéric Jacotot Management Board member – General Counsel & Corporate Secretary	**68,214 Valneva SE shares** (or 0.06% of the Company's share capital) Divided as follows: ▪ 66,472 ordinary shares ▪ 1,742 convertible preferred shares	+ 262,570 free ordinary shares being vested
Mr. Peter Bühler Management Board member – CFO	0	0
Mr. Juan Carlos Jaramillo Management Board member – CMO	0	0

Shareholding of the Supervisory Board members at February 28, 2022

Name	Shares owned	Number of equity warrants owned
Mr. Frédéric Grimaud Chair of the Supervisory Board	**270,496 Valneva SE ordinary shares** (or 0.25% of the share capital of the Company)	**6,250 BSA 27,** giving right to 6,250 Valneva SE ordinary shares in total
Mr. James Sulat Vice-President of the Supervisory Board	**27,242 Valneva SE ordinary shares** (or 0.03% of the share capital of the Company)	**3,125 BSA 27**, giving right to 3,125 Valneva SE ordinary shares in total
Ms. Anne-Marie Graffin Member of the Supervisory Board	**11,125 Valneva SE ordinary shares** (or 0.01% of the share capital of the Company)	**3,125 BSA 27**, giving right to 3,125 Valneva SE ordinary shares in total
Ms. Sharon Tetlow Member of the Supervisory Board	0	0
Ms. Johanna Pattenier Member of the Supervisory Board	0	0

2.6.4.2 Corporate officers' dealings on the Company's securities

To the Company's knowledge, during the fiscal year 2021, no corporate officer made any transaction on Valneva SE financial instruments for a total amount (on an individual or cumulated basis) above €20,000. Consequently, there were no dealings reported pursuant to article L. 621-18-2 of the French Monetary and financial code.

2.7. Factors likely to have an impact in case of a public offering

2.7.1. Structure of the Company's share capital at December 31, 2021

At December 31, 2021, the Company's share capital stood at €15,785,862.75.

It was then composed of 105,239,085 shares in total, divided into:

- 105,190,223 ordinary shares (ISIN FR0004056851) with a par value of €0.15 each; and
- 48,862 preferred shares convertible into ordinary shares, also with a par value of €0.15 each.

These shares were all fully paid-up.

The corresponding number of theoretical voting rights (including suspended voting rights, such as those associated with treasury shares, and double voting rights) amounted to 127,844,322. The number of net voting rights was 127,720,000.

Shareholding structure of the Company at December 31, 2021

(End of business day, to the Company's knowledge)

		Shares held (*)				
SHAREHOLDERS		Ordinary shares	Preferred shares convertible into ordinary shares	%	Theoretical voting rights	%
Groupe Grimaud La Corbière SAS (**)		**13,704,831**	**0**	**13.02**	**27,409,661**	**21.44**
Bpifrance Participations SA		**8,619,478**	**0**	**8.19**	**16,076,263**	**12.57**
Management Board members	**Total Management Board members**	**636,674**	**30,316**	**0.64**	**1,149,143**	**0.90**
	Mr. Franck Grimaud	485,889	10,319	0.47	971,778	0.76
	Mr. Thomas Lingelbach	139,983	13,604	0.15	155,761	0.12
	Mr. Frédéric Jacotot	10,802	6,393	0.02	21,604	0.02
	Mr. Juan Carlos Jaramillo	0	0	0.00	0	0.00
Employees (non-corporate officers)		**101,142**	**13,756**	**0.11**	**184,518**	**0.14**
Other shareholders (private individuals)		**1,017,595**	**4,790**	**0.97**	**1,914,234**	**1.50**
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS(**)		707,458	0	0.67	1,366,118	1.18
Including independant members of the Supervisory Board	Mr. James Sulat	27,242	0	0.03	48,234	0.04
	Ms. Anne-Marie Graffin	11,125	0	0.01	11,125	0.01
Other floating capital		**81,110,503**	**0**	**77.07**	**81,110,503**	**63.45**
SUBTOTAL BY CATEGORY		**105,190,223**	**48,862**	**100**	**127,844,322**	**100.00**
TOTAL			**105,239,085**	**100**	**127,844,322**	**100.00**

(*) Percentages in this table are calculated in reference to a share capital of 105,239,085 Valneva SE shares, divided into (a) 105,190,223 ordinary shares (ISIN FR0004056851) with a par value of €0.15 each, and (b) 48,862 preferred shares convertible into ordinary shares, also with a par value of €0.15 each.

(**) The Groupe Familial Grimaud is comprised of the company Groupe Grimaud La Corbière SAS, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.

For comparison purposes, for the previous fiscal years 2019 and 2020, the Company's shareholding structure was as follows:

Shareholding structure of the Company at December 31, 2020

(End of business day, to the Company's knowledge)

		Shares held (*)				
SHAREHOLDERS		Ordinary shares	Preferred shares convertible into ordinary shares	%	Theoretical voting rights	%
Groupe Grimaud La Corbière SA (**)		**13,704,830**	**0**	**15.07**	**27,409,660**	**22.91**
Bpifrance Participations SA		**7,456,785**	**0**	**8.20**	**14,913,570**	**12.47**
Fonds MVM (MVM IV LP & MVM GP (No.4) Scottish LP)		**7,950,617**	**0**	**8.74**	**13,801,756**	**11.55**
Management Board members	**Total Management Board members**	**636,674**	**15,418**	**0.72**	**1,129,843**	**0.94**
	Mr. Franck Grimaud	485,889	5,668	0.54	968,478	0.81
	Mr. Thomas Lingelbach	139,983	8,008	0.16	145,761	0.12
	Mr. Frédéric Jacotot	10,802	1,742	0.01	15,604	0.01
	Mr. Juan Carlos Jaramillo	0	0	0	0	0
Employees (non-corporate officers)		**106,374**	**5,096**	**0.12**	**242,351**	**0.20**
Other shareholders (private individuals)		**1,182,589**	**0**	**1.31**	**2,210,627**	**1.85**
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS(**)		731,448	0	0.80	1,420,349	1.19
Including independant members of the Supervisory Board	Mr. James Sulat	24,117	0	0.03	41,984	0.04
	Ms. Anne-Marie Graffin	8,000	0	0.01	8,000	0.01
Other floating capital		**59,912,179**	**0**	**65,86**	**59,912,179**	**50.09**
SUBTOTAL BY CATEGORY		**90,950,048**	**20,514**	**100**	**119,619,986**	**100**
TOTAL			**90,970,562**	**100**	**119,619,986**	**100**

(*) Percentages in this table are calculated in reference to a share capital of 90,970,562 Valneva SE shares, divided into (a) 90,950,048 ordinary shares (ISIN FR0004056851) with a par value of €0.15 each, and (b) 20,514 preferred shares convertible into ordinary shares, also with a par value of €0.15 each.

(**) The Groupe Familial Grimaud is comprised of the company Groupe Grimaud La Corbière SA, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.

Shareholding structure of the Company at December 31, 2019

(End of business day, to the Company's knowledge)

		Shares held (*)					
SHAREHOLDERS		Ordinary shares	Preferred shares	Preferred shares convertible into ordinary shares	%	Theoretical voting rights	%
Groupe Grimaud La Corbière SA (**)		**13,704,830**	**0**	**0**	**14.88**	**25,809,660**	**21.87**
Bpifrance Participations SA		**7,456,785**	**0**	**0**	**8.09**	**14,913,570**	**12.64**
Fonds MVM (MVM IV LP & MVM GP (No.4) Scottish LP)		**7,950,617**	**197,768**	**0**	**8.84**	**13,801,756**	**11.69**
Management Board members	**Total Management Board members**	**696,278**	**238**	**15,418**	**0.77**	**1,199,051**	**1.02**
	Mr. Franck Grimaud	485,889	0	5,668	0.53	968,478	0.82
	Mr. Thomas Lingelbach	139,983	238	8,008	0.16	145,761	0.12
	Mr. Frédéric Jacotot	10,802	0	1,742	0.01	15,604	0.01
	Mr. David Lawrence	39,802	0	0	0.04	44,604	0.04
	Mr. Wolfgang Bender	19,802	0	0	0.02	24,604	0,02
Employees (non-corporate officers)		**86,571**	**10**	**5,096**	**0.10**	**173,142**	**0.15**
Other shareholders (private individuals)		**1,189,763**	**1,469**	**0**	**1.29**	**2,291,357**	**1.94**
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS(**)		725,198	0	0	0.79	1,414,099	1.20
Including independant members of the Supervisory Board	Mr. James Sulat	20,992	0	0	0.02	38,859	0.03
	Mr. Alexander von Gabain	38,218	1,469	0	0.04	38,218	0.03
Other floating capital		**59,838,454**	**989,630**	**0**	**66.02**	**59,838,454**	**50.70**
SUBTOTAL BY CATEGORY		**90,923,298**	**1,189,115**	**20,514**	**100**	**118,026,990**	**100**
TOTAL			**92,132,927**		**100**	**118,026,990**	**100**

(*) Percentages in this table are calculated in reference to a share capital of 92,132,927 Valneva SE shares, divided into (a) 90,923,298 ordinary shares (ISIN FR0004056851) with a par value of €0.15 each, (b) 17,836,719 preferred shares (ISIN FR0011472943) with a par value of €0.01 each, written down to a par value of €0.15, and (c) 20,514 preferred shares convertible into ordinary shares (XFCS00X0I9M1), with a par value of €0.15 each.

*(**) The **Groupe Familial Grimaud** is comprised of the company Groupe Grimaud La Corbière SA, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.*

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

2.7.2.1. Restrictions under the Articles of Association on voting rights held by shareholders in General Meetings

(a) Restrictions relating to double voting rights

In principle, except in cases where the law provides otherwise, each shareholder shall have as many voting rights and express as many votes at meetings as this shareholder has ordinary shares fully paid up. Consequently, Article 13.2, 2° of the Company's Articles of Association states that: "for the same par value, each *[Valneva SE]* capital share or dividend right *(action de jouissance)* shall confer one vote".

Nevertheless, prior to the merger of Vivalis SA and Intercell AG, shareholders of the Company had the possibility to benefit from a double voting right for registered ordinary shares held for at least two years, under the terms set out in the Articles of Association.

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

Therefore, Article 13.2, 3° of the Articles of Association states that "ordinary shares fully paid up and evidenced as having been held in registered form in the name of the same shareholder for at least two years from the registration of the Company as a European Company *[i.e. as from May 28, 2013]*, carry a double voting right in respect to that granted to other ordinary shares *[of the Company]*, according to the portion of share capital they represent".

Consequently, double voting rights on Valneva SE ordinary shares have been reinstated as from May 28, 2015 only, for shareholders complying with the rules defined in the Articles of Association.

(b) Mandatory information regarding threshold crossings

Article 12, paragraph 4 of the Company's Article of Association states that "in addition to the legal obligation to inform the Company of holdings of certain fractions of the share capital and to make any resulting declaration of intent, each natural or legal person, acting alone or in concert, who comes to hold or ceases to hold a fraction equal to 2% of the share capital or voting rights, or any multiple of this percentage, shall be obliged to notify the Company of the same within four stock exchange trading days, as soon as one of these thresholds is crossed, by registered letter with notice of receipt, addressed to the registered office of the Company, specifying the number of shares, corresponding voting rights and securities giving access to the share capital that it holds alone or in concert".

In accordance with Article 12, paragraphs 8 and 9 of the Company's Articles of Association, failure to observe this requirement to report the crossing of ownership thresholds shall be "sanctioned, at the demand [...] of one or several shareholders who together hold a fraction of at least 2% of the share capital or voting rights of the Company, by suspension of voting rights attached to the shares which exceed the fraction that has not been regularly declared for each General Meeting held until the date of regularization of the notification. Furthermore, "in the event that the registered shareholder knowingly disregards the notification obligation for threshold crossing with regard to the Company, the Commercial Court within the jurisdiction of which the Company has its registered offices may, at the request of the Company or of a shareholder, pronounce the complete or partial suspension of voting rights, for a total period not exceeding five years, against any shareholder who not complied with the requirements governing the disclosures cited above or the content of the declaration of intent provided in Article L. 233-7, VII of the French Commercial Code within six (6) months of the publication of the said declaration".

(c) Suspension on restrictions to the exercise of voting rights

The Company's Articles of Association do not provide for mechanisms designed to suspend, during General Meetings held to adopt or authorize defensive measures against a public offer targeting Valneva SE, the effects of:

- any clause in agreements executed after April 21, 2014 providing for restrictions on the exercise of voting rights attached to Valneva SE ordinary shares (such as a temporary waiver to the exercise of voting rights or to the double voting right); or
- the restrictions provided for in the Articles of Association as described above.

2.7.2.2. Clause of Articles of Association providing for restrictions on transfer of the Company's shares

Valneva SE's Articles of Association do not contain any clause that would restrict the transfer of shares of the Company (such as approval or right of first refusal clauses).

2.7.2.3. Clauses of agreements brought to the attention of the Company in accordance with Article L. 233-11 of the French Commercial Code

The Company was not informed in 2021 of any new contractual provisions providing for preferential terms and conditions for the sale and purchase of Valneva shares concerning at least 0.5% of the Company's share capital or voting rights.

2.7.3. Direct or indirect shareholdings in the Company's share capital, of which the Company has been informed in accordance with Articles L. 233-7 and L. 233-12 of the French Commercial Code

Groupe Grimaud La Corbière

On February 11 and 12, 2021, Groupe Grimaud La Corbière SAS declared that on February 5, 2021, it had individually crossed below the legal threshold of 15% of the share capital of Valneva SE and that it individually held 13,704,830 Valneva SE shares representing 27,409,660 voting rights, or 14.93% of the share capital and 22.77% of the voting rights of the Company on that date and on February 11, 2021.

This threshold was crossed as a result of an increase in Valneva SE's share capital, following the exercise of equity warrants and stock options in January 2021.

On this occasion, Groupe Familial Grimaud declared that it had not crossed any threshold and held, at January 25, 2021 and February 11, 2021, 14,436,278 Valneva SE shares representing 28,830,009 voting rights, or 15.73% of the share capital and 23.95% of the voting rights of the Company, broken down as follows:

SHAREHOLDERS	Ordinary shares	%	Theoretical voting rights	%
Groupe Grimaud La Corbière	13,704,830	14.93	27,409,660	22.77
Frédéric Grimaud	264,246	0.29	519,190	0.43
Financière Grand Champ	193,977	0.21	387,954	0.32
Joseph Grimaud	137,831	0.15	244,346	0.20
Marie-Thérèse Grimaud	69,230	0.08	138,460	0.12
Renée Grimaud	64,135	0.07	128,270	0.11
Agnès Grimaud	1,022	ns	1,022	ns
Anne-Marie Grimaud	779	ns	779	ns
Thomas Grimaud	100	ns	200	ns
Bruno Grimaud	66	ns	66	ns
Odile Grimaud	62	ns	62	ns
TOTAL GROUPE FAMILIAL GRIMAUD	**14,436,278**	**15.73**	**28,830,009**	**23.95**

On **June 10, 2021**, Groupe Familial Grimaud declared that on June 7, 2021, it had crossed below the threshold of 15% of the Company's share capital and held, on that date and on June 10, 2021, 14,436,278 Valneva SE shares representing 28,830,009 voting rights, *i.e.*, 14.45% of the capital and 22.70% of the voting rights of the Company[1], broken down as follows:

SHAREHOLDERS	Ordinary shares	%	Theoretical voting rights	%
Groupe Grimaud La Corbière	13,704,830	13.72	27,409,660	21.58
Frédéric Grimaud	264,246	0.26	519,190	0.41
Financière Grand Champ	193,977	0.19	387,954	0.31
Joseph Grimaud	137,831	0.14	244,346	0.19
Marie-Thérèse Grimaud	69,230	0.07	138,460	0.11
Renée Grimaud	64,135	0.06	128,270	0.10
Agnès Grimaud	1,022	ns	1,022	ns
Anne-Marie Grimaud	779	ns	779	ns
Thomas Grimaud	100	ns	200	ns
Bruno Grimaud	66	ns	66	ns
Odile Grimaud	62	ns	62	ns
TOTAL GROUPE FAMILIAL GRIMAUD	**14,436,278**	**14.45**	**28,830,009**	**22.70**

This threshold crossing was the result of a capital increase by Valneva SE.

Polar Capital LLP

On March 16 and 17, 2021, the company Polar Capital LLP, acting on behalf of funds under its management, declared that on March 15, 2021, it had crossed below the legal threshold of 5% of the Company's share capital and held, on behalf of the said funds, 4,583,968 Valneva SE shares representing the same number of voting rights, or 4.99% of the share capital and 3.78% of the voting rights of the Company.

This threshold crossing resulted from the purchase of Valneva SE shares on the market.

MVM Funds

On April 12, 2021, MVM IV LP and MVM GP (No. 4) Scottish LP (together, ***MVM Funds***) declared that on April 6, 2021, through MVM Partners LLP, they had crossed below the threshold of 10% of the Company's voting rights and held 5,950,617 Valneva SE shares representing 10,843,382 voting rights, *i.e.*, 6.48% of the share capital and 8.93% of the voting rights of the Company[2], broken down as follows:

SHAREHOLDERS	Ordinary shares	%	Theoretical voting rights	%
MVM IV LP	5,770,295	6.29	10,514,794	8.66
MVM GP (No. 4) Scottish LP	180,322	0.20	328,588	0.27
TOTAL MVM PARTNERS LLP	**5,950,617**	**6.48**	**10,843,382**	**8.93**

This threshold crossing is the result of an off-market sale of Valneva SE shares.

(1) On the basis of a share capital of 99,908,938 shares, representing 126,995,096 voting rights.
(2) On the basis of a share capital of 91,763,762 shares, representing 121,400,867 voting rights.

On September 3, 2021, MVM Funds declared that on August 16, 2021, they had crossed below, through their asset management company MVM Partners LLP, the threshold of 5% of the Company's voting rights and held, on that date, 5,297,122 Valneva SE shares representing as many voting rights, *i.e.*, 5.30% of the share capital and 4.17% of the voting rights of the Company[1], broken down as follows:

SHAREHOLDERS	Ordinary shares	%	Theoretical voting rights	%
MVM IV LP	5,136,602	5.14	5,136,602	4.04
MVM GP (No. 4) Scottish LP	160,520	0.16	160,520	0.13
TOTAL MVM PARTNERS LLP	**5,297,122**	**5.30**	**5,297,122**	**4.17**

This threshold crossing was the result of a loss of double voting rights following the conversion of Valneva SE shares to bearer form.

As a result of this loss of double voting rights, MVM Funds held, as of 25 August 2021, 4,797,122 Valneva SE shares representing as many voting rights, *i.e.* 4.80% of the capital and 3.78% of the voting rights of the Company[2], broken down as follows:

SHAREHOLDERS	Ordinary shares	%	Theoretical voting rights	%
MVM IV LP	4,651,754	4.66	4,651,754	3.66
MVM GP (No. 4) Scottish LP	145,368	0.15	145,368	0.11
TOTAL MVM PARTNERS LLP	**4,797,122**	**4.80**	**4,797,122**	**3.78**

Finally, MVM Funds stated that they held, as of September 3, 2021, 2,628,141 Valneva SE shares representing as many voting rights, *i.e.* 2.63% of the share capital and 2.07% of the voting rights of the Company[3], broken down as follows:

SHAREHOLDERS	Ordinary shares	%	Theoretical voting rights	%
MVM IV LP	2,548,500	2.55	2,548,500	2.01
MVM GP (No. 4) Scottish LP	79,641	0.08	79,641	0.06
TOTAL MVM PARTNERS LLP	**2,628,141**	**2.63**	**2,628,141**	**2.07**

On September 9, 2021, MVM Funds declared that, they had actively crossed below, following joint sales of ordinary shares, traded off-market:

- on September 7, 2021, the statutory threshold of 2% of the Company's voting rights, and
- on September 9, 2021, the statutory threshold of 2% of the Company's share capital.

The respective holdings of shares and voting rights by MVM Funds are as follows, from September 9, 2021 (the percentages of voting rights are calculated based on the Company's declaration of voting rights of August 2021, published by the Company on September 6, 2021):

SHAREHOLDERS	Ordinary shares	%	Theoretical voting rights	%
MVM IV LP	1,925,955	1.93	1,925,955	1.57
MVM GP (No. 4) Scottish LP	60,186	0.06	60,186	0.05
TOTAL MVM PARTNERS LLP	**1,986,141**	**1.99**	**1,986,141**	**1.62**

On this occasion, MVM Funds certified that they do not own or hold any securities giving future access to the shares to be issued, nor shares held indirectly, nor shares equivalent to shares owned by them within the meaning of Articles L. 233-7 *et seq.* of the French Commercial Code. MVM Funds have also stated that they do not act in concert with a third party.

(1) On the basis of a share capital of 99,908,938 shares, representing 126,993,094 voting rights.
(2) *Idem.*
(3) *Idem.*

Caisse des Dépôts et Consignations

On November 2, 2021, Caisse des Dépôts et Consignations (CDC), indirectly through Bpifrance Participations, CDC Croissance and CNP Assurances, passively crossed below the legal threshold of 10% of the Company's share capital. This passive threshold crossing results from the full exercise of the over-allotment option granted to the underwriters as part of the Global Offering[1]. CDC has now declared that it holds, indirectly through Bpifrance Participations, CDC Croissance and CNP Assurances, 10,473,794 shares and 17,930,579 voting rights in the Company, representing 9.96% of the share capital and 14.03% of the voting rights issued, broken down as follows:

SHAREHOLDERS	Ordinary shares	%	Theoretical voting rights	%
CDC (direct)	0	0	0	0
Bpifrance Participations(*)	9,265,478	8.82	16,722,263	13.09
CDC Croissance	1,207,901	1.14	1,207,901	0.94
CNP Assurances(**)	415	0	415	0
CDC CROISSANCE	**10,473,794**	**9.96**	**17,930,579**	**14.03**

(*) *Bpifrance Participations SA is controlled by Bpifrance, itself jointly controlled at 49.2% by CDC and at 49.2% by EPIC Bpifrance.*
(**) *CNP Assurances is 62.8% owned by La Banque Postale, which is itself wholly-owned by La Poste, and which is itself held at 66% by CDC.*

2.7.4. List of holders of any securities with special control rights; Description of said rights

The Company is not aware of the existence of any special control rights, other than the double voting rights attached to all fully paid-up ordinary shares of the Company that have been registered in the name of the same shareholder for a minimum period of two years[2].

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

The Company has not implemented any employee stock ownership system that may contain control mechanisms where control rights are not exercised by the employees.

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

The Company is not aware of any agreement between shareholders that could result in restrictions on the transfer of Valneva SE shares and the exercise of associated voting rights.

2.7.7. Rules applicable to the appointment and replacement of Management Board members and to the amendment of the Company's Articles of Association

The applicable rules comply with the provisions of the Company's Articles of Association and the law.

(1) See Section 1.1.2 (x) of this URD.
(2) See Section 2.7.2.1 (a) of this URD.

2.7.8. Powers of the Management Board, in particular for the issuance and buyback of shares

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

2.7.8.1. Current delegations in connection with stock options and free shares

Combined General Meeting held on June 17, 2020

RESOLUTION 25 - GRANT OF AUTHORITY TO THE MANAGEMENT BOARD FOR THE PURPOSE OF GRANTING STOCK OPTIONS, THROUGH ONE OR MORE ISSUES, FOR THE BENEFIT OF EMPLOYEES AND/OR CORPORATE OFFICERS OF THE COMPANY AND ITS AFFILIATES, ENTAILING WAIVER BY SHAREHOLDERS OF THEIR PREFERENTIAL SUBSCRIPTION RIGHT

Duration of the delegation	38 months, *i.e.* until August 16, 2023 inclusive.
Authorized amount	The maximal total number of stock options to be granted further this resolution shall represent a maximum of shares to be subscribed of four percent (4%) of the Company's share capital at the date the options are granted, it being specified that this maximum amount does not include possible adjustments to protect the rights of stock option holders in accordance with applicable statutory and regulatory provisions. This maximum amount is an independent maximum for all options granted under this resolution.
Uses during the fiscal year 2021	Delegation unused.

Combined General Meeting held on June 23, 2021

RESOLUTION 24 - ISSUE OF FREE SHARES; DELEGATION GRANTED TO THE MANAGEMENT BOARD FOR THIS PURPOSE

Duration of the delegation	26 months, *i.e.* until August 22, 2023 inclusive.
Authorized amount	The total number of ordinary shares granted under this resolution (in favor of natural persons who are not employees and who are members of the Company's Management Board, and the employees of the Company or its affiliates) may not represent more than three percent (3%) of the Company's share capital on the grant date, nor exceed the maximum legal amount applicable on the grant date.
Uses during the fiscal year 2021	Delegation unused.

2.7.8.2. Current authorizations for buyback and cancellation programs of the Company's shares

Combined General Meeting held on June 23, 2021

RESOLUTION 10 - AUTHORIZATION AND POWERS TO BE GIVEN TO THE MANAGEMENT BOARD FOR THE PURPOSE OF ALLOWING THE COMPANY TO MAKE TRANSACTIONS ON ITS OWN SHARES

Duration of the delegation	18 months, *i.e.* until December 22, 2022 inclusive.
Description of the authorization	Authorization to trade in Company shares, pursuant to the provisions of Articles L. 22-10-62 *et seq.* of the French Commercial Code, Articles 241-1 *et seq.* of the AMF General Regulations, Regulation (EU) 596/2014 of the European Parliament and Council of April 16, 2014 on market abuse (***MAR Regulation***) and EU Delegated Regulation 2016/1052 of March 8, 2016 completing the MAR Regulation, with the possibility of sub-delegation provided for by law. These shares, including preferred shares, may be purchased, sold or transferred on one or more occasions, at any time except in the period from the filing by a third party of a proposed public offering targeting the Company's shares until the end of the offering period, within the limits and in accordance with the terms and conditions defined by the laws and regulations in force, and by any means, especially by trading in the market or off-market, including block transactions, except involving the use of derivatives. The purchase and sale of shares through block trades may account for the entire authorized share buyback program. The Company may: ▪ buyback its own shares up to a maximum of 5% of its share capital existing at the date of such buyback, as adjusted based on corporate actions that might affect the share capital after this resolution, less treasury shares, at a price per share not exceeding €10. However, when shares are purchased to promote liquidity under the conditions defined by the AMF General Regulations, the number of shares to be taken into account for calculating this 5% limit will equal the number of shares purchased minus shares resold during the authorization period; ▪ sell, assign or transfer by any means all or part of the shares thus acquired; ▪ or cancel said shares by reducing the share capital, subject to the adoption of resolution 12 resolution below and within the limit of 10% of the Company's share capital per 24 month period. In the event of an increase in the capital by capitalizing reserves and a grant of restricted share units, stock splits or reverse stock splits, the prices indicated above will be adjusted by a multiplier equal to the ratio between the number of shares making up the share capital before and after the transaction. These share purchases may be made for the purposes provided for by law, or subsequently permitted by law, and notably to: ▪ ensure liquidity or maintain an orderly market in the Company's share through a liquidity agreement that complies with the accepted market practice set by the AMF in its decision No. 2018-01 of July 2, 2018 and executed with an investment services provider acting independently; ▪ hold acquired shares and subsequently remit them as payment or in exchange as part of mergers, spin-offs and contributions; ▪ implement and honor obligations, and in particular remit shares pursuant to the exercise of rights attached to securities giving access, by any means, immediately or in the future, to the Company's shares, as well as all hedging transactions resulting from the obligations of the Company relating to these securities, in accordance with the provisions provided for by market authorities and at such times as the Management Board or the person acting on the authority of the latter shall determine; ▪ cancel acquired shares, subject to an Extraordinary General Meeting approving resolution 12 resolution below authorizing the Management Board to reduce the share capital by cancelling treasury shares; ▪ cover share option plans reserved for employees or other share allocations according to the conditions set out in Articles L. 3332-1 *et seq.* and R. 3332-4 of the French Labor Code, or the allocation of Company shares to employees and/or officers of the Company, or companies referred to in Article L. 225-197-2 of the French Commercial Code, or share allocations as part of employee profit sharing. The maximum amount of funds allocated for this program is set at €15,000,000.
Uses during the fiscal year 2021	Delegation used in the fiscal year 2021, in the context of the implementation of the Company's liquidity agreement(1).

(1) See Section 5.1.3 (b) of this URD.

RESOLUTION 12 - AUTHORIZATION GRANTED TO THE MANAGEMENT BOARD TO CANCEL TREASURY SHARES	
Duration of the delegation	18 months, *i.e.* until December 22 , 2022 inclusive.
Description of the authorization	Authorization to proceed, at its sole discretion, with the reduction, on one or more occasions, of the share capital, within the limit of 10% of the capital, adjusted for corporate actions that could affect the share capital after this decision, per 24 month period, by cancelling the shares, including any preferred shares, which the Company holds or might hold by any means, including by purchasing shares through buyback programs authorized by resolution 10 above, or buyback programs authorized previously or following the date of the Combined General Meeting of June 23, 2021, or by any other means, by charging the difference between the buyback price of the cancelled shares and their par value to additional paid-in capital and available reserves.
Uses during the fiscal year 2021	Delegation used during the fiscal year 2021, in connection with the cancellation of 4,025 of the Company's treasury shares following the termination of the liquidity agreement concluded with Oddo BHF(1) .

2.7.8.3. Other current delegations(2)

Combined General Meeting held on June 23, 2021

RESOLUTION 13 - GRANT OF AUTHORITY TO THE MANAGEMENT BOARD TO INCREASE THE SHARE CAPITAL BY ISSUING ORDINARY SHARES OR ANY SECURITIES GIVING ACCESS TO THE CAPITAL WHILE MAINTAINING THE PREFERENTIAL SUBSCRIPTION RIGHT OF THE SHAREHOLDERS	
Duration of the delegation	26 months, *i.e.* until August 22, 2023 inclusive.
Authorized amount	**Total nominal amount of increases in share capital which may be carried out**: maximum €5,175,000 **Maximal nominal amount of debt securities which may be issued**: €143,750,000 *(maximum also applicable to resolutions 14, 15, 16, 18 and 20 described below)*
Uses during the fiscal year 2021	Delegation unused.

RESOLUTION 14 - GRANT OF AUTHORITY TO THE MANAGEMENT BOARD TO INCREASE THE CAPITAL BY ISSUING ORDINARY SHARES OR ANY SECURITIES GIVING ACCESS TO THE CAPITAL THROUGH A PUBLIC OFFERING (OTHER THAN THOSE REFERRED TO IN ARTICLE L. 411-2, 1 OF THE FRENCH MONETARY AND FINANCIAL CODE), CANCELLING PREFERENTIAL SUBSCRIPTION RIGHTS OF THE SHAREHOLDERS THOUGH INCLUDING AN OPTION FOR A PRIORITY PERIOD	
Duration of the delegation	26 months, *i.e.* until August 22, 2023 inclusive.
Authorized amount	**Total nominal amount of increases in share capital which may be carried out**: maximum €4,600,000 **Maximal nominal amount of debt securities which may be issued**: €143,750,000 *(par value to be credited against the maximum nominal amount of debt securities as set out in resolution 13 above)*
Uses during the fiscal year 2021	Delegation unused.

RESOLUTION 15 - GRANT OF AUTHORITY TO THE MANAGEMENT BOARD TO INCREASE THE SHARE CAPITAL BY ISSUING SHARES AND/OR SECURITIES GIVING IMMEDIATE AND/OR FUTURE ACCESS TO THE COMPANY'S SHARE CAPITAL, WITH CANCELLATION OF PREFERENTIAL SUBSCRIPTION RIGHTS OF THE SHAREHOLDERS, THROUGH A PUBLIC OFFERING REFERRED TO IN ARTICLE L. 411-2, 1° OF THE FRENCH MONETARY AND FINANCIAL CODE	
Duration of the delegation	26 months, *i.e.* until August 22, 2023 inclusive.
Authorized amount	**Total amount of increases in share capital which may be carried out**: maximum twenty percent (20%) of the share capital per year (on the date of implementation of the delegation). **Maximal nominal amount of debt securities which may be issued**: €143,750,000 *(par value to be credited against the maximum nominal amount of debt securities as set out in resolution 13 above)*
Uses during the fiscal year 2021	Delegation unused.

(1) See Section 5.1.3 (b) of this URD.
(2) The maximum amounts indicated both in the lines "Authorized amount" does not take into account adjustments to be made in accordance with applicable legal or regulatory provisions, and, if applicable, with contractual provisions providing for other forms of adjustment, in order to preserve the rights of the holders of securities giving access to the Company's capital.

RESOLUTION 16 - GRANT OF AUTHORITY TO THE MANAGEMENT BOARD IN THE EVENT OF AN ISSUE OF THE COMPANY'S ORDINARY SHARES AND/OR SECURITIES GIVING IMMEDIATE AND/OR LATER ACCESS TO THE COMPANY'S SHARE CAPITAL, WITH CANCELLATION OF PREFERENTIAL SUBSCRIPTION RIGHTS OF THE SHAREHOLDERS, TO SET THE ISSUE PRICE [FOR EACH OF THE ISSUES DECIDED PURSUANT TO THE AUTHORIZATIONS GRANTED UNDER RESOLUTIONS 14 AND/OR 15 ABOVE], UP TO A LIMIT OF 10% OF THE SHARE CAPITAL PER YEAR

Duration of the delegation	26 months, *i.e.* until August 22, 2023 inclusive.
Authorized amount	The maximum nominal amount of the capital increases that may be carried out, immediately or at a later time, pursuant to this authorization, may not exceed ten percent (10%) of the Company's share capital (this limit being assessed as of the date of implementation of this delegation), within the limit of the capital increase ceiling provided for in resolution 14, or, as the case may be, resolution 15 above. The nominal amount of the debt securities that may be issued pursuant to this authorization shall be deducted from the total nominal amount of debt securities set forth in resolution 13 above.
Uses during the fiscal year 2021	Delegation unused.

RESOLUTION 17 - GRANT OF AUTHORITY TO THE MANAGEMENT BOARD TO INCREASE THE SHARE CAPITAL BY ISSUING SHARES, WITH CANCELLATION OF PREFERENTIAL SUBSCRIPTION RIGHTS OF THE SHAREHOLDERS FOR THE BENEFIT OF CERTAIN CATEGORIES OF PERSONS MEETING SPECIFIED CHARACTERISTICS(1)

Duration of the delegation	18 months, *i.e.* until December 22, 2022 inclusive.
Authorized amount	**Total nominal amount of increases in share capital which may be carried out:** maximum €4,600,000
Uses during the fiscal year 2021	Delegation used in connection with the completion of the Company's Global Offering, the securities of which were cleared and settled on November 2, 2021, and including (i) a public offering of 708,120 ordinary shares issued in the form of 354,060 American Depositary Shares (ADS), each ADS representing two ordinary shares, in the United States, as well as (ii) a concurrent private placement of 4,466,880 ordinary shares, in Europe (including in France) and in other countries outside the United States(2). Note: this delegation follows a delegation of the same nature authorized by the Extraordinary General Meeting of December 22, 2020 (Resolution 6, now expired). In fiscal year 2021, this delegation was used in connection with the completion of the Company's Global Offering, the securities of which were cleared and settled on May 10, 2021, and including (i) a public offering of 5,700,176 ordinary shares issued in the form of 2,850,088 ADS, each ADS representing two ordinary shares, in the United States, as well as (ii) a concurrent private placement of 2,445,000 ordinary shares, in Europe (including in France) and in other countries outside the United States.

RESOLUTION 18 - GRANT OF AUTHORITY TO THE MANAGEMENT BOARD TO INCREASE THE NUMBER OF SHARES TO BE ISSUED IN THE CASE OF A CAPITAL INCREASE, WITH OR WITHOUT PREFERENTIAL SUBSCRIPTION RIGHTS FOR EXISTING SHAREHOLDERS, WITHIN THE LIMIT OF 15% OF THE INITIAL ISSUE AMOUNT

Duration of the delegation	26 months, *i.e.* until August 22, 2023 inclusive (except in respect of resolution 17 for which the delegation is granted for eighteen (18) months, i.e. until December 22, 2022 inclusive).
Authorized amount	Increase the number of shares to be issued, for each issue carried out under the terms of the above resolutions 13, 14, 15 and 17, within thirty (30) days of the close of the subscription period, within the limit of fifteen percent (15 %) of the initial issue, and at the same price as for the initial issue.The nominal amount of capital increases that may be carried out under this delegation shall be deducted from the ceiling provided for in the resolution pursuant to which the issue is decided, as well as from the overall nominal ceiling for share capital increases provided for in resolution 21 below.
Uses during the fiscal year 2021	Delegation used to implement the Overallotment Option as part of the Company's Global Offering completed on November 2, 2021 (see above in resolution 17). This Overallotment Option enabled the additional issuance of a total of 675,000 new ordinary shares (these shares underlying the 337,500 ADS issued in the United States at the time of the Global Offering). Note: this delegation follows a delegation of the same nature authorized by the Extraordinary General Meeting of December 22, 2020 (Resolution 7, now expired). In fiscal year 2021, this delegation was used to implement the Overallotment Option as part of the Company's Global Offering completed on May 10, 2021 (see above in resolution 17). This Overallotment Option led to the additional issuance of a total of 1,062,414 new ordinary shares (these shares underlying the 531,207 ADS issued in the United States at the time of the Global Offering).

(1) Meaning (i) natural persons and legal entities, including companies, trusts or investment funds, organized under French or foreign law, that routinely invest in the pharmaceutical, biotechnological or medical technology sector; and/or (ii) companies, institutions or entities of any type, French or foreign, that do a significant part of their business in the pharmaceutical, cosmetic, chemical or medical devices and/or technologies or research in these sectors; and/or (iii) French or foreign investment services companies, or any foreign establishment with an equivalent status, that could guarantee to carry out an issue to be placed with the persons described in (i) and/or (ii) above, and in this context, to subscribe for securities that are issued.
(2) See Section 1.1.2 (x) of this URD.

RESOLUTION 19 - GRANT OF AUTHORITY TO THE MANAGEMENT BOARD IN ORDER TO INCREASE THE SHARE CAPITAL THROUGH THE CAPITALIZATION OF RESERVES, EARNINGS OR PREMIUM

Duration of the delegation	26 months, *i.e.* until August 22, 2023 inclusive.
Authorized amount	**Total nominal amount of increases in share capital which may be carried out**: maximum €5,175,000
Uses during the fiscal year 2021	Delegation unused.

RESOLUTION 20 - GRANT OF AUTHORITY TO THE MANAGEMENT BOARD TO INCREASE THE SHARE CAPITAL BY ISSUING SHARES AND/OR SECURITIES GIVING IMMEDIATE AND/OR FUTURE ACCESS TO THE CAPITAL OF THE COMPANY, WITH CANCELLATION OF PREFERENTIAL SUBSCRIPTION RIGHTS OF THE SHAREHOLDERS, IN CONSIDERATION FOR CONTRIBUTIONS IN KIND FOR EQUITY SECURITIES OR OTHER SECURITIES GIVING ACCESS TO THE CAPITAL

Duration of the delegation	26 months, *i.e.* until August 22, 2023 inclusive.
Authorized amount	**Total nominal amount of increases in share capital which may be carried out**: maximum ten percent (10%) of the Company's share capital at any time, as this share capital may have been adjusted after the Combined General Meeting of June 23, 2021. The maximum nominal amount of the debt securities that may be issued under this delegation will not exceed, and will be credited against, the maximum total amount of debt securities set out in resolution 13 above.
Uses during the fiscal year 2021	Delegation unused.

RESOLUTION 21 - MAXIMUM AGGREGATE AMOUNT OF CAPITAL INCREASES

Authorized amount	The maximum aggregate amount of capital increases that may be carried out, with immediate effect or in the future, under resolutions 13 to 20 of the Combined General Meeting of June 23, 2021, may not exceed €5,175,000.

RESOLUTION 22 - ISSUE OF EQUITY WARRANTS (FOR NATURAL PERSONS WHO ARE NOT EMPLOYEES OF THE COMPANY AND WHO ARE MEMBER OF THE COMPANY'S SUPERVISORY BOARD OR WHO WERE MEMBER OF THE COMPANY'S SUPERVISORY BOARD ON JANUARY 1, 2021)

Duration of the delegation	18 months, i.e. until December 22, 2022 inclusive.
Authorized amount	Authorization to issue 57,500 equity warrants "BSA 32" and to increase the share capital by a maximum amount of €8,625.
Uses during the fiscal year 2021	Delegation unused.

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

The loan agreement with investment funds Orbimed and Deerfield[1] may be terminated if there is a change of control of the Company, with the obligation of repaying the drawn instalments and paying an additional 12.95%.

Further, the Group has signed various agreements for distribution of third party products by Valneva, in particular agreements relating to the distribution of Bavarian Nordic A/S' rabies vaccine RABIPUR®/RABAVERT® and/or tick-borne encephalitis vaccine ENCEPUR® in Austria, Canada, France, Belgium, Luxembourg and the United Kingdom (note: each agreement includes one or both vaccines, depending on the country). These agreements can be terminated if there is a change in control of the Company.

Lastly, the agreements relating to the distribution of Valneva's products (IXIARO®/DUKORAL®) can generally be terminated by distributors in case of a change in control of the Valneva party, inter alia the agreements with Seqirus (IXIARO® in Australia and New Zealand), Medic Italia (DUKORAL® in Italy) and Bavarian Nordic (IXIARO® and DUKORAL® in Germany and Switzerland).

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

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

With respect to indemnities or benefits due to the corporate officers, please refer to the Section "Indemnities or benefits granted to the corporate officers in case of appointment, termination or change of duties"[2].

(1) See Section 1.4.2 (o) of this URD.
(2) See Section 2.6.2.1 (d) of this URD.

2.8. Specific rules concerning the participation of shareholders in General Meetings

Rules concerning the participation of shareholders in General Meetings are described in Article 27 of the Company's Articles of Association, which can be consulted on Valneva's website: **www.valneva.com**.

A hardcopy can also be requested at the following address: Valneva SE, 6 rue Alain Bombard, 44800 Saint-Herblain (France), or by email: **investors@valneva.com**.

2.9. Table of Middlenext recommendations not fully implemented

Recommendations	Divergence	Reasons
No. 1	Not all Supervisory Board members attended the June 2021 Combined General Meeting.	As the Combined General Meeting of June 23, 2021 was held in closed session due to the health crisis, the members of the Board were not able to attend, with the exception of the Chairman. However, two other members of the Board were able to connect via the Internet to listen to the audio broadcast.
No. 2	The Statutory Auditors provide the Group with certain services other than the certification of the financial statements.	The Statutory Auditors 'expertise and their knowledge of the Company enable greater efficiency for the services selected. These services represent a small proportion of the fees paid to the Statutory Auditors and do not question their independence.
No. 4	The internal rules of the Supervisory Board do not specify the practical procedures for providing information to the Supervisory Board members.	The internal rules provide that each Supervisory Board member should make sure he/she receives the necessary information in a timely manner.
No. 5	A three-year training plan for Supervisory Board members has not yet been put in place.	The creation of such a plan is planned for the second half of 2022.
No. 8	A specialized committee on corporate social responsibility has not yet been set up.	The creation of such a committee is planned for the second half of 2022.
No. 11	The renewal of terms of office is not fully staggered (three terms will expire in June 2022 and the other two will expire in June 2023).	Upon the creation of Valneva SE (through Vivalis SA – Intercell AG merger in 2013), short terms of office (set at three years) were considered to be adapted to the nature of the Company's business, and an identical term length was considered necessary to maintaining the post-acquisition balance of powers on the Supervisory Board. Those two members who were appointed by the June 2020 General Meeting shareholder meeting also have a three-year term of office, but this will expire one year after expiration of the three other members' term of office.
No. 18	The exercise of stock options and the vesting of free ordinary shares to corporate officers will not be subject to performance conditions under the plans to be launched in 2022 and thereafter.	Stock options, which will constitute the majority (70%) of allocations to corporate officers, contain an indirect performance condition via their exercise price set at 100% of the average share price over the 20 trading days preceding the allocation. The Board considers that the system chosen, which combines free shares and stock options, is competitive with other comparable European companies.
No. 18	The allocation of free ordinary shares to certain corporate officers upon their arrival in the Company is not subject to performance conditions.	The allocation of free shares upon joining a company is a market practice for companies with a dual listing and makes it possible to be competitive with other comparable companies.

2.10. Observations of the Supervisory Board on the Annual Management Report and the financial Statements for the fiscal year 2021

In accordance with Article L. 225-68 of the French Commercial Code, we hereby present you our observations on the parent entity and consolidated financial statements approved by the Management Board, as well as on the Annual Management Report submitted to the Ordinary General Meeting.

We inform you that the parent entity and the consolidated financial statements for the year ended December 31, 2021, as well as the Annual Management Report, were submitted to the Supervisory Board in a timely manner with regard to legal and regulatory provisions.

The parent entity financial statements for the year ended December 31, 2021 (French GAAP) show the following main items:

- Balance sheet: €356,657 thousand;
- Revenues: €3,598 thousand;
- Operating loss: €30,755 thousand;
- Net loss: €28,222 thousand.

The consolidated financial statements for the year ended December 31, 2021 (IFRS) show the following main items:

- Balance sheet: €817,352 thousand;
- Revenues: €348,986 thousand;
- Operating loss: €61,390 thousand;
- Net loss: €73,425 thousand.

The members of the Supervisory Board, having reviewed the Annual Management Report and having proceeded to a review of the parent entity and consolidated financial statements, have no particular comment to make, whether concerning the Annual Management Report or the parent entity and the consolidated financial statements for the year ended December 31, 2021. The Supervisory Board therefore recommends shareholders to approve these financial statements.

The members of the Supervisory Board also ask shareholders to approve the agreements referred to in Article L. 225-86 of the French Commercial Code, duly authorized by your Supervisory Board. Your Statutory Auditors were informed of these agreements. They present them to you and read you their special report.

3

Corporate Social Responsibility

3.1. About this Report

The 2021 Corporate Social Responsibility (CSR) Report offers an in-depth account of Valneva's CSR activities over the past year and the Company's CSR priorities going forward.

In 2018, the format of the report evolved in accordance with French Decree n° 2017-1265 of August 9, 2017. While Valneva was not required to issue a CSR report under the new law, the Company decided to voluntarily continue its reporting for 2018. In 2019, with the Group having crossed the threshold of 500 employees, it became subject to the obligation to publish non-financial information. Thus, the present report describes not only the risks faced by the Company in its pursuit of sustainable growth, but also shows the counter measures put in place and Valneva's future plans to minimize these challenges.

Valneva's CSR strategy remains centered upon four pillars, which are reflected in the organization of this report: Protecting Lives, Acting Ethically, Developing our People, and Respecting the Environment.

The scope of reporting retained in 2021 covers sites in the UK (Livingston and London-Fleet), Sweden (Solna), Austria (Vienna), Canada (Montréal-Kirkland), the U.S. (Washington, D.C.-Gaithersburg) and France (Nantes-Saint-Herblain and Lyon), or 100% of the Group's total headcount.

Valneva's environmental impact data come from its two production sites and two R&D sites. Together, these four sites represent more than 97% of the Group's total headcount in 2021.

The environmental impact of Valneva's commercial offices is not integrated into the scope of this Report.

Pursuant to Article 8 of the Taxonomy Regulation (Regulation (EU) 2020/852), companies having to issue a CSR report will have to publish sustainability indicators from January 1, 2022.

3.2. Message from the Management

Corporate Social Responsibility is critical to Valneva as we strive to advance vaccines for better lives. Our daily activities are guided by a concern for protecting lives, conducting business ethically, developing our workforce and preserving the environment. The risks inherent to this work are carefully considered at all levels of the organization, where we collectively endeavor to mitigate them as we drive for continued growth.

The COVID-19 pandemic has brought on a sustained, heightened awareness of the public health danger that infectious diseases represent. Valneva, a specialty vaccine company focused on the development and commercialization of prophylactic vaccines for infectious diseases with significant unmet medical need, proudly recognizes its responsibility to help protect against these kinds of threats.

Since its creation in 2013, Valneva has worked on potential protective measures against dangerous illnesses such as Japanese encephalitis, cholera, Lyme disease, chikungunya and now, COVID-19. The Company continues to invest in Research & Development, in an effort to bring us closer a world in which no one dies or suffers from a vaccine-preventable disease. To further that vision, Valneva also dedicates resources to charitable organizations whose work supports access to healthcare in their local communities.

Doing business in an ethical manner is part of Valneva's DNA. Both within the Company and with partners, we aim to be an exemplary business in terms of reporting, compliance and transparency. From the R&D stage into product marketing and beyond, Valneva strives to be a compliance leader for companies of similar size in its sector.

Valneva's growth would not have been possible without the commitment and talents of its greatest asset: the Company's workforce. In order to support its employees, Valneva fosters a working atmosphere where all are encouraged to pursue continued development. No matter where our employees are located, we are proud to offer a positive workplace environment across our offices in Europe and North America.

Valneva also recognizes the need to preserve the environment and to use natural resources responsibly. Sustainable growth is an important aspect of our CSR approach and informs our work around the world. From the production line to our support functions, reducing our carbon footprint, lowering the consumption of energy and raw materials and limiting the creation of waste are goals that we work actively to achieve.

As Valneva expands its global reach, we pride ourselves on taking these four factors into account, growing responsibly and in harmony with our CSR values.

Thomas Lingelbach, ***President & Chief Executive Officer***

Franck Grimaud, ***Directeur Général & Chief Business Officer***

Peter Bühler, ***Chief Financial Officer***

Juan Carlos Jaramillo, ***Chief Medical Officer***

Frédéric Jacotot, ***General Counsel & Corporate Secretary***

3.3. Business Model

Our resources

Human Resources
Talented individuals lie at the heart of Valneva's success

Financial Resources
We focus on generating long-term value through increasing R&D investment

Scientific Expertise
Our collective knowledge and skills allow for new and ever-evolving products

Natural Resources
With water and energy, we transform raw biological material into essential vaccines

Intellectual Property
Discoveries and breakthroughs made in-house keep us on the cutting-edge

Industrial Resources
Our infrastructure keeps our business moving forward

Stakeholder Relations
Relationships among employees, with the medical community, patient advocacy groups and local communities inform our work

Our business

Valneva is a specialty vaccine company focused on the development and commercialization of prophylactic vaccines for infectious diseases with significant unmet medical need.

Our vision is to contribute to a world in which no one dies or suffers from a vaccine-preventable disease.

Valneva is a European company (Societas Europaea) with a Management Board and a Supervisory Board, listed on Euronext Paris and on Nasdaq.

Our CSR goals

We strive to create value by:

- protecting lives through vaccination and the promotion of access to healthcare
- acting ethically in both R&D and our daily business
- developing our people for future success
- respecting the environment upon which we all depend

Research & Development

Several vaccines in development including unique vaccines against:

– Lyme disease

– COVID-19

– chikungunya

Commercialization

Two commercial vaccines against:

– Japanese encephalitis

– Cholera and, in some countries, prevention of diarrhea caused by ETEC

Manufacturing

Sites in Scotland and Sweden

Quality Control function on manufacturing sites & in Vienna

Our results

Total Revenues

€348.1M in 2021

Protecting Lives

Over €120,000 donated
to health-related charitable organizations around the world, including the Baan Dek Foundation and the Encephalitis Society

R&D Investment

€173.3M in 2021

Ethics

18 comprehensive policies
to govern our activities

People

762 employees
of 37 different nationalities

Environment

Constant reduction
of CO_2 emissions every year since 2016

3.4. Valneva's CSR Approach

3.4.1. A four-pillar strategy

The Company's commitment to responsible and sustainable business spans four key focus areas, which form the foundation of its CSR approach.

Valneva devotes particular attention to its first pillar, Protecting Lives, which is a main driver of the Company's work.

The second pillar covers Acting Ethically, both in R&D and in business.

The third pillar focuses on the Group's employees or, more specifically, on Developing Our People.

Finally, Valneva's fourth pillar is dedicated to Respecting the Environment through the prevention of pollution, effective waste management and the control of the Group's energy consumption.

These four pillars are in line with the United Nations' Sustainable Development Goals.

Table of risks and opportunities

Pillar	Risks and opportunities	Corresponding Sustainable Development Goals (SDGs)
Protecting Lives	Maintain vaccine confidence Support healthcare-oriented charities around the world Maintain a high level of expertise in R&D Ensure patient safety Responsible manufacturing	3 GOOD HEALTH AND WELL-BEING 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Acting Ethically	Comply to the highest standard Mitigate cybersecurity risk	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Developing our People	Attract and retain talented people Promote diversity and guarantee non-discrimination Have appropriate levels of expectation to respond to market demand	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH
Respecting the Environment	Climate change and our infrastructure Maintain safe manufacturing and R&D environments	3 GOOD HEALTH AND WELL-BEING 7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

3.4.2. The United Nations Global Compact

In line with its CSR approach, Valneva has sustained its support of the United Nations Global Compact and incorporates its ten principles into the Company's strategies, policies and procedures.

The 10 Principles of the UN Global Compact

10 **Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.**

7 **Principle 7: Businesses should support a precautionary approach to environmental challenges;**

8 **Principle 8: undertake initiatives to promote greater environmental responsibility; and**

9 **Principle 9: encourage the development and diffusion of environmentally friendly technologies.**

1 **Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights, within the scope of their influence; and**

2 **Principle 2: make sure that they are not complicit in human rights abuses.**

3 **Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;**

4 **Principle 4: the elimination of all forms of forced and compulsory labor;**

5 **Principle 5: the effective abolition of child labor; and**

6 **Principle 6: the elimination of discrimination in respect of employment and occupation.**

As part of the Group's participation in the UN Global Compact, a version of this Report will be submitted as Valneva's official Communication on Progress and will be available on the UNGC website.

3.5. Protecting Lives

Valneva is focused on the development and commercialization of prophylactic vaccines for infectious diseases with significant unmet medical need. The Company provides vaccines to people around the world, and ensuring access to healthcare and patient safety are Valneva's most important goals.

3.5.1. Maintaining Vaccine Confidence

Valneva is a specialty vaccine company and, in order to effectively address critical global health issues, the Company must receive marketing authorization from healthcare authorities in various countries around the world. This allows Valneva to provide potential protective measures to the greatest possible number of people.

Valneva's future success is substantially dependent on the successful regulatory approval and commercialization of its product candidates in a timely manner. If Valneva is not able to obtain required regulatory approvals, it will not be possible to commercialize its product candidates. Even if a product candidate receives marketing approval, it could fail to achieve acceptance from physicians, patients, third-party payors or others in the medical community whose acceptance is necessary for commercial success.

The Company's products must be acceptable not only to regulatory bodies, but also to health care professionals (HCPs), patients and the general public. In pursuit of their acceptance, Valneva strives to ensure that decisive stakeholders recognize the risks and public health burden represented by certain infectious diseases and that these challenges could be reduced drastically through vaccination.

Helping to maintain a base level of confidence in vaccines as a potential solution to these problems is a critical component of Valneva's work. The Company addresses the risk of waning confidence through various means and with the help of multiple actors, both within and outside the Company.

In addition to rigorous safety testing, which is further discussed in the section entitled "Maintaining a high level of expertise in R&D", Valneva's methods of maintaining vaccine confidence include:

- open dialogue with Key Opinion Leaders (KOLs) to ensure that Valneva's products and strategy address the disease burden and risks faced by patients;
- regular engagement with regulatory authorities using scientific and data-driven discussions to support brand labels, bolstered by the support of KOLs;
- close interaction and participation in regulatory agency, scientific advice committee and similar meetings, to update the authorities on Valneva's projects as well as remained well-informed on the type of data to be requested by these stakeholders;
- experienced local commercial teams with in-depth knowledge of the needs of their local market; and
- a broad commercial structure with the capacity to create robust market access plans that help prepare stakeholders ahead of any new product launch.

Valneva's experienced commercial teams engage with healthcare professionals on a regular basis, often organizing meetings, webinars and conferences to discuss infectious, vaccine-preventable diseases.

In 2021, over 5,700 HCPs were reached via Valneva-sponsored meetings, webinars and conferences for the HCP community, versus over 1,700 in 2020.

The Company aims to maintain this level of HCP engagement from 2020 to 2022.

Valneva also uses its position to highlight the importance of vaccination and foster confidence on a large scale. One such example is the Company's participation in the World Health Organization's annual "World Immunization Week" awareness campaign in April of last year.

3.5.2. Supporting Healthcare-Oriented Charities around the World

In addition to Valneva's core business, which is inherently connected to global health, the Company supports access to healthcare and awareness initiatives both within and outside of our direct areas of expertise. Through corporate partnerships, social media campaigns and joint events with charitable organizations, Valneva aims to further protect lives via corporate giving.

The Group has chosen to work with charities that support healthcare around the world. Failing to maintain Valneva's commitments to these non-profit groups would not only impact the charities themselves, but would also negatively impact the image of the Company.

The Baan Dek Foundation: Valneva's chosen charitable partner

Since 2016, Valneva has been an official sponsor of the Baan Dek Foundation, a Thai charity which aims to foster children's health, safety and education in Chiang Mai and Bangkok.

Valneva maintained its close ties with the Foundation throughout 2021. Despite the ongoing COVID-19 pandemic, the Company continued to check in regularly with Baan Dek for updates on their emergency response efforts and new ways of implementing their core projects.

In addition to its regular annual donation, Valneva was able to offer a supplemental gift at the end of the year in exchange for a digital holiday card. The Baan Dek-designed e-card featured the Foundation prominently and was shared with Valneva's business contacts and via social media.

Support of the Encephalitis Society

Valneva has also been a supporter of the Encephalitis Society, the UK-registered brain inflammation charity that envision a world aware of encephalitis, its consequences and the support available.

Valneva worked with the Encephalitis Society throughout 2021, providing financial support for its various awareness-building and research initiatives, as well as providing increased visibility to the Society through participation in its World Encephalitis Day campaign.

Local Community Engagement

In addition to corporate-level sponsorships of charities like these – whose missions align perfectly with Valneva's – the Company also encourages social engagement at the local level on all sites. Employees are empowered to organize and participate in charity events, as well as volunteer in and hold fundraisers that benefit their communities.

In 2021, Valneva donated over €120,000 to health-related charitable organizations around the world, including the Baan Dek Foundation and the Encephalitis Society, versus €50,000 in 2020 and €40,000 in 2019.

In addition, 100% of the charitable projects planned at the beginning of the year were carried out successfully, thus maintaining a constant level of engagement in 2020 and 2021.

By 2025, Valneva aims to increase its charitable support by 15%, as compared to 2019.

Access to Healthcare in Low- and Middle-Income Countries (LMICs)

In July 2019, Valneva and the Coalition for Epidemic Preparedness Innovations (CEPI) announced a new partnering agreement. With support from the European Union's (EU's) Horizon 2020 programme, CEPI will provide Valneva up to US$ 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 will also maintain a stockpile of the vaccine candidate and work to transfer the manufacturing of the drug product to partners for lower- and middle-income countries — where outbreaks of chikungunya have occurred — to improve access to the vaccine for at-risk populations.

In January 2021, Valneva and 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. (The collaboration falls within the framework of the $23.4 million funding agreement Valneva signed with CEPI.)

Under the collaboration, Valneva will transfer its chikungunya vaccine technology to Instituto Butantan, who will develop, manufacture and commercialize the vaccine in LMICs.

3.5.3. High Level of Expertise in R&D

Valneva takes a unique and specialized approach to developing vaccine candidates, focusing on disease targets that lack a preventative or therapeutic solution but where prophylactic vaccines can have a meaningful impact. Therefore, rather than looking for disease targets where a specific technology or mechanism of action is effective, the Company's approach is to identify diseases and then apply its understanding of and experience in vaccine development to advance differentiated vaccine candidates against that specified disease. This method has led Valneva to focus largely on diseases that either threaten travelers to particular regions, or that remain widespread in highly populated areas.

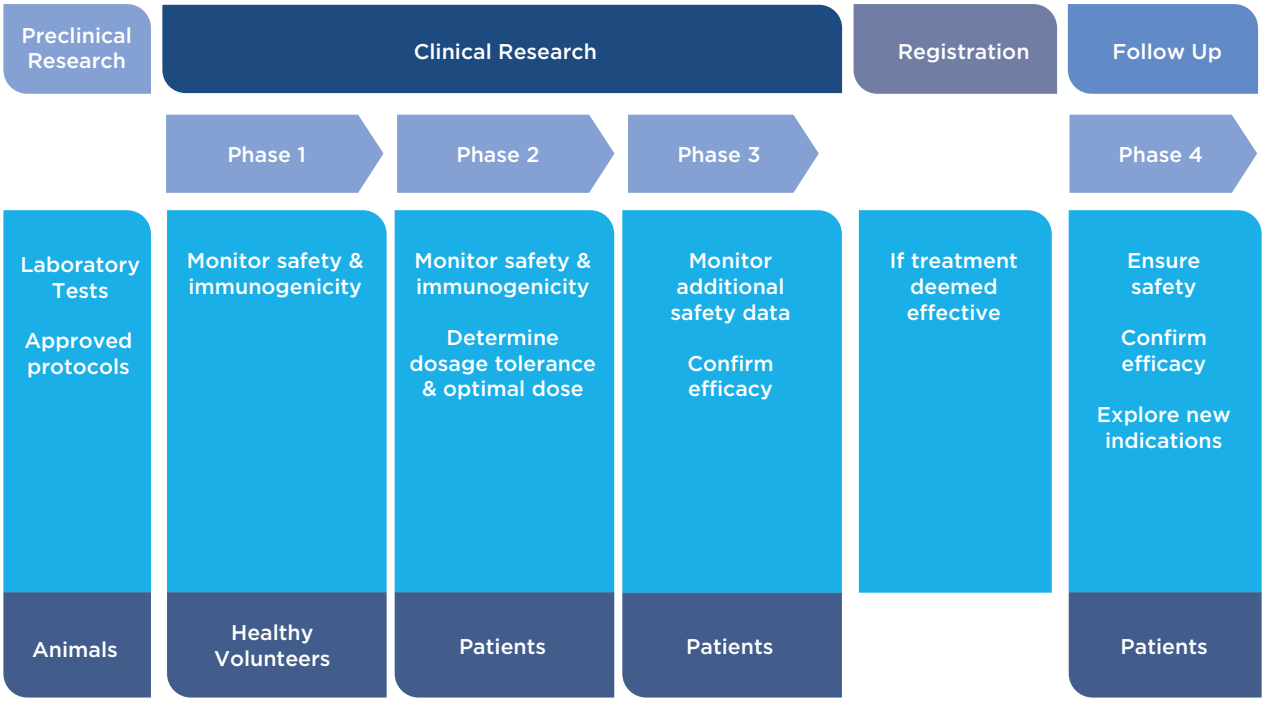
The Company also concentrates on diseases where there is limited existing competition from therapeutics or where its vaccines have clear benefits compared to competitive assets. As a consequence of this strategy, Valneva has become a leader in the specialized vaccines space with a portfolio composed of assets that have clear advantages when compared to other treatment options, including other vaccines.

Despite the Company's targeted approach and breadth of experience, it should be noted that success in pre-clinical studies or early clinical trials might not be indicative of future clinical trial results that would be sufficient for potential regulatory approvals and commercialization. This is one of the risks related to the development and commercialization of Valneva's product candidates.

The Company has made substantial efforts and investments in the development of its vaccine candidates. A development failure (including insufficient efficacy or safety) would result in the loss of these investments.

To mitigate this risk, Valneva strives for the highest research standards and oversees this work through internal committees, complemented by the scientific strategic guidance provided by the Company's Scientific Advisory Board.

How do Clinical Trials Work?



Valneva's Innovation Committee: A New Focus on Cutting-Edge Science

In April 2021 – in the midst of a sustained period of successful development of Valneva's leading vaccine programs against COVID-19, chikungunya and Lyme disease – the Company implemented an Innovation Committee within its robust R&D organization. The goal of this new committee is to help build Valneva's future clinical pipeline.

This increased focus on early-stage programs covers internal pre-clinical work, as well as targeted scouting and innovation efforts. In this regard, the new committee ensures that innovative initiatives, creative concepts, novel technologies and new potential assets are reviewed, assessed, validated and proposed for further decision making.

Valneva's SAB: Expert Guidance for R&D Advancement

To ensure the quality of decision-making in R&D, Valneva created its Scientific Advisory Board (SAB) in July 2019. This SAB is a panel of highly distinguished academic and industry professionals who provide Valneva with further scientific guidance and expert advice on R&D strategies. The SAB's purview also covers program execution considerations in the framework of innovation, market dynamics and trends.

The Scientific Advisory Board includes former Valneva Supervisory Board members Dr. Ralf Clemens, MD, Ph.D. (Chairperson), and Dr. Alexander Von Gabain, as well as Dr. Norman W. Baylor, Ph.D., Dr. Anna Durbin, MD, Dr. Stanley A. Plotkin, MD and Dr. George R. Siber, MD, Ph.D. Collectively, the SAB boasts specific expertise in the following areas of particular relevance to the Company's current and future pipeline:

- vaccinology;
- microbiology and immunology;
- infectious diseases;
- flaviviruses (a specific family of viruses primarily found in mosquitoes and ticks, many of which can also infect humans).

By the end of 2025, Valneva aims to launch two new vaccines on the market and have two new vaccine candidates in early clinical development (Phase 1 trials). This would amount to a 100% increase in the number of commercial products in the Company's portfolio.

At the end of 2021, Valneva had two products in its commercial portfolio, as well as two programs in late Phase 3 clinical development and one program in late Phase 2.

Regulatory submissions for the Company's COVID-19 vaccine candidate were underway in various regions as of December 31, 2021, bringing Valneva that much closer to its goal of launching two new vaccines by 2025.

The Company had no programs in early clinical development (Phase 1 trials) at the time of publication. However, Valneva has multiple ongoing pre-clinical projects that could potentially advance to early clinical development(1).

3.5.4. Ensuring Patient Safety

After successfully developing a product and receiving marketing approval from the relevant health authorities, the holder of a marketing authorization for a given pharmaceutical product must ensure ongoing monitoring of patient safety. This responsibility to ensure the quality and safety of its products is paramount to Valneva, who continuously monitors its products to ensure that any potential impacts to the safety profile are detected, assessed and addressed.

The ultimate goal of Pharmacovigilance is patient safety. For that purpose, Valneva's Pharmacovigilance (PV) department oversees all activities related to product safety monitoring around the globe, ensuring the appropriate flow and management of safety-related information according to applicable regulations and Valneva standards. Healthcare professionals and consumers have direct access, by phone and email, to Valneva's Medical Information professionals who provide timely and accurate information on the Group's products.

In countries where Valneva's products are distributed by third parties, individually adapted pharmacovigilance agreements exist to ensure the proper processing of all safety-related information. PV audit plans are also used to verify that Valneva's partners operate according to both the terms set up in these agreements and current safety regulations.

Valneva's Corporate Pharmacovigilance department performs signal detection for its licensed products on a regular basis. The signal detection reports are then shared with the Quality & Product Safety Management Board, Valneva's internal decision making body for quality- and safety-related matters. Actions addressing any trends or signals that may impact on public health are decided immediately. The action plans and communication pathways are thereafter aligned with the respective authorities.

(1) See section 1.3.3. of this URD.

On a regular basis (every three years for both IXIARO®/JESPECT® and DUKORAL®), Periodic Safety Update Reports (PSURs) are compiled and submitted to the relevant authorities.

During PV audits and inspections, Valneva has proven to have a robust PV system in place. During the most recent PV inspection performed by the Austrian authority AGES, a total of five minor observations were observed, and no major or critical findings were identified.

Furthermore, a set of Key Performance Indicators (KPIs) has been established to monitor compliance on a quarterly basis.

The primary PV KPI is the rate of submission of individual case safety reports (serious as well as non-serious) to the authorities, with an objective of 95% of submissions made on time. This objective has been met continuously since 2018.

A rate of 96% was achieved in 2021, versus a rate of 99% in 2020. A rate of 100% was met in both 2019 and 2018.

3.5.5. Responsible Manufacturing

Valneva has a robust manufacturing and laboratory platform in place with facilities across Europe to meet its clinical and commercial needs. Valneva's highly developed, nimble and sophisticated manufacturing infrastructure is one of the Company's strengths.

Any failure to comply with Good Manufacturing Practices, Good Distribution Practices or other regulatory requirements could result in possible actions or the suspension or revocation of production or distribution authorizations, and could hinder the supply of products by the Group. The risk of suspension or revocation of manufacturing or distribution authorizations also exists for third parties with whom the Group has entered into manufacturing, supply or distribution agreements.

Valneva's manufacturing base provides a long-term and sustainable industrial network to supply clinical trial material and commercial products based on objectives for delivery schedule, costs, flexibility and quality. The Company operates three manufacturing sites – in Livingston, Scotland; Solna, Sweden; and Vienna, Austria – which are qualified by various regulatory authorities.

The Company's manufacturing center in Livingston is currently being expanded in order to produce the Company's COVID-19 vaccine candidate, VLA2001. Valneva's Solna facility is the Company's center of excellence for fill-finish operations. As part of COVID-19 vaccine operations, the Company is also expanding capacity in Solna by outfitting an additional location near its preexisting site for formulation, filling and packaging of VLA2001.

Valneva's manufacturing network has been operating and producing licensed vaccines for more than 10 years. The Company relies on its manufacturing facilities as the sole source of manufacturing for Valneva products and for certain of its product candidates.

Manufacturing of vaccines is considered one of the most complex pharmaceutical manufacturing operations. It can take between 6 to 36 months to produce, package and deliver high quality vaccines to those who need them. The process includes testing each batch of vaccine at every step of its journey, and repeat quality control of batches by different authorities around the world.

Valneva's Quality Control and Quality Assurance functions are thus integral parts of its manufacturing platform.

- **Quality Control** evaluates the performance of the manufacturing process to ensure adherence to specifications and limits, and assesses the suitability of incoming raw materials, components, containers, closures, labelling, in-process materials and final vaccine lots;
- **Quality Assurance** involves the systematic and independent examination of all trial-related activities and documents. This includes site audits, vendor audits and system/process audits, as well as general and pre-approval inspections.

Biopharmaceutical manufacturing and release testing is performed regularly to help avoid disruption to supply and to deliver products in alignment with the Company's Master Production Schedule. Multiple counter-measures are in place to mitigate production risks, including:

- annual quality and safety audits;
- preventive maintenance measures;
- a business continuity plan including an internal crisis management team and disaster recovery; and
- routine servicing and replacement of key equipment.

In 2021, over 20% of Valneva's annual revenues were spent on manufacturing site improvements, versus more than 15% in 2020 and 6% in 2019.

The Company aims to complete the current expansions of its manufacturing sites in Scotland and Sweden in 2022.

3.6. Acting Ethically

Developing vaccines means that the Group has a responsibility to consumers and a wide range of stakeholders. Valneva maintains high ethical standards, protecting trial subjects through solid R&D processes and continuously improving its business integrity and transparency – all to preserve the trust of the patients and the communities it serves.

3.6.1. Complying to the Highest Standard

Focused on integrity in its daily business, Valneva conducts its activities with high ethical standards across all functions.

Relationships with customers, healthcare providers, and third-party payors are subject, directly or indirectly, to healthcare fraud and abuse laws, false claims laws, health information privacy and security laws, and other healthcare laws and regulations. If Valneva is unable to comply, or have not fully complied, with such laws, the Group could face substantial penalties.

To help mitigate this risk, the Company has created an internal framework of policies that incorporate its ethical principles into tangible business processes. This allows employees to conduct themselves ethically. Valneva has continued to grow its set of rules, guidelines and training activities to further realize its standards of integrity in accordance with new and evolving legal requirements. These efforts allow Valneva to mitigate the risk of a failure in business compliance.

Valneva's Code of Conduct

As stated in its official Code of Conduct, Valneva is committed to conducting business responsibly and in compliance with applicable laws, rules and regulations. Valneva commits itself and expects every employee to live up to the highest standards of integrity in the common mission to develop new vaccines. The Company shares the vision to serve the medical community's needs and to seek significant returns for its stockholders, in continued pursuit of excellent science for the fight against infectious diseases. Valneva tries to motivate and help every employee to contribute to the Company's success in achieving its goal, and its Code of Conduct applies to all Supervisory Board members, Management Board members, directors and employees of Valneva SE and its subsidiaries.

Valneva's Anti-Bribery and Anti-Corruption Policy

In 2016, Valneva instituted its Anti-Bribery and Anti-Corruption Policy (ABAC) to align its business with the best practices in the industry and the highest compliance and ethics standards. The ABAC policy builds upon the Code of Conduct by providing standards to ensure Valneva's business activities are conducted ethically and do not attempt to improperly influence others (including by paying, offering, or accepting bribes in any form, directly or indirectly). This policy was designed in compliance with all global anti-bribery and anti-corruption laws including, but not limited to, the UK Bribery Act, the US Foreign Corrupt Practices Act (FCPA) and the Canadian Criminal Code and Corruption of Foreign Public Officials Act. Valneva has zero tolerance for bribery or corruption of any kind.

As of December 31, 2021, 100% of Valneva employees trained on the ABAC Policy successfully passed the end-of-training evaluation.

Valneva aims to achieve a 100% participation rate in this training. In 2021, 94,6% of Valneva employees in scope were trained on this policy.

Valneva's Anti-Bribery Procedure

All Valneva employees have 24/7 access to a secured compliance helpline system. If an employee has a concern or believes in good faith that a law, a rule or one of the principles in Valneva's Code of Conduct has been – or is about to be – violated, such employee can inform his or her manager, one of Valneva's internally-designated Compliance Officers, or use the compliance helpline. Since the 2016 decision to use this helpline service, Valneva has vowed to ensure that employees are not disciplined or discriminated against for reporting any possible incident, even if the facts reported prove to be inaccurate, provided that they have acted in good faith.

The Suite of Policies at Valneva

In addition to the cornerstone policies mentioned above, Valneva is proud to have a cohesive collection of corporate policies that cover a vast array of topics, such as:

- Anti-harassment, Anti-discrimination and Anti-bullying
- Conflicts of Interest;
- Corporate Procurement;
- Data Protection;
- Employee Invention;
- Global Communications;
- Insider Trading;

- Information Technology (IT);
- Professional and Personal Relationships in the Workplace;
- Non-Retaliation and Non-Retribution;
- Corporate Travel.

Encouraging Ethics Awareness through Activities and Training

Valneva designates each September as Compliance & Ethics (C&E) Month to bring greater awareness of compliance and ethics matters to employees. In 2021, the Company-wide C&E Month challenge was a compliance photo hunt. Employees were provided a set of four pictures wherein they had to successfully identify ten compliance issues using their own expert C&E knowledge (and referring to Company policies as needed).

Valneva had previously increased its efforts to provide ethics-related training in 2020 via the implementation of an e-learning platform that measures successful participation via quizzes during and after each e-learning course.

Compliance Risk Assessment

In 2020, Valneva undertook risk mapping that covered Anti-Bribery & Anti-Corruption. Following this compliance risk mapping, specific mitigating measures and controls were identified with specific timelines for implementation.

Valneva planned three mitigating measures for Anti-Bribery & Anti-Corruption during 2021 and two of these measures were put into place on time, resulting in an 66% on-time implementation rate. This compares to the 80% on-time implementation rate for 2020.

The Company aims to achieve a 100% on-time implementation rate.

3.6.2. Mitigating Cyber Security Risk

Like other companies, Valneva's internal IT systems and cloud-based computing services are potentially vulnerable to malware, computer viruses, data corruption, cyber-based attacks and other damaging events. These kinds of threats could result in damage to or the interruption or impairment of key business processes, or the loss or corruption of confidential information, including intellectual property, proprietary business information and personal information.

These cyber security risks have been carefully evaluated and include:

- interruption of business operations;
- loss of batches in manufacturing (due to critical production systems being down);
- loss of data;
- phishing of information;
- fraud;
- data breaches in light of European General Data Protection Regulation (GDPR) regulations; and
- phishing of financial transactions.

Risks can arrive in a variety of forms, through social engineering, the introduction of malware into IT systems via removable media or external hardware, malware infection via inter- and intranet, remote access intrusions and even simple human error. From a phishing attack to malware or hacking of corporate banking information, there are a multitude of potential issues against which employees and upper management must be informed. Valneva's workforce is thus considered to be its first and primary line of defense against online crime.

Dedicated Information Security Activities in 2021

With the Company's growing profile, ever-increasing workforce and dispersed teams due to the ongoing pandemic, Valneva made a concerted effort to reinforce its information security infrastructure in 2021.

In order to support this strategic direction, Valneva adjusted its information security landscape through multiple new actions. First, the Company created a new corporate body, the Information Security Board (ISB), to steer all information security activities. In addition to forming the ISB, a new Information Security Policy was issued and all employees were required to perform a mandatory assessment related to the new document.

The Company also successfully reacted to critical exploits that occurred in 2021, with immediate actions taken against the Hafnium Exchange Exploit, Log4Shell Exploit and Print Spooler Vulnerability.

Cyber Security Risk Assessment

Valneva's cyber security risk underwent an in-depth reassessment in 2019, which underpins its new and ongoing information security initiatives. Data systems were evaluated as safe at the time of this assessment; the most serious cyber security weaknesses identified were data leakage and the careless use of IT systems. In the event of a cyber attack, the Company defined a goal of recovering from potential attacks within a reasonable timeframe.

The following counter-measures were put in place following the risk assessment:

- spam email gateway and email filtering;
- constant updating of the Company's backup infrastructure;
- regular and timely IT system patching to reduce attack vectors;
- multiple layers of security to protect sensitive IT infrastructure;
- IT infrastructure penetration testing;
- formalized disaster & contingency procedures;
- regular security assessments (both internal and external);
- GDPR team in place (including a group Data Protection Officer, or DPO) to ensure compliance with all GDPR processes;
- user awareness trainings, including tailored trainings for Valneva's Management Board, Supervisory Board, senior management as well as all Finance department staff; and,
- a Managed Threat Response (MTR) service implemented in 2021.

As employees remain the main stewards of Valneva's information security, the Company works to reduce cyber security risk through robust training. As a complement to all of the aforementioned actions, the large-scale cyber security training initiative launched in 2019 continued in 2020 and 2021.

As of January 27, 2022, 94% of employees successfully completed cyber security training and the associated mandatory assessment, versus 90.3% of employees in 2020.

The Company has set a goal of training 100% of its workforce on cyber security every year.

3.6.3. Human Rights

Given its activities and the geographical location of its sites, Valneva is not directly facing issues of human rights violations.

However, it should be noted that :

- the clinical trials that the Company conducts for its vaccine candidates are carried out in strict compliance with the informed consent of the patients involved in biological research;
- Valneva employees are all protected by respect for labor legislation in all countries where the Company operates. The set of internal policies mentioned in this report also guarantees respect for human rights for all employees.

3.6.4. Combatting Tax Evasion

Valneva fulfils its tax obligations in each of the countries where its activities are carried out.

3.7. Developing our People

Valneva's success stems from the engagement and expertise of more than 750 employees, who are the Group's single largest asset. Because a diverse workforce performs better, Valneva has committed itself to diversity and to the professional development of its employees. This commitment to people starts by creating a lively, open and friendly working environment.

Valneva's HR Strategy

Valneva has developed a global HR strategy based on its mission, its vision and its goals.

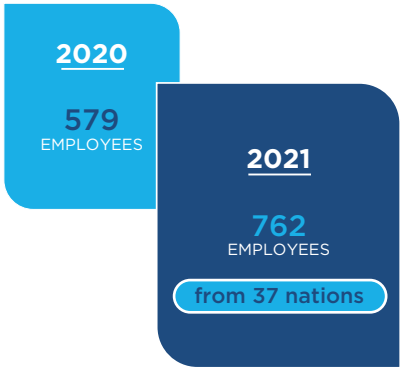
	Objectives
Pillar 1 Organisational development	1.1 HR support the strategic development of the organisation
	1.2 Valneva's employee have a positive attitude towards change and are prepared to be agile / adapt quickly thereby, supporting the overall change readiness of the organisation
	1.3 Business decisions that result in noticeable changes are being implemented professionally, resulting in smooth and efficient adaptation to different future scenarios
Pillar 2 Talent acquisition & retention	2.1 Be an employer of choice and differentiate Valneva amongst the competition
	2.2 Continuously adapt and enhance talent acquisition stratgey across sites considering the market pulse
	2.3 Boost retention ratio across sites
Pillar 3 People development	3.1 Role specific and individual development needs that are critical for tje success of the company are known and met
	3.2 Key competencies are developed in-house to ensure high relevance of the ocntent and a shared understanding within the company
	3.3 The leadership culture is based on shared values and required competencies

3.7.1. Attract and Retain Talented People

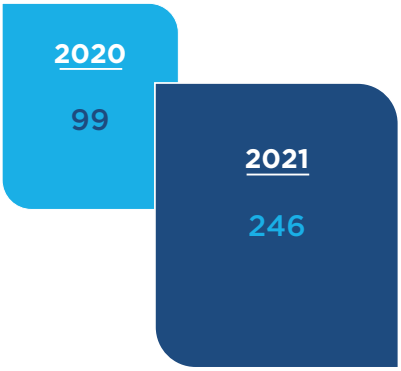
Valneva's inability to attract and retain key employees could prevent the Group from achieving its overall objectives, and thus have a significant negative impact on its business and prospects.

Valneva's HR approach

- Attract and retain talented people.
- Build a sustainable workforce for the future.
- Assess and reward performance.
- Value and support diversity.
- Protect its workforce.

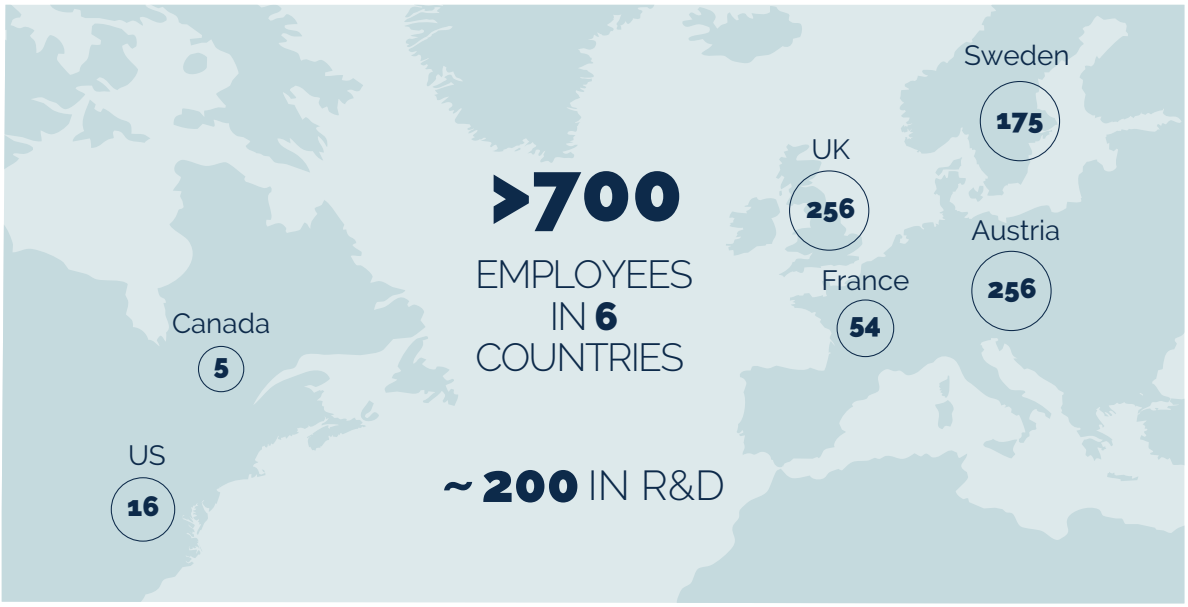


New Hires



Valneva's Global Presence

On December 31, 2021, the Group had 762 employees working in Austria, Canada, France, Sweden, the United Kingdom, and in the United States.



Valneva: A Unique Corporate Identity

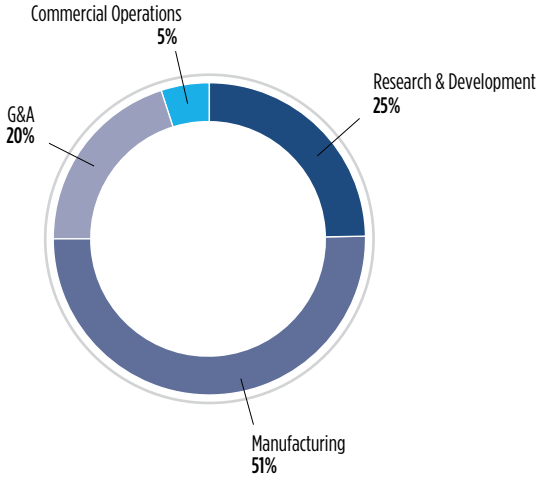
Valneva is an international and multicultural Group where enthusiasm, innovation and strong execution skills are driving forces. With operations in six countries across the globe, Valneva's teams are diverse and multidisciplinary. Enriched by the 37 different nationalities represented in its workforce, Valneva is built upon a unique identity in the vaccine industry.

A Wealth of Expertise

The majority of Valneva employees work in the areas of manufacturing and R&D. Manufacturing operations take place in Scotland and Sweden, while R&D is based in Austria and France.

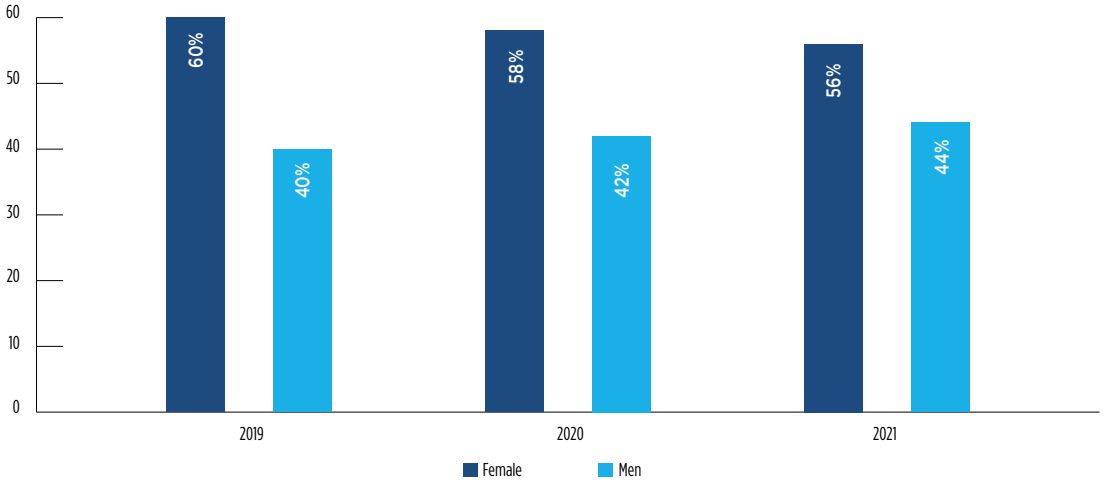
The Support functions (G&A) are mostly spread across the Company's four main sites in Austria, France, Scotland and Sweden.

Commercial Operations have been consolidated over the past six years, with teams now located in Canada, the United States, the United Kingdom, Austria, in the Nordic countries and, most recently, in France.



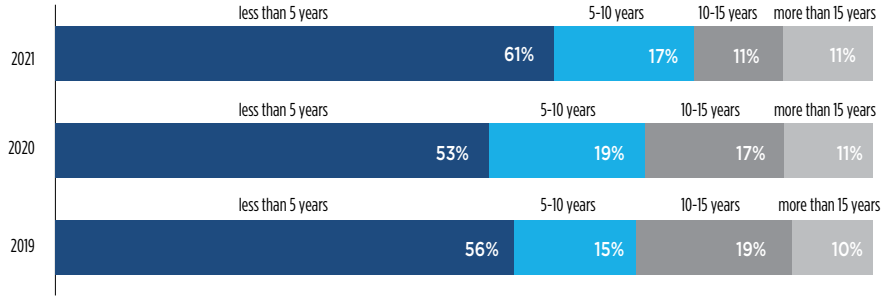
Gender Breakdown

Women are more highly represented than men at Valneva.

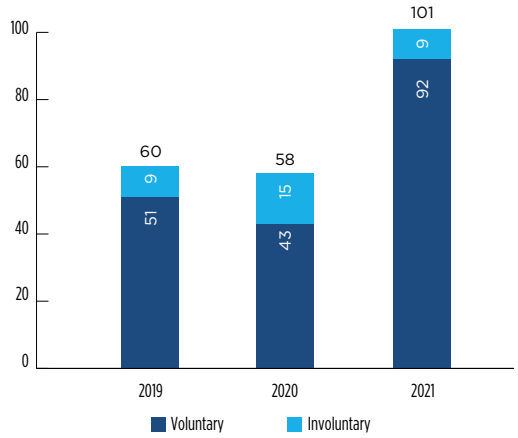


Seniority & Turnover

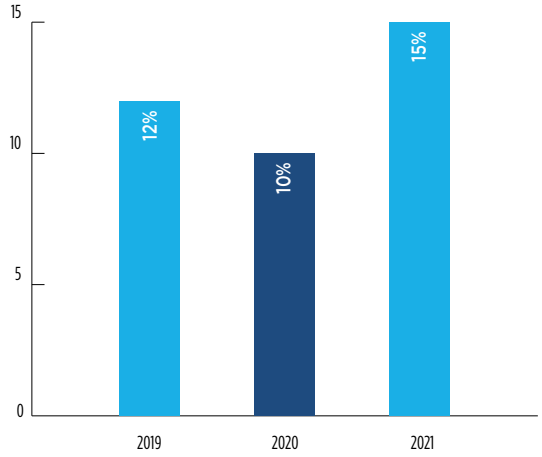
Seniority



Number of Departures



Turnover



Valneva's voluntary turnover rate, or employee turnover rate, increased in 2021. This is explained by the strategy adopted by the Group. A growing company carries out extensive recruitment, which automatically exposes it to an increased turnover rate. However, a turnover rate is generally considered high when it surpasses 15%.

2022 Objectives :

- **Adapt and enhance talent acquisition strategy across sites considering the (local) market pulse**
- **Utilize all state-of-the-art instruments to approach the right talent levels for business needs**

Valneva supports its employees in maintaining a healthy work-life balance. Good working conditions, flexibility and attractive benefits are distinctive elements of the Company's employer brand.

For many years, Valneva has been offering services to employees such as:

- childcare assistance;
- on-site health-related services.

In addition to ensuring well-being at work and guaranteeing competitive compensation and benefits, Valneva also surveys its employees in France to find out how they feel at work and what can be done to develop a dynamic, open and friendly working environment.

Employee Mobility in Action

Valneva, as an international company, offers the opportunity of mobility to its employees whenever possible.

Social Events: Solidifying Valneva's Culture

Valneva values its corporate culture and organizes social and cultural events on a regular basis. A number of events are organized at all sites simultaneously to encourage cohesion within Valneva.

Newsletters are published regularly to inform employees and bring Vaneva's corporate culture to life. In addition, an intranet is used to relay the group's social events and activities.

An Open Dialog across Levels

As a European company, Valneva is proud to maintain an internal organization that represents its European workforce, called the International Work Council (IWC). The 11 IWC members - and, since Brexit, three "guest" members representing UK employees - were elected in 2021 for a four-year term and meet at least twice a year. They are informed about and consulted on Valneva's cross-border operations, contributing to a better understanding of the cultural and organizational specificities of each European site.

In addition to the IWC and local work councils in Europe, the Canadian and US site leaders and HR team members maintain a constant, open dialog with the local workforce.

Labor relations

Organization of employee-management dialogue	Social and Economic Committee (CSE) Report for Nantes, Local Committees, IWC
Collective bargaining agreements	96% of the Group employees are covered by a collective bargaining agreement Labour relations in North America are not regulated by collective bargaining agreements. However, the Group guarantees a harmonised approach by considering that the minimum standards and rules in force in Europe are, by extension, applying in Canada and in the US.

HR Committees: Heading up Global HR Processes

The Human Resources Management Committee (HRMC) is dedicated to Valneva's global strategy in terms of human resources and sensitive issues. The HRMC defines the Company's HR strategy and supervises:

- organizational development;
- senior leadership development;
- global compensation policy.

The Human Resources Operational Committee (HROC) is responsible for the implementation and execution of HR policies, systems and other HR processes for all Valneva business units. The HROC acts as a functional coordinating body that:

- handles feedback for all local HR functions;
- coordinates aspects of the information and consultation processes with the work councils, in particular the IWC.

Offering Competitive Compensation

An early priority for the Company, Valneva implemented a Group compensation policy based on international benchmarks in 2013. The principles of this policy are consistent and have been harmonized across the different sites since the Company's creation.

In 2019, Valneva implemented a new, reliable classification system used by a large number of life science companies. This change in referential is based on a multidimensional analysis that brings more granularity and differentiation than the previous employee grading structure. Valneva now has an even more accurate tool for the forward-looking management of jobs and skills within the Company.

Innovative Working Arrangements

Working hours at Valneva are governed by different national agreements, in compliance with local regulations and contractual needs.

Whenever possible, flexible working hour arrangements exist to facilitate a better work-life balance for employees. In addition, home office pilot programs are ongoing, in order to offer more flexibility in the organization of work. In 2021, the ongoing COVID-19 pandemic also encouraged a sustained increase in the use of telework.

For these reasons, Valneva redoubled its efforts to maintain the social connection at the heart of the Group, regularly organizing remote and on-site events.

3.7.2. Promotion of Diversity and Guarantee of Non-Discrimination

Valneva's Global Anti-Harassment, Anti-Discrimination and Anti-Bullying Policy, in conjunction with its Global Professional and Personal Relationships in the Workplace Policy, allow the Company to promote equal opportunity and treatment while maximizing the talents and expertise of all employees.

Diversity is part of Valneva's DNA and the Company promotes inclusion in all aspects of the business. Any discriminatory act would expose the Group to criminal and punishable offences that would be harmful in many ways (legal, financial, image and social risks).

Recognizing and Promoting Diversity

Valneva believes that discrimination, in any form, is unacceptable in the workplace. Valneva promotes equal opportunity through recruitment and employment, as well as equal consideration with regard to compensation, training and advancement efforts for all employees. This means that prospective and current employees receive the same treatment regardless of nationality, ethnic origin, gender identity, physical or mental disability, age, religion or beliefs, family situation or sexual orientation.

As a global company that respects all cultures, Valneva believes that the diversity of its teams is a valuable asset for future success, supporting greater innovation, efficiency and competitiveness. The 37 nationalities represented at Valneva are a by-product of the Company's focus on inclusion.

Valneva SE and Valneva Austria GmbH are signatories of the Diversity Charter, an initiative seeking to ban discrimination from the workplace.

CHARTE DE LA diversité SIGNATAIRE

Mitglied CHARTA der Vielfalt www.charta-der-vielfalt.at

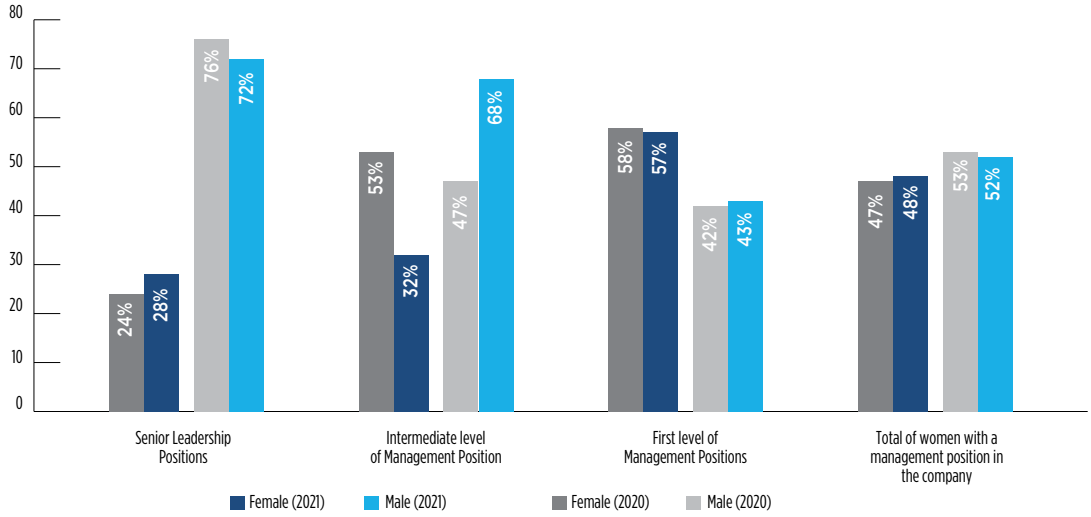
Number of Women in Management Positions

Valneva believes that good Corporate Governance is the basis for the trust that investors, institutions, and employees place in the Company. Valneva will continue to strengthen this confidence in the future while ensuring a diverse and highly qualified group of Board members.

Valneva's Supervisory and Management Boards are committed to managing the Company transparently, in accordance with the French Middlenext Governance Code for Small and Medium Capitalization Companies and with a focus on long-term value creation. As of today, three women serve on Valneva's Supervisory Board, helping to move the Company forward with the highest of ethical standards.

The Management Committee is a senior management body that complements Valneva's Management Board, providing input on the development and execution of Valneva's business strategy. This Committee holistically oversees cross-functional and cross-site (entity) alignment, including capabilities, objectives and operational oversight across all areas of the business. Currently, three women (among 16 members) are part of the Management Committee, including the director of Valneva's manufacturing site Solna, Sweden.

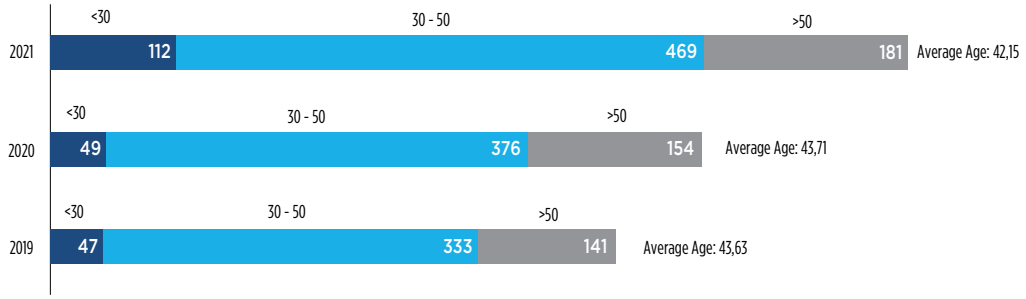
Valneva is committed to ensuring that women and men have equal opportunities to become part of the Company's corporate governance structure, notably through the development of their qualifications.



Average Age at Valneva

In 2021, the average age of Valneva employees was 42 years old, which is a slight decrease compared to 2020 and 2019.

Average Age



Gender Pay Index

The European Commission reported a 14.1%(1) gender pay gap in Europe in 2020. Valneva's gender-pay index remains significantly lower than the European average.

2025 Objective: The Group is committed to reducing 100% of its gender-pay gap by 2025.

2021
4.31%
GENDER PAY INDEX

(1) Source : https://ec.europa.eu

3.7.3. Having the Right Level of Expectation in Terms of Performance and Competencies to Respond to Market Demand

Valneva promotes equal opportunity and seeks to help each of its employees maximize his or her talents.

Valneva's difficulties in achieving and maintaining a certain level of performance and skills would lead to a mismatch with the Group's needs, which would ultimately affect its success.

As an integral part of its strategy, the HR Department has put into place an internally-designed Performance Management system. Valneva's system helps to define the roles and responsibilities of employees and managers within the Group. All Valneva employees, including managers, are trained to use this system effectively.

LEAD Model Project

The focus group dedicated to building a new competency model that refines the individual performance assessment process, finalized a new tool in 2020. The objective was to determine key behavioral competencies within Valneva based on the LEAD model (Lead, Empower, Act and Deliver). 2021 was a pilot year for testing this tool. A final assessment stage is planned in 2022 before full deployment.

People Development Approach

Valneva emphasizes talent management, meaning that employees are gradually trained for further responsibilities.

Developing employees' skill sets plays a key role in the Group's success. The professional development initiatives proposed by Valneva are tied to the improvement and expansion of operational expertise and are used to enhance communication and management skills at every level of the corporate hierarchy. Employees are willing to learn and take on new roles and responsibilities within the Group, thanks to the professional development options provided to them. The overall goal is to help employees boost their personal potential and advance their professional careers at Valneva.

Valneva Corporate Training Program

Training is a cornerstone of Valneva's HR strategy and allows the Group to maintain high working standards in all of its activities. The Company offers a broad range of training events, including sessions on ethics & compliance, risk management, biosafety and cyber security awareness.

2021 Objective: Manage the highest increase of FTE in Valneva's history with the highest quality level possible regarding recruiting, on-boarding & training, and performance management.

2021

243
TRIAL
PERIODS

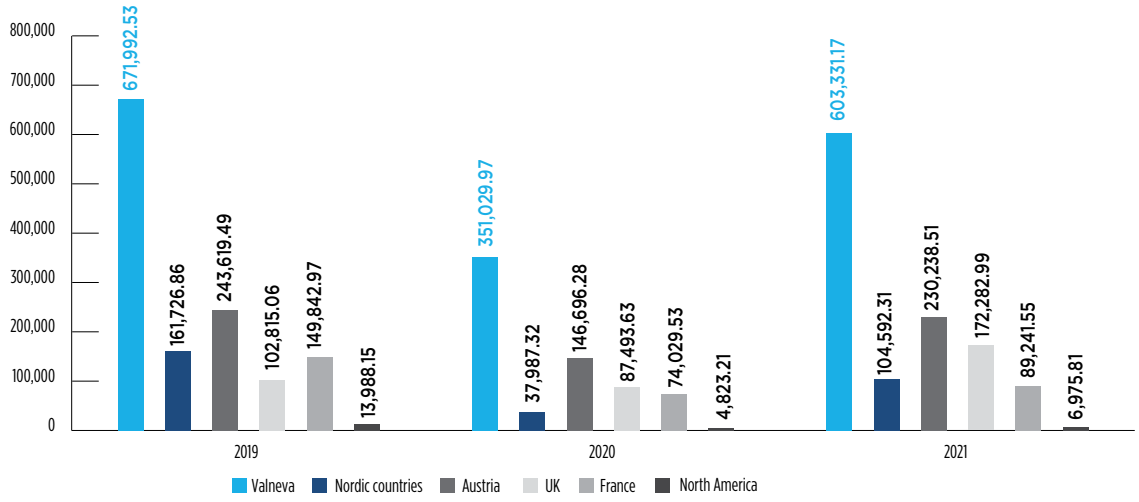
Selection and on boarding processes

Valneva possesses solid tools and processes for both the selection and induction of new talent. This is reflected in the number of employees who have validated their trial period, 243 in 2021 out of 246 newly recruited employees.

Valneva's Training Investment

Across the Group, Valneva's total training investment was €603,331.17 for 2021, which represents an average of €791.77 per employee. Following the pronounced negative impact of the pandemic observed in 2020, training investment returned to a normal level in 2021.

It should be noted that regulatory training (GMP) is excluded from the training budget presented here.



2019
average investment of
1 ,273 euros
per employee

2020
average investment of
606.27 euros
per employee

2021
average investment of
791.77 euros
per employee

Partnering with Educational Institutions

At Valneva, preparing for the future begins by encouraging the development of the new generation of employees by welcoming students who want to discover Valneva's professions and the pharmaceutical sector more broadly. Despite the pandemic and in alignment with physical distancing rules, the Group welcomed student interns in 2021 who were fully integrated into the Valneva community.

Creating New Opportunities in Higher Education

In addition to regularly welcoming interns for various roles within the Group, Valneva Sweden has been actively involved in the creation of a post-secondary degree in Pharmaceutical Engineering. Valneva has a seat on the Board of the degree program, which allows the Group to positively influence the practical direction of the course.

The Company continues its cooperation with universities and vocational training institutes by inviting students to discover Valneva's professions.

3.8. Respecting the Environment

As a specialty vaccine company focused on prevention of infectious diseases, Valneva is aware that the environment directly affects people's health. In addition, the Group is aware that man-made or natural disasters, as well as public health pandemics or epidemics, may disrupt its business. With that in mind, Valneva recognizes the need to manage its carbon footprint, waste and consumption, taking environmental issues into account as reflected in the elements described below.

3.8.1. Valneva's Environmental Approach

Valneva considers Environment, Occupational Health and Safety (EOHS) in the framework of its business activities with the intent to protect people, business assets, natural resources and the environment. Valneva strives to prevent the injury or illness of employees, negative effects on the environment and any impact on the safety and quality of the Company's manufactured products, by:

- proactively managing risk and supporting a positive, innovative EOHS culture;
- strategically analyzing and minimizing health & safety risks; and
- preventing pollution, minimizing waste and conserving resources.

At the request of the Management Board, the local EOHS teams share experiences with one another to improve cross-site efficiency and alignment, as well as risk reduction.

With the knowledge that climate change is an important global issue, Valneva seizes the opportunity to continuously improve its sustainability model.

Environmental sustainability is a guiding principle at Valneva. The Group aims to use natural resources efficiently and minimize the environmental impact of its activities and products during their lifecycles. It integrates sustainable operations & supply chains, innovative products & packaging and environmental sustainability into its business decisions process. Valneva pursues its development in strict compliance with a number of corporate social responsibility rules and environmental sustainability guidelines.

Good practices for waste separation, recycling and monitoring were adopted by the Group after the 2015 French Energy Transition Act established obligations to promote the circular economy and waste recycling. These practices are a major priority and procedures have already been implemented on all sites.

Further, developing its environmental practices, Valneva formalized a Global EOHS Policy in 2017 based on five core principles: Protect, Prevent, Manage, Analyze & Minimize environmental and safety risks.

Valneva Global EOHS Policy: Focus on the Environment

With regard to the environment, this policy ensures that the Company uses natural resources responsibly and works to minimize its environmental impact. This includes energy efficiency, minimization of waste, efficient use of water, choice of chemicals, raw materials and other materials.

The Company respects the environmental standards and requirements set by authorities in each country where it operates, and has routines and monitoring systems in place to ensure continued compliance.

A Word on COVID-19 and its Impact on Valneva's Environmental Reporting

The COVID-19 pandemic has had an important, sustained impact on Group activities since 2020. Valneva is developing an inactivated COVID-19 vaccine candidate, and 2021 was marked by the expansion of the Company's manufacturing facilities in order to be able to produce a high number of doses. One of the main consequences of this expansion is the increase in overall manufacturing site surface area, which led to an artificial improvement of the environmental KPIs that take surface area into account. In order to clarify the situation regarding these indicators, the specific conditions affecting each KPI will be specified throughout this section of the report.

Reducing our Carbon Footprint

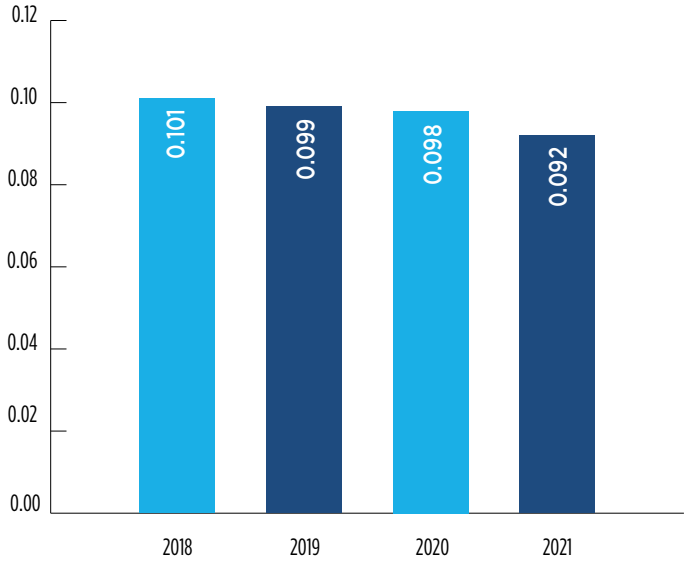
Since energy use constitutes the main source of Valneva's CO_2 emissions, the Group seeks to optimize and continuously reduce its energy consumption while ensuring energy security for all its business activities.

In line with this approach, Valneva aims to reduce its CO_2 emissions by 5% between 2016 and 2025.

Valneva's CO_2 emissions have been steadily decreasing since the Group's decision to work with green energy providers for the electricity consumed on three of its four main sites. Since 2018, the electric power used in Nantes, Vienna and Solna is entirely produced from renewable energies.

In order to establish a Key Performance Indicator, or KPI, for the Group's carbon footprint, Valneva chose in 2019 to begin presenting CO_2 emissions in terms of the surface area (in square meters) of its four main sites. The goal of this KPI is to show improvements in Valneva's carbon footprint year-over-year, based on a time-stable criterion for each main site.

CO_2 Emissions per Square Meter



2021 saw an increase in activity on Valneva's R&D sites and an increase in surface area of its production sites with the creation of new buildings. In Sweden, these surfaces are the property of Valneva but are not yet supplied with energy. In Scotland, the new surfaces are not yet owned by Valneva and do not appear in the 2021 environmental data. These changes therefore have a significant impact on the representativeness of the carbon impact KPI, because the increase in surface area without an increase in CO_2 emissions artificially improves it.

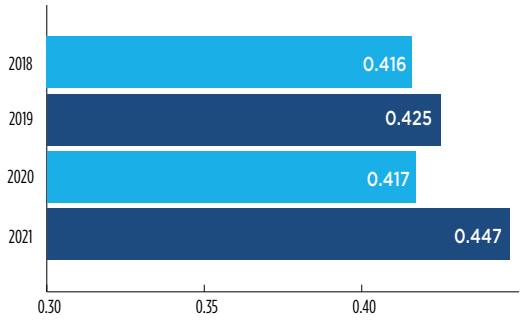
To further refine the presentation of energy management and the associated carbon impact, activities are divided in two categories: manufacturing sites and R&D sites.

For Vienna, a part of this data covers the period from September 1, 2020 to August 31, 2021.

Each category has its own KPI linked to the specificities of each type of activity.

Energy consumption per square meter is the chosen KPI for R&D sites.

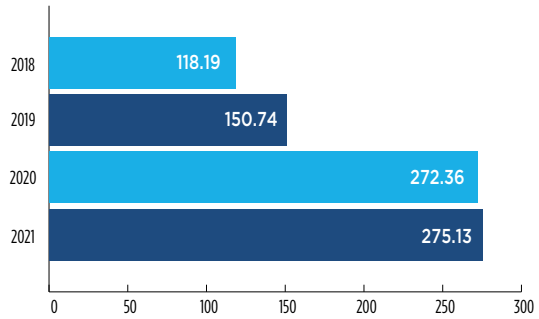
Energy Consumption (in MWh) per Square Meter: R&D Sites



Variations in activity at the R&D sites had a greater impact in on energy consumption in 2021 than in 2020. Last year, this consumption increased.

For the manufacturing sites, the chosen KPI is energy consumption per vaccine batch produced.

Energy Consumption (in MWh) per Batch Produced: Manufacturing Sites



In 2020, the pandemic had a significant impact on Valneva's manufacturing sites, as their activity decreased drastically (-60% in Scotland and -38% in Sweden). In 2021, the expansion and modernization of facilities at the two sites continued in preparation for the production of the COVID-19 vaccine. Activity has also increased again in Scotland, where 30 batches were produced in 2021 compared to 13 in 2020.

Waste Management

Waste has an enormous impact on the environment, causing pollution and greenhouse gas emissions while generating substantial costs. Proper waste management - including appropriate reuse, recycling and energy recovery - is a key factor in optimizing resource efficiency.

Valneva's activities produce waste which is then eliminated at the different sites in a manner which respects applicable local and European regulations. Separating, recycling and monitoring waste are priorities for Valneva. For that reason, procedures have been implemented and indicators adopted to closely monitor the related environmental impacts.

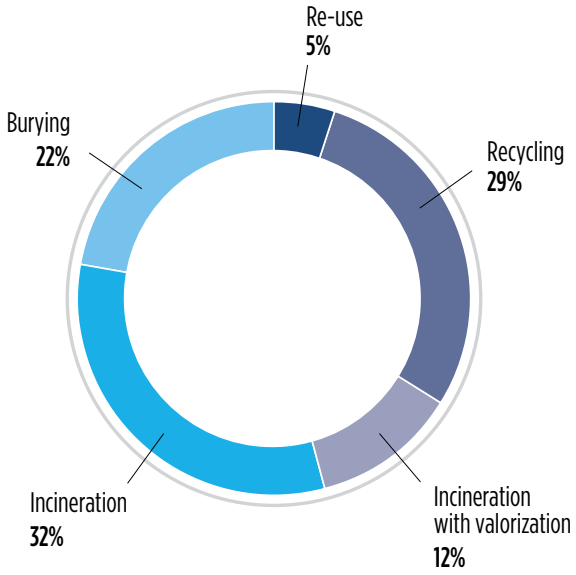
To ensure effective monitoring of its commitments on waste management, the Group has set the objective of reducing the proportion of non-recyclable and landfilled waste by 5% by 2025, as compared to 2016.

Two types of waste are produced by the four sites within the reporting boundary of this Report:

- non-hazardous waste (paper, cardboard, plastic, etc.);
- hazardous waste (used chemical products, contaminated plastic, electrical and electronic equipment waste, etc.).

This last category includes very specific waste associated with Valneva's activities in the biotech field: biological waste. It is subject to specific monitoring procedures by the teams on each site.

Waste Repartition by Treatment Mode



Since 2019, Valneva has chosen to present its work on waste valorization instead of presenting the quantities of waste produced.

In 2020, Valneva set an objective of reducing the share of non-recyclable waste by 5% by 2025, compared to 2016 levels.

The Company treats and valorizes its waste in five different ways:

- **re-use** which allows direct re-use of waste as a raw material in another sector;
- **recycling** which recovers and transforms waste into a new raw material;
- **incineration with energy recovery**, which destroys waste while producing energy that is subsequently used by customers of the incineration plant;
- simple **incineration,** which allows for the destruction of waste; and finally,
- **burying or landfill use**, which is the final treatment method for waste that cannot be valorized using another process. Valneva seeks to leverage the other methods as much as possible, in order to provide a second life for the largest quantity of waste.

To manage waste valorization, Valneva works with specialized companies in the sector and seeks the most well-adapted solutions. For each method, contracts are drawn up with service providers in order to guarantee the traceability and the nature of the waste recycled. From the moment waste is collected until its final treatment, service providers provide the Company substantiating documents as required by local and European regulations.

Other Ways Valneva Reduces Waste

- Replacement of paper cups, plastic water bottles and plastic cutlery with reusable options.
- Livingston's dedicated Green Team, made of employee volunteers, coordinates waste reduction and recycling initiatives. The creation of Green Teams on other sites is an additional goal of the Group.

3.8.2. Valneva's Approach to Safety at Work

Production activities involve the risk of hindering Valneva's ability to provide life-saving vaccines.

In order to ensure a continuous pace of production, Valneva understands that employees are essential. Thus, Valneva reinforces safety at all of its manufacturing and R&D sites through its strong EOHS culture.

Valneva Global EOHS Policy: Focus on Manufacturing

The Global EOHS Policy applies equally to Valneva's manufacturing and R&D activities and aims to sustain the Group's high level of control over the related risks in the long term.

The EOHS teams ensure the implementation and respect of the Policy. The Company ensures that EHS rules are followed consistently through several complementary actions, including comprehensive training and procedures. EOHS teams monitor key indicators and perform regular reporting of near misses, incidents and accidents.

EOHS: The Right Instincts

- **Always wear personal safety equipment, when and where required.**
- **Respect safety warnings and signs.**
- **Take part in EOHS training, both overall introduction and special EOHS training when required.**
- **Encourage reporting of unsafe behavior and safety risk**.

Managing EOHS Risks and Opportunities

Potential biotechnology risks have been identified at Valneva's manufacturing and R&D sites. Dedicated groups have been tasked with implementing and monitoring the procedures that are necessary for managing these risks, including maintenance of the various installations and pieces of equipment at these locations.

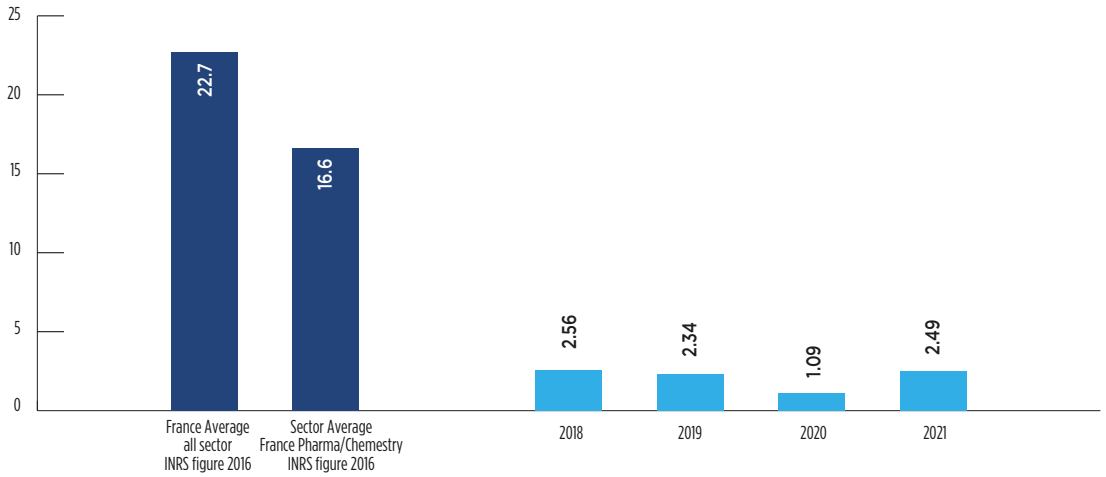
The goal established in 2020 is to keep safety statistics below the averages observed in the pharmaceutical and biotech industries and to maintain these statistics over the period from 2020-2025.

Work Accidents

The nature of Valneva's activity, together with the Group's ongoing improvement of safety-training measures, has resulted a consistently low number of work accidents that have historically been non-critical.

The **Frequency Rate** (prevalence of work accidents) and **Severity Rate** (severity of work accidents), are presented in this report, as they are a means of showing the effectiveness of the employee risk prevention work carried out by Valneva safety teams.

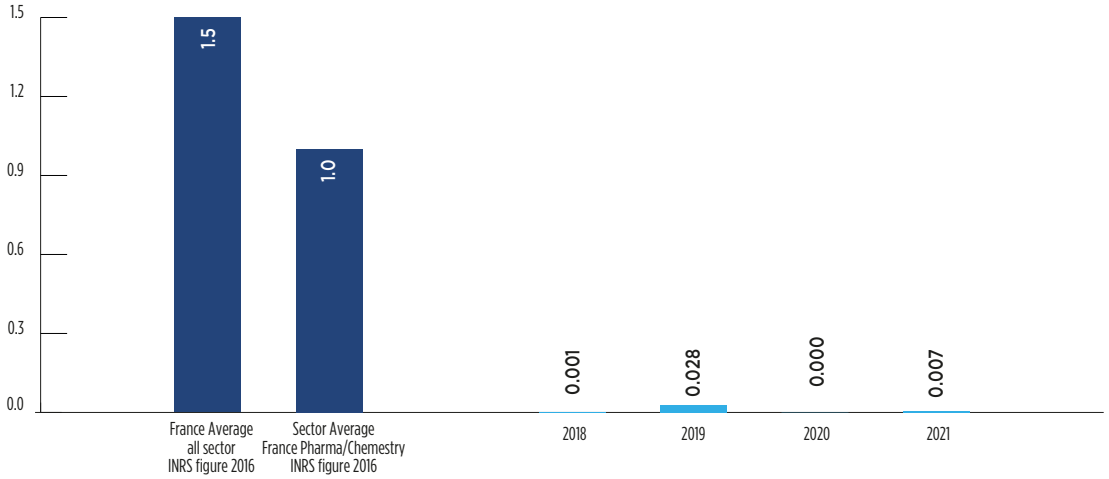
Work Accidents: Frequency Rate



Valneva's work accident frequency rate is historically low, thanks to local safety teams who act as soon as a minor event occurs, thereby preventing more serious accidents.

There was a slight increase in work accidents in 2021. Nevertheless, the Frequency Rates graph shows that Valneva remains well below the average value encountered across French companies, according to statistics from the National Institute for Research and Safety (INRS).

Work Accidents: Severity Rate



Work accidents at Valneva typically only result in short-term work stoppages. In fact, safety teams are used to handling "near accidents" and "near misses," thereby acting on risks at the source. This has had a significant impact on the consequences of accidents.

In 2021, the marked increase in activity and in the number of employees unfortunately contributed to the occurence of three accidents with work stoppage. The EHS teams on the concerned sites have taken corrective and preventive actions to prevent the recurrence of these accidents.

Compared to all companies in France, Valneva remains well below the averages listed by INRS.

3.9. Other CSR Information

3.9.1. Well-being at Work

Well-being at work is a part of Valneva's identity. Since the Company's creation, Valneva has undertaken numerous actions in order to create an enjoyable workplace at its sites around the world.

Well-being at work takes many forms at Valneva and each site has its own ideas for promoting health, from being active to providing healthy food options and more.

The COVID-19 pandemic brought about new ways of working in 2020, particularly with regard to the significant increase in telework. These new practices continued in 2021 and Valneva's EHS teams have begun taking on new issues related to isolation, distance and the increase in on-screen work time for Valneva employees.

Healthy Working Conditions

- Again this year, telework was used widely for all suitable roles. In addition to the laptop computers with which employees are regularly equipped, the Group continued to improve its arsenal of telework policies in order to properly implement and encourage it.
- In 2020, Valneva employees we allowed to bring their screens and keyboards home in order to recreate a comfortable office environment during lockdown. In 2021, French employees had the possibility of requesting an additional screen to be able to work in the best conditions, both at home and in the office.
- The HSE teams have also implemented actions related to ergonomics, to support on-screen work in good conditions. (This includes free eye exams and eye exercises.) Sweden continued its communication on ergonomics and on physical activity more broadly.
- In Scotland, a nurse has joined the team and is available to employees to help support their physical and mental health.
- Valneva equips its employees with masks adapted to the risks presented by the virus, providing FFP3 masks to teams working directly in laboratories on SARS-CoV-2, and surgical masks for all others.
- For many years, Valneva has covered the cost of vaccinations against influenza and, on certain sites, tick-borne encephalitis.
- In 2021 Valneva, made COVID-19 tests available to its employees to enable them to monitor their health and avoid endangering their relatives and colleagues. The Group's various sites have implemented measures to facilitate access to these tests (for example, with on-site test sessions in Nantes site facilitated by a local nursing practice or by distributing test kits with a drop-box system in Vienna).
- Social activities resumed in 2021, taking physical distancing into account. Many of these activities were held online and promoted the health and mental well-being of employees. In Nantes, activites on visual health took place remotely.

Staying Active

- Staying active presented a major challenge to everyone during lock down. While this work is ongoing as lock down measures continue, the teams dedicated to Quality of Life at Work continue to propose actions to respect this principle. One example is the retransmission of weekly yoga lessons which were previously held on-site in Austria; now, employees in all locations can participate via web conference and watch recordings anytime.
- In 2021, the French teams were able to take advantage of remote meditation sessions for several weeks with a certified instructor. The objective of this animation was to promote mental health, concentration, creativity or stress management through breathing exercises and stretching.
- In addition, employees in Sweden and France can benefit from an annual company subsidy for their physical (or cultural) activities.

Eating Healthy

- Meal vouchers in France and Austria and discounts in restaurants near the Swedish site are still offered to employees. Austria recently stopped using paper meal vouchers, switching to a dematerialized version in the form of a card.
- In 2021, celebratory events resumed, with strict health rules that did not exist before. This made it possible to maintain team cohesion.

3.9.2. Animal Welfare

The well-being of animals is an important topic for any pharmaceutical business. Valneva works proactively to ensure animal welfare, as it is an integral part of vaccine development.

Valneva has an animal laboratory in Vienna and, occasionally, teams in Nantes need to perform specific analyses that require external companies to perform certain animal tests. Before any work can begin, the Company carries out questionnaires with these partners that verify adherence to all regulations. The associated contracts include specific clauses that require the respect of all existing national and international obligations with regard to animal welfare.

Animal Welfare in Vienna

Valneva acknowledges its responsibility for the welfare of animals kept in its state-of-the-art laboratories. National laws (Austrian Tierversuchsgesetz 2012 and Tierversuchs-Verordnung 2012) and international regulations (European Union Directive 2010/63/EU and European Convention ETS No. 123) in regard to laboratory animal housing and the performance of animal experiments are strictly followed. Regular, unannounced inspections by the respective authorities are carried out in the laboratories.

In addition, recommendations of the American Institute for Laboratory Animal Research (ILAR) and the German Society of Laboratory Animal Science (GV-SOLAS) are followed to create the best possible conditions and responsible treatment of laboratory animals.

The ethical framework within these provisions ensures prospective assessment of proposals for in vivo testing with respect to any potential harm to the animals. This happens with special focus on the so-called '3R principle' ("Reduce, Refine, Replace"), one of the key strategies to meet Valneva's high demands for social responsibility.

Well-being of animals is important to Valneva, and the Company uses the best practices possible for this necessary aspect of its business.

3.10. Consolidated disclosures pursuant to Article 8 Taxonomy Regulation

3.10.1 Article 8 Taxonomy Regulation

The Taxonomy Regulation is a key component of the European Commission's action plan to redirect capital flows towards a more sustainable economy. It represents an important step towards achieving carbon neutrality by 2050 in line with EU goals as the Taxonomy is a classification system for environmentally sustainable economic activities.

In the following section, Valneva presents the share of the group turnover, capital expenditure (Capex) and operating expenditure (Opex) for the reporting period 2021, which are associated with Taxonomy-eligible economic activities related to the first two environmental objectives (climate change mitigation and climate change adaptation) in accordance with Art. 8 Taxonomy Regulation and Art. 10 (2) of the Art. 8 Delegated Act.

3.10.2 Activities

Core business activities - Taxonomy-non-eligible

Valneva has examined all Taxonomy-eligible economic activities listed in the Climate Delegated Act based on its activities as a vaccine company. The Climate Delegated Act focuses on those economic activities and sectors that have the greatest potential to achieve the objective of climate change mitigation, i.e. the need to avoid producing greenhouse gas emissions, to reduce such emissions or to increase greenhouse gas removals and long-term carbon storage. The sectors covered include energy, selected manufacturing activities, transport and buildings.

After a thorough review involving all relevant divisions and functions, Valneva concluded that its core economic activities are not covered by the Climate Delegated Act and consequently are Taxonomy-non-eligible. It can therefore be concluded that Valneva with its core business activities is not identified as a relevant source of GHG emissions.

Valneva's assessment of Taxonomy-eligibility is focused on economic activities defined as the provision of goods or services on a market, thus (potentially) generating revenues. In this context, Valneva, as a vaccine company, defines the research, development and marketing of vaccines as the core of its business activities. Valneva defines activities such as the acquisition and construction of new buildings (for its production sites) or the transport of its pharmaceutical products to its clients as underlying activities necessary to conduct its core business activities. They are not reported as Taxonomy-eligible activities and not included in its turnover KPI as they are not generating external turnover on a standalone basis.

Outlook on a potential for Taxonomy-eligibility

In the Taxonomy pack for feedback that was published in August 2021, the Platform on Sustainable Finance reported on activities that are considered for the upcoming delegated act on the other four environmental objectives (sustainable use and protection of water and marine resource; transition to a circular economy; pollution prevention and control; protection and restoration of biodiversity and ecosystem). In this call for feedback, pharmaceuticals were mentioned as indicators to establish priority activities regarding the following objectives:

- sustainable use and protection of water and marine resources and
- pollution prevention and control.

Therefore, Valneva expects to be able to report at least some of its core business activities as Taxonomy-eligible (under the activities manufacture of chemicals or manufacture of basic pharmaceutical products and pharmaceutical preparations) in the future.

Valneva discloses this information on a voluntary basis as it believes that this information is helpful for users of its consolidated non-financial statement to gain a better understanding of its business activities.

Individually Taxonomy-eligible Capex and Opex

Regarding Capex/Opex related to purchases and measures that Valneva considers as individually Taxonomy-eligible, please refer to the explanations in the section "Capex KPI and Opex KPI" in the description of the accounting policies.

3.10.3 KPI

The key performance indicators ("KPIs") include the turnover KPI, the Capex KPI and the Opex KPI. For the reporting period 2021, the KPIs have to be disclosed in relation to Taxonomy-eligible economic activities and Taxonomy-non-eligible economic activities (Art. 10 (2) of the Art. 8 Delegated Act).

Valneva's economic activities as a vaccine company are not covered by the Climate Delegated Act, the share of Taxonomy-eligible economic activities in its total turnover is 0% and - consequently - the related capital and operating expenditure are also 0% (see table 1 for the total KPIs).

In addition, the capital and operating expenditure to be reported also include those that are related to the purchase of output from Taxonomy-aligned economic activities and certain individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions. Due to the accounting policy regarding these individually Taxonomy-eligible Capex/Opex (see section "Capex KPI and Opex KPI" in the description of the accounting policies), Valneva reports its total KPIs as follows:

Table 1 - Proportion of Taxonomy-eligible and Taxonomy-non-eligible economic activities in total turnover, Capex and Opex

	Total *(€million)*	Proportion of Taxonomy-eligible economic activities *(in %)*	Proportion of Taxonomy-non-eligible economic activities *(in %)*
Turnover	348,1	0%	100%
Capital expenditure (CapEx)	104,6	58%	42%
Operating expenditure (OpEx)	173,7	0%	100%

Méthodes comptables

The specification of the KPIs is determined in accordance with Annex I of the Art. 8 Delegated Act. Valneva determines the Taxonomy-eligible KPIs in accordance with the legal requirements and describes the accounting policy in this regard as follows:

Turnover KPI

Definition

The proportion of Taxonomy-eligible economic activities in Valneva total turnover has been calculated as the part of net turnover derived from products and services associated with Taxonomy-eligible economic activities (numerator) divided by the net turnover (denominator). The denominator of the turnover KPI is based on the group consolidated net turnover[(1)] in accordance with IAS 1.82(a).

With regard to the numerator, Valneva has not identified any Taxonomy-eligible activities as explained above.

Reconciliation

The group consolidated net turnover can be reconciled to its consolidated financial statements[(2)].

(1) See Section 4.1 of this URD.
(2) See Section 4.1.1 of this URD.

Capex KPI and OpEx KPI

CapEx KPI

The Capex KPI is defined as Taxonomy-eligible Capex (numerator) divided by the total Capex (denominator). With regard to the numerator, please refer to the explanations below.

Total Capex consists of additions to tangible and intangible fixed assets during the financial year, before depreciation, amortisation and any re-measurements, including those resulting from revaluations and impairments, as well as excluding changes in fair value. It includes additions to fixed assets (IAS 16), intangible assets (IAS 38) and right-of-use assets (IFRS 16). Additions resulting from business combinations are also included. Goodwill is not included in Capex as it is not defined as an intangible asset in accordance with IAS 38.

OpEx KPI

The Opex KPI is defined as Taxonomy-eligible Opex (numerator) divided by the total Opex (denominator). With regard to the numerator, please refer to the explanations below.

Total Opex consists of direct non-capitalised costs that relate to Research & Development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment. This includes:

- Research and development expenditure recognised as an expense during the reporting period in the income statement[2]. In line with the consolidated financial statements (IAS 38.126), this includes all non-capitalised expenditure that is directly attributable to research or development activities.
- The volume of non-capitalised leases is determined in accordance with IFRS 16 and expenses for short-term leases and low-value leases[3]. Even though low-value leases are not explicitly mentioned in the Art. 8 Delegated Act, Valneva has interpreted the legislation as to include these leases.
- Maintenance and repair and other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment are determined based on the maintenance and repair costs allocated to Valneva internal cost centers. The related cost items can be found in various line items in its income statement, including production costs (maintenance in operations), sales and distribution cost (maintenance logistics) and administration cost (such as maintenance of IT-systems). This also includes building renovation measures. In general, this includes staff costs, costs for services, and material costs for daily servicing as well as for regular and unplanned maintenance and repair measures. These costs are directly allocated to the PP&E including an appropriate allocation of overhead costs.

This does not include expenditures relating to the day-to-day operation of PP&E such as: raw materials, cost of employees operating the machine, electricity or fluids that are necessary to operate PP&E.

Direct costs for training and other human resources adaptation needs are excluded from the denominator and the numerator. The reason is that Annex I to Art. 8 Delegated Act lists these costs only for the numerator which does not allow a mathematically meaningful calculation of the Opex KPI.

Reconciliation

Valneva total Capex can be reconciled to its consolidated financial statements[1]. They consist of additions to intangible assets, right-of-use assets and property, plant and equipment.

Explanations on the numerator of the Capex KPI and the Opex KPI

As Valneva has not identified Taxonomy-eligible economic activities, the group does not record Capex/Opex related to assets or processes that are associated with Taxonomy-eligible economic activities in the numerator of the Capex KPI and the Opex. Furthermore, there are no Capex plans to upgrade a Taxonomy-eligible economic activity to become Taxonomy-aligned or to expand a Taxonomy-aligned economic activity.

Only "category c" CapEx and OpEx can therefore qualify as Taxonomy-eligible, i.e. Capex/Opex related to the purchase of output from Taxonomy-eligible economic activities and individual measures enabling certain target activities (the non-eligible activities) to become low-carbon or to lead to greenhouse gas reductions (Sect. 1.1.2.2. (c) of Annex I to the Art. 8 Delegated Act). As the disclosure requirements for the 2021 financial year relate exclusively to Taxonomy-eligible Capex/Opex, Valneva has assessed this category in terms of Taxonomy-eligibility as follows:

(1) See Notes 12, 13 and 14 of the Group's consolidated financial statement for the fiscal year 2021, in Section 4.1.5 of this URD.
(2) See Section 4.1.5 of this URD.
(3) See Note 13 of the Group's consolidated financial statement for the fiscal year 2021, in Section 4.1.5 of this URD.

Valneva considers as Taxonomy-eligible, Capex/Opex related to this category when the purchased output/individual measure meets the description of its respective economic activity, e.g. purchase of output from a Taxonomy-eligible economic activity, irrespective of whether these Capex/Opex lead to greenhouse gas reductions. Valneva has identified the following economic activities in the Climate Delegated Act resulting in Capex/Opex which can be considered as individually Taxonomy-eligible purchased output/measures:

Table 2 - Individually Taxonomy-eligible Capex/Opex and the respective economic activities

Description of the individually Taxonomy-eligible purchased output/measure	Respective economic activity (Annex I to Climate Delegated Act)
All the vehicle fleet (leasing)	6.5 Transport by motorbikes, passenger cars and light commercial vehicles
All renovation measures of the existing buildings	7.2 Renovation of existing buildings
Maintenance and repair of the energy efficiency equipment in the existing buildings	7.3 Installation, maintenance and repair of energy efficiency equipment
The acquisition of buildings (i.e. eligibility of all buildings taking into account the legal or economic ownership, including the right of use from a lease of a building)	7.7 Acquisition and ownership of buildings

For the allocation of Capex and Opex Valneva has identified the relevant purchases and measures and identified the primarily related economic activity in the Climate Delegated Act. In this way, the Group ensures that no Capex or Opex is considered more than once.

3.11. Frameworks used to Draw up this Report

3.11.1. European Directives

Directive 2014/95/EU October 22, 2014 amended Directive 2013/34/EU and introduces changes for disclosures to be included in a CSR Report. The transposition of this directive is complete since August 9, 2017.

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

3.11.2. The French Order No. 2017-1180 of July 19, 2017

The Order No. 2017-1180 of July 19, 2017 initiates the transposition of the CSR Directive by replacing the CSR report with a new non-financial reporting system by declaration and, in particular, modifies the scope of the companies concerned to focus on certain large companies and groups of companies.

3.11.3. The French Decree No. 2017-1265 of August 9, 2017

The Decree No. 2017-1265 of August 9, 2017 completes the transposition of the CSR Directive (Directive 2014/95/EU on the publication of non-financial information by companies) initiated by Order No. 2017-1180 of July 19, 2017 on the publication of non-financial information by certain large companies and groups of companies. This decree specifies the content of the declaration, the information to be provided, the publication procedures and the verification obligations.

3.11.4. Taxonomy regulation

Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020, known as the Taxonomy Regulation, establishes a classification system aimed at promoting sustainable investments. Pursuant to Article 8 of this regulation, companies will have to publish their sustainability indicators from January 1, 2022.

Commission Delegated Regulation (EU) 2021/2139 of June 4, 2021 specifies the criteria for determining the conditions under which an economic activity can be considered as contributing substantially to climate change mitigation or adaptation to it.

Commission Delegated Regulation (EU) 2021/2178 of July 6, 2021 specifies the content, calculation methods and presentation of the indicators that the companies concerned must present to comply with this information obligation.

3.12. Methodological Note

3.12.1. Methodological Note on Group CSR Data Reporting

In accordance with French law, Valneva's Corporate Social Responsibility Report focuses on the risks and opportunities linked to the Company's activities.

In order to manage these risks and opportunities, Valneva is committed to maintaining a robust risk monitoring system and continuously evaluates the risk-reward profile of its activities. The present Report is built upon Valneva's existing risk management system, which is described in its official Corporate Risk Management Policy.

Valneva defines risks as all occurrences and possible developments inside and outside of the Company, which may have a negative impact on the achievement of Valneva's objectives.

The Company has also identified opportunities that may have a positive impact on the achievement of Valneva's objectives.

The risks identified within Valneva are formally evaluated and classified by their importance, according to their likelihood and potential impact. The Company then establishes a list of its ten major risks, which is updated two times per year.

The present Report is inspired by this list, but goes over and above the principal risks by presenting additional opportunities that the Company would like to develop. In this Report, the risks and opportunities linked to corporate social responsibility are thus presented in terms of the Four Pillars of Valneva's previously-defined CSR strategy.

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

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

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

The following items are not mentioned because they are not considered significant with regard to Valneva's activity:

- Actions to fight against food waste,
- The fight against food insecurity,
- Actions for a responsible, equitable and sustainable nutrition.

3.12.2. Group Structure of Consolidated Operations

The quantitative data in the employment area is consolidated at the Group level for the collection of information in 2021. These data are derived from the human resource management software: Bamboo.

Quantitative environmental data has been harmonized at the Group level. Environmental impact measures energy consumption, GHG emissions and waste for the production and R&D sites only (Livingston, Vienna, Solna and Nantes).

3.12.3. Data Collection Method

Data collection in 2021 required application of a working method and different steps that are presented below:

1. maintaining the resource persons identified since 2016 to report quantitative and qualitative employment, social and environmental data for each site in order to optimize the collection process;
2. classifying the source documents received according to three fields: employment, environment, and social.

These documents are then made available to the independent third party auditors.

For the construction of this CSR Report, data collection is organized through resource persons identified internally:

- resource persons to coordinate, where possible, and transmit quantitative and qualitative data for employment-related information requirements;
- other resource persons to coordinate, where possible, and transmit quantitative and qualitative data for the environmental information requirements;
- resource persons to coordinate, where possible, and transmit quantitative and qualitative data for the social information requirements;
- one person in Nantes (France) to coordinate the data collection at the international level.

3. implementation of a dedicated CSR reporting platform (installed on the internal server) to improve the data storage and facilitate access for the resource persons.

3.13. Definitions

3.13.1. Employment indicators

Relevance

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

Total headcount

Employees included in the headcount are those with an employment contract (permanent or fixed-term) with a Valneva Group company, both active and passive. Workforce is expressed based on headcount as of December 31, regardless of the amount of working hours or the starting date in the reporting year. External Workforce and Students (*e.g.,* Internship, PhD students, Summer students) are excluded.

Total headcount also excludes the Management Board members.

Average age

Average age is calculated by subtracting the birthdate from 12/31/2021. For example, 12/31/2021 - 12/16/1973 = 48.04 years.

Seniority

Calculated by the difference between Entry Date and December 31, 2021, ignoring any absences due to maternity, paternity or educational leave.

Gender balance

Takes into account the total headcount.

Gender pay Index

The Gender Pay Index is a tool for advancing gender equality within the Group. It measures the pay gap between women and men by calculating the ratio of the median salary of female employees to the median salary of male employees - based on all regular active employee (permanent and limited contract) on the 31st of December.

Employee development

Training budget per site divided by number of employees per site.

Global sum of training budget spent divided by number of employees.

Regulatory training (GMP) is excluded from the training budget presented here.

Conventions and collective bargaining agreements

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

Occupational accidents

Accident resulting from or arising in the course of work, regardless of the cause, to any salary employee or a person working on behalf of the Group. An occupational accident can also arise in the course of a business-related trip or during the Home-Work daily trip. Only lost-time accidents are used in the Frequency and Severity Rate calculations presented in this report.

Frequency rate

The frequency rate is the number of accidents with lost time greater than one day, occurring during a period of 12 months per million working hours.

Severity rate

The severity rate represents the number of days lost due to temporary incapacity for 1,000 hours worked.

Turnover

$$\frac{\text{Number of employees who left during the year} \times 100}{\text{(Number of employees at the beginning of the year + number of employees at the end of the year)} / 2}$$

3.13.2. Environmental indicators

Relevance

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

Energy

Only direct energy consumption (originating from a primary energy source) is taken into account. Consumption are expressed in MWh/m^2 for R&D sites or in MWh/batch for Manufacturing sites.

CO_2 Emissions

Direct greenhouse gas emissions are taken into account and expressed in tonnes of CO2 per unit area in square meters.

The transport component (employees, suppliers, customers) is not taken into account here due to a lack of data.

Waste

Waste management is expressed as a percentage based on the distribution of different types of waste, hazardous and non-hazardous, according to the valorization methods used for their treatment.

3.13.3. Social Indicators

Relevance

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

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

The Group defined more precisely its social policies, and focused around two pillars: “Protecting lives” (inherent to its R&D and vaccine commercial activities) and “Acting Ethically” (in consideration of health, product safety and compliance issues concerning all employees, internally and externally).

Periodic Safety Update Report (PSUR)

PSURs are pharmacovigilance documents intended to provide an evaluation of the risk-benefit balance of a medicinal product at defined time points after its authorization.

The objective of the PSUR is to present a comprehensive and critical analysis of the risk-benefit balance of the product, taking into account new or emerging safety information in the context of cumulative information on risk and benefits.

3.14. Independent Third Party Auditor's Report

VALNEVA SE
6 Rue Alain Bombard
44800 Saint-Herblain

This is a free translation into English of the independent third party's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended December 31, 2021

To the Shareholders,

As an independent third party and certified by COFRAC under number 3-1055 (information available on www.cofrac.fr"), we hereby report to you on the non-financial statement for the year ended December 31th, 2021, included in the management report pursuant to the legal and regulatory provisions of articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (Code de commerce).

The entity's responsibility

Pursuant to legal and regulatory requirements, the Board of Directors is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures.

Independence and quality control

Our independence is defined by the provisions of article L. 822-11-3 of the French Commercial Code, in addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ISO17020 requirements and applicable legal and regulatory requirements.

Responsibility of the independent third party verifier

On the basis of our work, our responsibility is to provide a report expressing a conclusion on:

- the compliance of the Statement with the provisions of Article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with Article R. 225-105 I, 3° and II of the French Commercial Code, *i.e.*, the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on the entity's compliance with other applicable legal and regulatory provisions, in particular the French duty of care law and anti-corruption and tax evasion legislation and the compliance of products and services with the applicable regulations.

Nature and scope of our work

The work described below was performed in accordance with Article A. 225-1 and following articles of the French Commercial Code:

- we obtained an understanding of all the activities of the companies included in the scope of consolidation and, the description of the principal risks;
- we verified that the Statement includes each category of social and environmental information set out in Article L. 225-102-1, III as well as information regarding compliance with human rights and anti-corruption and tax evasion legislation;
- we verified, where relevant with respect to the principal risks or the policies presented, that the Statement provides the information required under Article R. 225-105, II when relevant in regards to the principal risks and includes a clear and reasoned explanation for the absence of required Information required in Article L. 225-102-1, III, 2°;
- we verified that the Statement presents the business model and the principal risks associated with all the companies' activities included in the scope of consolidation, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators;
- we referred to documentary sources and conducted interviews in order to:
  - assess the process used to identify and confirm the principal risks and the consistency of the key performance indicators used with respect to the principal risks and the policies presented;
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important;

- we verified that the Statement covers the scope of consolidation, *i.e.* all the companies included in the scope of consolidation in accordance with Article L. 233-16 within the limitations set out in the Statement;
- we asked what internal control and risk management procedures the entity has put in place and we assessed the data collection process implemented by the entity to ensure the completeness and fairness of the Information;
- for the key performance indicators(1), we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
  - substantive tests, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities and covers between 30% and 100% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- we assessed the overall consistency of the Statement based on our knowledge of all the companies included in the scope of consolidation.

Means and resources

Our work was carried out by a team of 3 people between September 2021 and March 2022 and took a total of 23 weeks.

We conducted six interviews with people responsible for preparing the Statement.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the non-financial statement is not in accordance with the applicable regulatory provisions and that the Information, taken as a whole, is not presented fairly.

Comments

Without qualifying our conclusion, we make the following comments:

The key performance indicators of "Maintaining Vaccine Confidence" and "High level of R&D Expertise" policies partially report on the entity's performance in regards to these policies.

(1) Key performance indicators and other quantitative outcomes : (a) Percentage of trained employees who passed their assessment (b) Percentage of employees trained in policies: personal data protection (c) Turnover rate (d) Budget invested in training per country on average per employee (e) Energy spent per sq on research and development sites (f) Percentage of Valneva's waste destined for landfill.

4

Annual financial statements as at December 31, 2021

4.1 Consolidated financial statements as at December 31, 2021

4.1.1. Consolidated statements of income (loss) and comprehensive income (Loss)

Consolidated Statements of Income (Loss)

In € thousand (except per share amounts)	*Note*	Year ended December 31, 2021	2020	2019
Product sales	*4/5*	62,984	65,938	129,511
Other revenues	*4/5*	285,101	44,383	(3,315)
REVENUES		**348,086**	**110,321**	**126,196**
Cost of goods and services	*4/6*	(187,920)	(54,302)	(52,781)
Research and development expenses	*4*	(173,283)	(84,454)	(38,022)
Marketing and distribution expenses	*4*	(23,643)	(18,264)	(24,145)
General and administrative expenses	*4*	(47,606)	(27,539)	(18,398)
Other income and expenses, net	*8*	22,976	19,117	6,338
OPERATING LOSS		**(61,390)**	**(55,120)**	**(811)**
Finance income	*9*	8,379	689	1,449
Finance expenses	*9*	(16,964)	(10,738)	(3,082)
Result from investments in associates	*15*	(5)	(133)	1,574
LOSS BEFORE INCOME TAX		**(69,979)**	**(65,302)**	**(870)**
Income tax income/(expense)	*10*	(3,446)	909	(874)
LOSS FOR THE PERIOD		**(73,425)**	**(64,393)**	**(1,744)**
Losses per share				
for loss for the period attributable to the equity holders of the Company, expressed in € per share	*11*			
▪ Basic		(0.75)	(0.71)	(0.02)
▪ Diluted		(0.75)	(0.71)	(0.02)

The accompanying notes form an integral part of these financial statements

Comprehensive Income (Loss)

In € thousand	*Note*	Year ended December 31, 2021	2020	2019
Loss for the period		**(73,425)**	**(64,393)**	**(1,744)**
Other comprehensive income/(loss)				
Items that may be reclassified to profit or loss				
Currency translation differences	*22.1*	(2,877)	2,438	656
Items that will not be reclassified to profit or loss				
Defined benefit plan actuarial gains/(losses)	*30.1*	205	(78)	(13)
Other comprehensive income/(loss) for the year, net of tax		**(2,672)**	**2,360**	**644**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		**(76,097)**	**(62,033)**	**(1,100)**

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

4.1.2. Consolidated balance sheets

In € thousand	Note	As at December 31 2021	2020
ASSETS			
Non-current assets		**231,520**	**140,737**
Intangible assets	12	32,700	35,409
Right of use assets	13	48,285	43,374
Property, plant and equipment	14	125,545	34,779
Investments in associates	15	2,124	2,130
Deferred tax assets	10.2	3,582	5,570
Other non-current assets	20	19,282	19,476
Current assets		**585,832**	**308,427**
Inventories	18	124,098	26,933
Trade receivables	19	44,013	19,232
Other current assets	20	71,036	57,828
Cash and cash equivalents	21	346,686	204,435
TOTAL ASSETS		**817,352**	**449,164**
EQUITY			
Capital and reserves attributable to the Company's equity holders		**170,581**	**77,422**
Share capital	22	15,786	13,646
Share premium	22	409,258	244,984
Other reserves	22	52,512	52,342
Retained earnings/(Accumulated deficit)	22	(233,549)	(169,156)
Loss for the period		(73,425)	(64,393)
LIABILITIES			
Non-current liabilities		**277,791**	**195,872**
Borrowings	24	50,726	46,375
Lease liabilities	13/27	53,687	49,392
Contract liabilities	28	4,741	58
Refund liabilities	29	158,970	97,205
Provisions	30	8,308	2,358
Deferred tax liabilities	10.2	1,290	412
Other liabilities	31	69	72
Current liabilities		**368,979**	**175,870**
Borrowings	24	7,107	6,988
Trade payables and accruals	25	68,119	36,212
Income tax liability	10	83	-
Tax and Employee-related liabilities	26	17,249	13,165
Lease liabilities	13/27	3,135	2,696
Contract liabilities	28	124,017	89,578
Refund liabilities	29	95,611	14,222
Provisions	30	48,708	10,169
Other liabilities	31	4,950	2,841
TOTAL LIABILITIES		**646,771**	**371,742**
TOTAL EQUITY AND LIABILITIES		**817,352**	**449,164**

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

4.1.3. Consolidated statements of cash flows

		Year ended December 31,		
In € thousand	*Note*	2021	2020	2019
Cash flows from operating activities				
Loss for the year		(73,425)	(64,393)	(1,744)
Adjustments for non-cash transactions	*32*	56,476	37,941	12,704
Changes in non-current operating assets and liabilities	*32*	59,353	88,472	3,597
Changes in working capital	*32*	36,127	77,740	(6,682)
Cash generated from operations	*32*	**78,532**	**139,759**	**7,875**
Income tax paid		(1,631)	(2,021)	(2,346)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**76,901**	**137,738**	**5,529**
Cash flows from investing activities				
Purchases of property, plant and equipment	*14*	(92,229)	(18,936)	(10,502)
Purchases of intangible assets	*12*	(942)	(535)	(382)
Proceeds from sale of intangible assets		-	24	-
Interest received		54	107	199
NET CASH USED IN INVESTING ACTIVITIES		**(93,116)**	**(19,340)**	**(10,685)**
Cash flows from financing activities				
Proceeds from issuance of common stock, net of costs of equity transactions	*23*	166,614	75	(2,484)
Disposal of treasury shares	*23*	209	215	21
Proceeds from borrowings, net of transaction costs	*24/32.2*	859	50,266	11,781
Repayment of borrowings	*24/32.2*	(1,956)	(21,995)	(11,684)
Payment of lease liabilities	*13/27*	(2,805)	(2,111)	(2,709)
Interest paid		(8,417)	(4,711)	(2,621)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**154,504**	**21,740**	**(7,696)**
Net change in cash and cash equivalents		**138,288**	**140,138**	**(12,852)**
Cash and cash equivalents at beginning of the year		204,394	64,439	77,084
Exchange gains/(losses) on cash		3,960	(183)	207
Restricted cash	*21*	44	41	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**346,686**	**204,435**	**64,439**

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

4.1.4. 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:								
▪ Value of services		-	-	-	2,504	-	-	2,504
▪ Exercises		25,975	4	12	-	-	-	16
Treasury shares		-	-	-	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:	*22*							
▪ Value of services		-	-	-	4,012	-	-	4,012
▪ Exercises		26,750	4	71	-	-	-	75
Treasury shares	*22*	-	-	-	215	-	-	215
BALANCE AS AT DECEMBER 31, 2020		**90,970,562**	**13,646**	**244,984**	**52,342**	**(169,156)**	**(64,393)**	**77,422**
BALANCE AS AT JANUARY 1, 2021		**90,970,562**	**13,646**	**244,984**	**52,342**	**(169,156)**	**(64,393)**	**77,422**
Total comprehensive loss		-	-	-	(2,672)	-	(73,425)	(76,097)
Income appropriation		-	-	-	-	(64,393)	64,393	-
Share-based compensation expense:	*22*							
▪ Value of services		-	-	-	2,632	-	-	2,632
▪ Exercises		952,372	143	2,114	-	-	-	2,257
Treasury shares	*22*	(4,025)	(1)	-	209	-	-	209
Issuance of ordinary shares, May 2021	*22*	8,145,176	1,222	88,375	-	-	-	89,597
Issuance of ordinary shares, November 2021	*22*	5,175,000	776	87,199	-	-	-	87,975
Cost of equity transactions, net of tax	*22*	-	-	(13,414)	-	-	-	(13,414)
BALANCE AS AT DECEMBER 31, 2021		**105,239,085**	**15,786**	**409,258**	**52,512**	**(233,549)**	**(73,425)**	**170,581**

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

4.1.5. Notes to the consolidated financial statements

Note 1 General information and significant events of the period

Valneva SE ("the Company") together with its subsidiaries (the "Group" or"Valneva") is a company focused on the development and commercialization of prophylactic vaccines for infectious diseases with significant unmet medical needs. The Company takes a highly specialized and targeted approach to vaccine development and then applies its deep understanding of vaccine science to develop prophylactic vaccines addressing these diseases. Valneva has leveraged its expertise and capabilities both to successfully commercialize two vaccines and to rapidly advance a broad range of vaccine candidates into and through the clinic, including candidates against Lyme disease, the chikungunya virus and COVID-19.

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*. Valneva has operations in Austria, Sweden, the United Kingdom, France, Canada and the United States and over 750 employees.

Valneva SE is a public company listed on the Euronext Paris (symbol: VLA) and on the Nasdaq Global Select Market (symbol: VALN) since May 2021.

List of direct or indirect interests held by the Company

Name	Country of incorporation	Consolidation method	Interest held as at December 31, 2021	Interest held as at December 31, 2020
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%

(1) See Note 15.

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

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

The Company's site in Saint-Herblain (Nantes, France) includes general and administrative functions and research and development (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 GmbH commercializes IXIARO®, DUKORAL® and third-party products such as FLUCELVAX TETRA™, 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 vaccines, which are currently in the development phase.

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 and filling services for our VLA2001 SARS-CoV-2 vaccine candidate.

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, with travel to endemic areas significantly reduced compared to 2019 (pre-pandemic). DUKORAL® and IXIARO® are aimed at diseases that primarily threaten travelers to particular regions (*e.g.* Asia). As a result, sales of these vaccines have decreased significantly, adversely impacting the Group's financial results. The Group has been and expects to continue to be impacted by the significant reduction in international travel following the onset of the global COVID-19 pandemic. In its November 2021 report, the United Nations World Tourism Organization, or UNWTO, noted that despite the improvement in the third quarter of the year, the pace of recovery remains slow and uneven across world regions due to varying degrees of mobility restrictions, vaccination rates and traveler confidence. Rising concerns over the Delta and Omicron variants of the virus have led several countries to re-impose restrictive measures. In addition, the volatility and lack of clear information on entry requirements could continue to affect the resumption of international travel during the Northern Hemisphere's summer season. However, vaccination programs worldwide, together with fewer restrictions for vaccinated travelers and the use of digital tools such as the EU Digital COVID Certificate, have contributed to the gradual normalization of travel. The recovery of international travel is forecast by leading international travel organizations, such as the International Air Transport Association and the UNWTO, to recover to 2019 demand levels between mid-2023 to end of 2024. If international travel does not resume as quickly or as much as expected, the Group's product sales will continue to be severely affected, and Valneva may not be able to complete the development of its vaccine candidates without additional financing. Valneva continues to closely monitor how the pandemic and related response measures are affecting the Company's business. Valneva reported cash and cash equivalents of €346.7 million as at December 31, 2021. Although it is difficult to predict future liquidity requirements, the Group's management considered that the existing cash and cash equivalents as at December 31, 2021 will be sufficient to fund its operations for at least the next 12 months from the authorization of publication of these consolidated financial statements. For details on liquidity risk see Note 2.5.

Impact from COVID-19 is described in the following notes as at December 31, 2021 and for the year ended December 31, 2021:

Impact from COVID-19	Note	
COVID segment	1/28/29	The Company has developed a COVID-19 vaccine candidate VLA2001 and reported positive topline results from its pivotal Phase 3 trial in 2021. Regulatory submissions are ongoing and Valneva expects potential regulatory approvals in the first quarter of 2022. Valneva signed an Advance Purchase Agreement with the European Commission to supply up to 60 million doses of VLA2001, for a period of over two years. Valneva and the Kingdom of Bahrain signed an Advance Purchase Agreement to supply 1 million doses of VLA2001. The agreement with the UK Authority to provide up to 190 million doses of VLA2001 was terminated in September, 2021 and became effective in October, 2021. For further information on the termination refer to Note 2.2. In order to prepare for the commercialization of the COVID-19 vaccine, capital expenditure and inventory have been built up in 2021.
Revenues from contracts with customers	5	In 2021, commercialized products revenues from DUKORAL® and IXIARO® continued to be adversely impacted by the worldwide reduction in travelling due to the COVID-19 pandemic, with DUKORAL® experiencing the greatest impact. In 2021, IXIARO® product sales were €45.1 million (a decrease of €3.4 million compared to €48.5 million in 2020), and DUKORAL® product sales were €2.4 million (a decrease of €10.9 million, compared to €13.3 million in 2020).
Impairment testing	16	Impairment tests for commercialized products IXIARO® and DUKORAL® were performed and resulted in no impairment charges for 2021.
Inventories	18	The income statement included a €5.7 million of write-down due to lower sales expectations and limited shelf life of the finished goods
Trade receivables	19	An assessment of expected credit loss resulted in only minor impact on the Group's figures

Effects of climate change on the consolidated financial statements

In preparing the consolidated financial statements, Valneva's management has considered the impact of climate change. These considerations did not have a material impact on the financial reporting judgements and estimates in 2021.

Public offering in May 2021

In May 2021, Valneva announced the closing of a global offering to specified categories of investors of an aggregate of 8,145,176 new ordinary shares, after full exercise of the overallotment option granted to the underwriters (see Note 22). The net proceeds from the global offering amounted to €82.8 million.

Public offering in November 2021

In November 2021, Valneva announced the closing of a global offering to specified categories of investors of an aggregate of 5,175,000 new ordinary shares, after full exercise of the overallotment option granted to the underwriters (see Note 22). The net proceeds from the global offering amounted to €81.3 million.

Significant agreements signed in the periods presented

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 (Glaxo Smith Kline) announced a 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 would 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 other revenues reflecting both the current and future payment obligations (see Note 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 Note 8).

In February 2020, the Group signed a loan agreement with US healthcare funds Deerfield and OrbiMed. The loan agreement initially had a borrowing capacity of up to $85 million (of which $60 million have been drawn down). Repayments of principal will start in 2023, while the loan will mature in 2026. For more details, see Note 24.1.

In April 2020, Valneva and Dynavax announced a collaboration to advance vaccine development for COVID-19. Dynavax is providing CpG 1018, a component of the US FDA- and EMA-approved HEPLISAV-B vaccine, to support the development of Valneva's COVID-19 vaccine candidate VLA2001, while Valneva is leveraging its technical and platform capabilities to develop an inactivated, whole virus vaccine candidate against COVID-19. In September 2020, Valneva and Dynavax announced a commercial partnership for the supply of Dynavax's CpG 1018 adjuvant for use in VLA2001. This commercial agreement includes a purchase order commitment amount of up to $136.8 million. No deliveries for commercial use took place between Dynavax and Valneva in 2020. As at December 31, 2020, Valneva recorded €31.1 million in advance payments from this agreement (see Note 20). During 2021, deliveries took place between Dynavax and Valneva. As at December 31, 2021, Valneva paid €47.9 million of advance payments, of which €40.7 million have been written off as Valneva does not need those deliveries in the future and those payments were non-refundable. As at December 31, 2021, Valneva recorded €7.2 million of advance payments in other current assets and €41.9 million in inventories from this agreement. In the consolidated statement of cash flows for the year ended December 31, 2021, the cash outflows of advance payments and payments for deliveries are reflected in the loss for the year and changes in working capital relating to inventories and trade and other receivables.

In April 2020, a new collaboration to co-develop and commercialize the Group's Lyme disease vaccine candidate (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 development costs incurred by Pfizer up to an agreed amount, through completion of the development program, which is planned for 2025. In addition, Pfizer will be obligated to pay Valneva low double-digit tiered royalties starting at 19% on net sales of licensed products, subject to specified offsets and reductions. Therefore, as at December 31, 2020, €81.9 million was 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 the further involvement of Valneva. The transaction has been allocated to the various performance obligations in proportion to their standalone selling price. In 2020, €31.6 million were recognized as other revenues. €2.8 million of costs to obtain a contract were included in other assets as at December 31, 2020. In 2021, €14.3 million was recognized as other revenues. €3.0 million costs to obtain a contract were included in other non-current assets as at December 31, 2021, and €79.6 million has been recognized as discounted refund liabilities. For more details, see Notes 5 and 29.

In June 2020, Valneva and Bavarian Nordic A/S (OMX: BAVA) announced a marketing and distribution partnership for their commercial products. Pursuant to the agreement, Valneva commercializes Bavarian Nordic's marketed vaccines, leveraging its commercial infrastructure in Canada, the UK, France and Austria. Valneva also markets and distributes these products in 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 Group's consolidated financial statements as at and for the year ended December 31, 2020. Revenues are recognized at a point in time when products are delivered to the customer. In 2021, those product sales (mainly RABIPUR®, ENCEPUR®) amounted to €8.2 million.

In September 2020, the U.S. Department of Defense (DoD) awarded Valneva a new contract for the supply of IXIARO®. The terms of the agreement, as subsequently amended in September 2021, contemplate an initial base year followed by two option years, each with a range of minimum and maximum potential dose orders. The base year had a minimum value of approximately $53 million for 370,000 doses, and the first option year, which the DoD has exercised in September 2021, has a minimum value of approximately $28.8 million for 200,000 doses. The second option year, if exercised, has a minimum value of approximately $36 million for 250,000 doses. These changes bring the total minimum value of the contract to approximately $118 million, assuming the exercise of the second-year option which remains unchanged, compared to a minimum value of $135 million in the initial contract. In order to support its customer through this pandemic period, Valneva also agreed to provide additional inventory to the DoD after September 2023 to mitigate the potential impact of unused stock that may expire. This replacement inventory will be provided free of charge and resulted in in a contract liability amounted to $5.4 million recognized as at December 31, 2021 (as at December 31, 2020: nil).

In September 2020, Valneva announced an agreement with the UK Authority for the supply Valneva's inactivated COVID-19 vaccine, VLA2001 (the UK Supply Agreement). Under the agreement, Valneva was to provide the UK Authority with 60 million doses of VLA2001 in the second half of 2021. The UK Authority had options over 40 million additional doses in 2022 and a further 90 million doses, in aggregate, from 2023 to 2025. The UK Authority also invested up-front in the scale up and development of the vaccine. In January 2021, the UK Authority exercised its option to order 40 million doses. In September 2021, the UK Authority gave notice of termination of this Supply Agreement. The termination of this UK Supply Agreement became effective in October 2021. For further information about the termination of the UK Supply Agreement, see Note 5.2.

In January 2021, Valneva and Instituto Butantan, a producer of immunobiologic products, announced the signing of definitive agreements for the development, manufacturing and marketing of Valneva's single-shot chikungunya vaccine candidate, 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 8.1). 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. As at December 31, 2021, €2.1 million was recognized as other revenues and €0.8 million was included in contract liabilities (as at December 31, 2020: €1.0 million).

In November 2021, Valneva signed an Advance Purchase Agreement (APA) with the European Commission (EC) to supply up to 60 million doses of VLA2001, over two years. Under the terms of the APA, Valneva shall deliver 24.3 million doses in 2022 (starting in April 2022), subject to approval of VLA2001 by the European Medicines Agency (EMA). The EC has an option to purchase a further 35.7 million doses for delivery in 2023. During 2021, no revenue was recognized, as the deliveries will start in the second quarter of 2022. Advanced payments of €116.9 million were included in contract liabilities as at December 31, 2021.

In November 2021, Valneva and the Kingdom of Bahrain, signed an APA for the supply of one million doses of VLA2001. As at December 31, 2021, accounts receivable and contract liabilities related to this agreement comprised €3.8 million.

In November 2021, Valneva and IDT Biologika announced their collaboration for the production of VLA2001. Under the collaboration, IDT Biologika will produce VLA2001's drug substance at its Biosafety Level 3 facilities in Dessau-Roßlau, Germany, in addition to production taking place at Valneva's manufacturing site in Livingston, Scotland. As at December 31, 2021, advance payments related to the agreement with IDT Biologika to produce the COVID-19 vaccine in amount of €16.4 million.

Note 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.

2.1 Basis of preparation

These 2021 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 adopted by the European Union.

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 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.

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 23, 2022 and authorized for issuance by the Supervisory Board on March 23, 2022.

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 IFRS 4	Insurance Contracts – deferral of IFRS 9	January 1, 2021	None
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	January 1, 2021	None
Amendments to IFRS 16	(I) COVID-19-Related Rent Concessions (II) COVID-19-Related Rent Concessions beyond June 30, 2021	January 1, 2021	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.

INTERPRETATIONS COMMITTEES AGENDA DECISIONS		Effective Date	Effects
IAS 38	Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)	January 1, 2021	None
IAS 19	Attributing Benefit to Periods of Service (IAS 19 Employee Benefits)	January 1, 2021	No material effects

The interpretations listed above did not have any material 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, 2021, and not early adopted.

The Group did not elect for early application of the following new standards and amendments which were issued by the IASB and which are endorsed by the EU but not mandatory as at January 1, 2021:

- IFRS 17 – Insurance Contracts;
- Amendments to IFRS 3 – Reference to the Conceptual Framework;
- Amendments to IAS 16 – Proceeds before Intended Use;
- Amendments to IAS 37 – Onerous contracts – Cost to Fulfilling a contract;
- Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 – Annual Improvements to IFRSs 2018-2020 Cycle.

The following new amendments were issued by the IASB and are not yet endorsed by the EU:

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current;
- Amendments to IAS 1 and IFRS PS 2 – Disclosure of Accounting policies;
- Amendments to IFRS 3 – Reference to the Conceptual Framework;
- Amendments to IAS 8 – Definition of Accounting Estimates;
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

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

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.

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;
- from 2021 onward, income and expenses for each income statement are converted at monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are converted on the dates of the transactions). In 2020 and 2019, income and expenses for each income statement were 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.

2.5 Financial risk 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.

The following table details the Group's sensitivity to a 10% increase and decrease in currency units against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in pre-tax profit or a reduction in pre-tax loss.

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

	Year ended December 31,	
In € thousand	2021	2020
EUR/$ +10%	6,818	3,229
EUR/$ -10%	(8,334)	(3,947)
EUR/GBP +10%	(11,986)	(10,022)
EUR/GBP -10%	14,650	12,249
EUR/SEK +10%	(2,884)	(400)
EUR/SEK -10%	3,525	489
EUR/CAD +10%	(557)	(228)
EUR/CAD -10%	681	279

As at December 31, 2021, the changes in impact from an increase or a decrease in $ were mainly caused by a decrease in cash and cash equivalents and in intercompany (IC) receivables denominated in $ in Valneva Austria GmbH.

As at December 31, 2021, the increase in the Foreign Currency Exchange Risk in GBP was caused by higher refund liabilities denominated in GBP in Valneva Austria GmbH and by increased IC liabilities denominated in Euro in Valneva Scotland Ltd, both relating to the COVID-19 vaccine program (see Note 1).

As at December 31, 2021, the increase in the Foreign Currency Exchange Risk in SEK was caused by increased IC receivables within the group denominated in SEK.

While the Group utilized a hedging strategy to lower its exposure to non-Euro currencies, there is a business need to keep a certain level of non-Euro funds available in its accounts at any time in order to cover payment obligations denominated in GBP or $. In addition, revaluation of certain non-Euro cash balances is offset by revaluation of non-Euro denominated refund liabilities on the Group's balance sheet (see Note 29).

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 2021, as well as 2020, the Group's investments at variable rates, as well as the borrowings at variable rates, were denominated in €, SEK, $, CAD and GBP.

The Group analyzes its interest rate exposure on a dynamic basis. Based on this analysis, the Group calculates the impact on profit and loss of a defined interest rate change. The same interest rate change is used for all currencies. The calculation only includes investments in financial instruments and cash in banks that represent major interest-bearing positions. As at December 31, 2021 and December 31, 2020, 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.

(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 17.3.

(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 considers that the existing cash and cash equivalents as at December 31, 2021 will be sufficient to fund the operations for at least the 12 months from the date of authorization for issuance 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 prevent a breach of the covenants (see Note 24.1).

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.

AS 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 (1)	8,300	-	-	-	-	-	8,300
Other liabilities	27	25	-	-	-	-	52
	75,010	**136,342**	**90,142**	**14,594**	**9,963**	**3,850**	**329,901**

(1) 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.

AT DECEMBER 31, 2021 *(in € thousand)*	Les 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	7,121	48,560	20,534	1,765	-	-	77,980
Lease liabilities	4,060	29,011	5,761	12,798	9,928	1,905	63,464
Refund Liabilities	101,070	132,355	55,000	12,720	-	-	301,145
Trade payables and accruals	68,119	-	-	-	-	-	68,119
Tax and employee-related liabilities (1)	10,101	-	-	-	-	-	10,101
Other liabilities	27	25	-	-	-	-	52
	190,499	**209,952**	**81,295**	**27,282**	**9,928**	**1,905**	**520,861**

(1) 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.

The fair values as well as the book values of the Group's borrowings are disclosed in Note 24. To manage liquidity risk, the Group holds sufficient cash, cash equivalents and short-term deposit balances.

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.

2.7 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.

Note 3 Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies, which are described in Note 2 *Summary of significant accounting policies*, the management is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

- Note 2.2 and Note 29: Revenue recognition of other revenues: 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 is based on hard-to-value intangible assets, so various valuation techniques are used. In addition, Management's judgement is required whether revenue from collaborations, licensing and service agreements is recognized over time or at a point in time. In particular, Note 5.2 underlines the judgements made in applying accounting policies in the context of the terminations, particularly regarding probability of repayment obligations in the context of revenue recognition, of:
  - Valneva's COVID-19 vaccine UK Supply Agreement in 2021,

- Valneva's strategic alliance agreements (SAA) with GlaxoSmithKline (GSK) in 2019;

- Notes 8 and 31: Other income: The Group receives funding from 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 required Management's judgement;
- Note 13: Lease term: When determining lease terms, the Group makes judgements whether it is reasonably certain to exercise renewal or early termination options.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

- Note 5: Revenue recognition of product sales: estimate of expected returns and replacements, and supply of products free of charge;
- Note 5: Other Revenues: likelihoods for refund liabilities; for revenues recognition in accordance to the actual costs compared to the budget;
- Notes 8 and 31: Other income: estimates of income recognized and repayments from grants, measured according to cost incurred compared to the budget;
- Note 10: Recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilized and whether sufficient evidence is provided for entities;
- Note 12: Intangible assets: Amortization period of development expenditures and acquired technologies; The most significant criteria considered for the determination of the useful life include the patent life as well as the estimated period where Valneva can benefit from this intangible. These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Group's financial statements within the next year;
- Note 16 Impairment test of intangible, tangible assets, and investments in associates: key assumptions underlying recoverable amounts; Budgets comprise forecasts of revenue, staff costs and overheads based on current and anticipated market conditions that have been considered and approved by the Management Board. The revenue projections are inherently uncertain due to the short-term nature of the business and unstable market conditions. If the Group does not successfully develop VLA2001 and receive regulatory approval, or if Valneva fails to successfully manufacture or commercialize VLA2001 if approved, an impairment may be required. For the main estimates and sensitivities related to the impairment test regarding the CGU refer to Note 16;
- Note 18: Write down analysis for inventories: For the assessment of write-down of raw material the current production plans have been taken into account. Raw material which will not be used before expiry date was written down. For this assessment the status of the expiry dates as of the balance sheet date was taken. For the assessment of write-downs of work in progress, finished goods and purchased goods, the forecasted sales plans for 2022 and a minimum shelf life at the time of selling has been taken into account. In addition, those inventory have been assessed on the likelihood of the release of those products;
- Note 23: 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);
- Note 29: Refund liability related to the UK Supply agreement: As at December 31, 2021 the royalty obligation was assessed at the maximum amount (maximum royalty payment of €100 million), as all COVID sales are expected to occur outside the UK. As of December 31, 2020 the royalty obligation was assessed at a lower level, as the main production capacity was planned for sales within the UK. As at December 2021, a sensitive estimate were the revenue forecast and the timing of the expected cash payments. The major part of the royalty obligation is expected to be non-current, and therefore thoese amounts have been discounted. The related estimated cash-outs are expected to happen from 2022 to 2026;
- Notes 30 and 33: Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources. In estimating the provision for onerous contracts, the management made assumption regarding the likelihood of termination costs for certain agreements.

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 16: financial instruments; and
- Note 23: share-based payment arrangements.

Note 4 Segment information

The Company's Management Board, as its chief operating decision maker, considers the operational business from a product rather than geographic perspective and has identified four reportable segments. Key performance indicators include revenue and operating profitability.

As at January 1, 2021, the following changes were implemented into the Group's segment reporting structure.

- given the materiality of the Group's COVID-19 business, a separate segment was introduced covering all activities related to the development, manufacturing, and distribution of the SARS-CoV-2 vaccine candidate.

The individual segments consist of the following:

- "Commercialized products" (marketed vaccines, currently the Group's vaccines IXIARO® and DUKORAL® as well as third-party products);
- "COVID" (development, manufacturing, and distribution related to Valneva's SARS-CoV-2 vaccine candidate);
- "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, excluding COVID-19 vaccine candidates, which is presented separately). With the transfer of the license of Valneva's VLA15 Lyme vaccine candidate to Pfizer in December 2020, all related revenues and costs were moved from the "Vaccine candidates" segment to the "Technologies and services" segment;
- "Technologies and services" (services and inventions at the commercialization stage, *i.e.* revenue generating through collaborations, service, and licensing agreements). With the transfer of the license of Valneva's VLA15 Lyme vaccine candidate to Pfizer in December 2020, all related revenues and costs were moved from the "Vaccine candidates" segment to the "Technologies and services" segment.

As at January 1, 2021, the Group changed its internal reporting process and amended the following allocation rule: general and administrative (G&A) costs were allocated to the four operational segments based on three key criteria (each equally weighted): 1) Revenues, 2) R&D spend and 3) full-time equivalent personnel (FTEs). The allocation of local G&A spend is based on the above criteria measured on local level, whereas the allocation of global functional G&A spend is based on global key criteria. The Group also monitors G&A spend dedicated to corporate projects and any project which is 1) material in spend, 2) one-time in nature, and 3) supports the entire business remains reported under "Corporate Overhead". In 2021 the major items included in "Corporate Overhead" were costs related to the placement of new shares on Nasdaq in May and November 2021.

or earlier periods has been restated to conform to these changes.

4.1 Income statement by segment

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

In € thousand	Commercialized products	COVID	Vaccine candidates	Technologies and services	Corporate Overhead	Total
Product sales	129,511	-	-	-	-	129,511
Other revenues	163	-	(10,516)	7,038	-	(3,315)
REVENUES	**129,674**	**-**	**(10,516)**	**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	(22,930)	-	(895)	(261)	-	(24,145)
General and administrative expenses	(10,161)	-	(7,124)	(795)	(318)	(18,398)
Other income and expenses, net	7	-	7,709	484	(1,861)	6,338
OPERATING PROFIT/(LOSS)	**44,873**	**-**	**(43,691)**	**(245)**	**(2,238)**	**(811)**

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

In € thousand	Commercialized products	COVID	Vaccine candidates	Technologies and services	Corporate Overhead	Total
Product sales	65,938	-	-	-	-	65,938
Other revenues	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)	(18,962)	(62,140)	(640)	-	(84,454)
Marketing and distribution expenses	(17,554)	-	(638)	(72)	-	(18,264)
General and administrative expenses	(13,412)	(2,374)	(7,781)	(2,274)	(1,697)	(27,539)
Other income and expenses, net	1,101	1,578	14,073	117	2,248	19,117
OPERATING PROFIT/(LOSS)	**(8,466)**	**(19,759)**	**(28,189)**	**743**	**551**	**(55,120)**

Income statement by segment for the year ended December 31, 2021

In € thousand	Commercialized products	COVID	Vaccine candidates	Technologies and services	Corporate Overhead	Total
Product sales	62,984	-	-	-	-	62,984
Other revenues	18	253,314	3,257	28,512	-	285,101
REVENUES	**63,002**	**253,314**	**3,257**	**28,512**	**-**	**348,086**
Cost of goods and services	(40,017)	(122,843)	-	(25,061)	-	(187,920)
Research and development expenses	(2,094)	(113,907)	(53,181)	(4,101)	-	(173,283)
Marketing and distribution expenses	(18,455)	(1,182)	(3,811)	(194)	-	(23,642)
General and administrative expenses	(6,102)	(23,003)	(8,323)	(5,495)	(4,684)	(47,606)
Other income and expenses, net	2,196	11,546	7,033	2,458	(257)	22,976
OPERATING PROFIT/(LOSS)	**(1,469)**	**3,927**	**(55,025)**	**(3,881)**	**(4,941)**	**(61,390)**

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

	Year ended December 31,		
In € thousand	2021	2020	2019
United States	40,339	36,414	63,700
Canada	4,226	8,965	24,396
Austria	9,341	3,333	2,668
United Kingdom	2,707	1,847	8,594
Nordics	2,436	2,866	11,027
Germany	726	7,060	10,345
Other Europe	3,075	2,068	4,961
Rest of World	134	3,384	3,819
PRODUCT SALES	**62,984**	**65,938**	**129,511**

Non-current operating assets per geographical segment

	As at December 31,	
In € thousand	2021	2020
United States	66	93
Canada	239	98
Austria	61,237	58,896
Nordics	53,020	27,540
United Kingdom	87,387	21,977
Other Europe	4,582	4,958
NON-CURRENT ASSETS	**206,531**	**113,562**

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.

4.3 Information about major customers

Product sales to the largest customer amounted to €41.8 million (2020: €33.8 million, 2019: €46.7 million). Other revenues from the largest customer amounted to €253.3 million (2020: two largest customers with revenues €31.6 million and €7.5 million, 2019: two largest customers with revenues €4.1 million and €0.8 million). There were no further customers with a contribution exceeding 10% of the annual revenue.

Note 5 Revenues from contracts with customers

Within the Group the following revenue streams were identified:

a. Product Sales

b. Other revenues

5.1 Product sales

The Group's product sales contracts, normally concluded with retailers and, in the United States, with the 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. Indicators that control has been transferred are that a) the retailer is primarily responsible to fulfill the promise to its customers, b) the retailer has inventory risk and c) the retailer has discretion in establishing the price for the sale to its customers. One of Valneva's retailers has extensive rights to return and consequently no inventory risk and does not have the power to establish the price for the sales to its customers. Therefore, this retailer acts as agent rather than as principal. All other of Valneva's retailers act as principal. 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 also sells products acquired from third parties. Valneva considers that it is acting as principal given that it 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.

5.2 Other revenues

The Group generates other revenues 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 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. Revenue recognized due to the termination of agreements is recognized in other revenues.

The Group's license contracts in place provide distinct right to use licenses, therefore the revenue is recognized at the point in time at which the licensee is able to direct the use and benefit from the license. 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 when the licensee is able to direct the use and benefit from the license. For any variable consideration, revenue is recognized at the point in time when the variable constraint is removed.

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.

Vaccine Supply Agreement with the UK Authority

In September 2020, Valneva entered into a supply agreement, or the UK Supply Agreement, with the Secretary of State for Business, Energy and Industrial Strategy of the United Kingdom, or the UK Authority, pursuant to which Valneva was obligated to develop, manufacture and supply SARS-CoV-2 vaccines, to the UK Authority in the United Kingdom of Great Britain, and Northern Ireland, or the UK, including an obligation for Valneva to upgrade its manufacturing facilities in Scotland. Valneva received notice in September 2021 of the UK Authority's decision to terminate the UK Supply Agreement, and the termination became effective in October 2021, as described below. The UK Supply Agreement required the UK Authority to pay non-refundable advance payments to fund certain manufacturing-related expenses over the life of the project, and as at December 31, 2021 Valneva had received an aggregate of GBP359.2 million (€408.3 million) under the UK Supply Agreement.

Under the UK Supply Agreement, Valneva was obligated to use commercially reasonable efforts to develop the vaccine candidate, to secure marketing authorization (and to proceed with the application for minimum viable marketing authorization) in the UK, to conduct assigned activities in accordance with the facility and manufacturing plans and to perform other activities, including working with third parties to maintain sufficient manufacturing capacity. Pursuant to the terms of the UK Supply Agreement, the UK Authority placed an initial order for 60 million doses to be delivered in 2021 and was granted an option for a further 40 million doses to be delivered in 2022 and a further 90 million doses, in aggregate, from 2023 to 2025. In January 2021, the UK Authority exercised its option to order 40 million doses for delivery in 2022. With respect to sales to non-UK customers of product manufactured using any facilities used under the UK Supply Agreement, Valneva is obligated to pay the UK Authority a low single-digit royalty on such net sales, subject to a maximum royalty payment.

In September 2021, Valneva received notice of the UK Authority's decision to terminate the UK Supply Agreement. Valneva had not received any indication from the UK Authority, prior to this time, of the UK Authority's intention to serve the notice. In the termination notice, the UK Authority purported to terminate the contract on one of two different bases detailed thereafter, each with different potential or actual consequences.

First, the UK Authority purported to terminate the UK Supply Agreement on the common law (non-contractual) ground that Valneva would allegedly, at some time in the future, breach its obligations regarding the delivery schedule under the UK Supply Agreement. Valneva strongly disputes the UK Authority's purported termination based on an alleged anticipated breach of the UK Supply Agreement and did not consider such termination to be valid. However, if the UK Authority were to successfully bring proceedings for damages against Valneva in respect of the alleged anticipatory breach, it could be argued that the applicable contractual cap on the liability under the UK Supply Agreement could be as high as an amount equivalent to the sums paid by the UK Authority prior to termination. However, Management believed that it was very unlikely that any such claim by the UK Authority would be successful. In any event, the UK Authority did not notify Valneva of any specific claim for damages in connection with the purported termination for alleged anticipatory breach nor did it indicate the amount of any possible claim as of the date these financial statements are authorized for issue. Second, the UK Authority purported to terminate the UK Supply Agreement on 30 days' notice based on its discretionary right under the UK Supply Agreement to terminate for convenience. Valneva acknowledged the UK Authority's termination of the UK Supply Agreement on the basis of this discretionary right, and, as such, the termination became effective in October 2021. The UK Supply Agreement provided that, in the case of termination for convenience by the UK Authority, Valneva shall not be obliged to refund or repay any amount paid by the UK Authority. The above-mentioned royalty on sales and other certain obligations survived termination of the UK Supply Agreement. The other obligations are related to investments in manufacturing, such as the Alemida manufacturing facility, which were acquired with funds advanced by the UK, Valneva may have certain obligation to the UK Authority, such as a partial return of funding received, in respect of those assets if they are sold, disposed or repurposed.

The impact of the termination of the UK Supply Agreement was assessed. Payments received, where the likelihood of repayment is remote, totaled €253.3 million and were recognized as revenue in 2021. For amounts with uncertainties and a repayment likelihood, which is more than remote, a refund liability of €166.9 million was recognized for the royalty on sales and other certain obligations which survive the termination of the UK Supply Agreement. Moreover, provisions for the present obligation under the onerous purchase agreements and write-downs for materials of COVID-19 vaccine were recognized. For more detailed information see Notes 30.2 and 18.

Valneva will update this estimate of the refund liability in accordance with IFRS 15.55 in 2022 when these uncertainties are resolved and would recognize revenue in the future, to the extent that it becomes highly probable that no future significant reversal in the amount of cumulative revenue recognized will occur.

5.3 Disaggregated revenue information

Revenues as presented in the Consolidated Income Statement and in the Segment Reporting (see Note 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	COVID	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	COVID	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**

YEAR ENDED DECEMBER 31, 2021 *in € thousand*	Commercialized products	COVID	Vaccine candidates	Technologies and services	Total
Revenues from contracts with customers	63,002	253,314	3,257	27,613	347,186
Other revenues	-	-	-	899	899
REVENUES	**63,002**	**253,314**	**3,257**	**28,512**	**348,086**

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

Valneva's total revenues for 2019 include a negative revenue of €10.7 million related to the June 2019 mutual agreement to terminate its SAA, with its customer GlaxoSmithKline Biologicals SA, or GSK (see Note 3.1), 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)**

Type of goods or service

YEAR ENDED DECEMBER 31, 2019 *in € thousand*	Commercialized products	COVID	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	COVID	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
Services related to clinical trial material	-	-	-	7,997	7,997
Others	-	-	-	3,817	3,817
REVENUES FROM CONTRACTS WITH CUSTOMERS	**65,939**	**-**	**31,604**	**11,814**	**109,357**

YEAR ENDED DECEMBER 31, 2021 *in € thousand*	Commercialized products	COVID	Vaccine candidates	Technologies and services	Total
IXIARO®	45,118	-	-	-	45,118
DUKORAL®	2,444	-	-	-	2,444
Third party products	15,440	-	-	-	15,440
COVID VLA2001	-	253,314	-	-	253,314
Chikungunya VLA1553	-	-	3,257	-	3,257
Lyme VLA15	-	-	-	14,265	14,265
Services related to clinical trial material	-	-	-	10,001	10,001
Others	-	-	-	3,346	3,346
REVENUES FROM CONTRACTS WITH CUSTOMERS	**63,002**	**253,314**	**3,257**	**27,613**	**347,186**

In 2020, commercialized products revenues from DUKORAL® and IXIARO® were adversely impacted by the worldwide reduction in travel due to the COVID-19 pandemic:

- in 2020, IXIARO® product sales were €48.5 million – a decrease of €45.8 million compared to €94.3 million in 2019;
- in 2020, DUKORAL® product sales were €13.3 million – a decrease of €18.2 million compared to €31.5 million in 2019;
- in 2020 commercialized products revenues from third party products were €4.2 million – an increase of €0.3 million compared to €3.9 million in 2019.

In 2021, commercialized products revenues from DUKORAL® and IXIARO® continued to be adversely impacted by the worldwide reduction in travel due to the COVID-19 pandemic:

- in 2021, IXIARO® product sales were €45.1 million – a decrease of €3.4 million compared to €48.5 million in 2020;
- in 2021, DUKORAL® product sales were €2.4 million – a decrease of €10.9 million compared to €13.3 million in 2020;
- in 2021 commercialized products revenues from third party products were €15.4 million, – an increase of €11.3 million compared to €4.2 million in 2020, primarily due to the marketing and distribution partnership with Bavarian Nordics where first sales of RABIPUR® and ENCEPUR® started in 2021. In addition, the influenza vaccine product sales increased as well. In 2021, revenues within the COVID segment totaled €253.3 million resulting from the termination of the UK Supply Agreement as described above.

The revenues within the vaccine candidates segment in 2020 related to the Lyme vaccine candidate and amounted to €31.6 million, whereas in 2021 the revenues amounted to €3.3 million related to the newly signed chikungunya vaccine collaboration with Instituto Butantan. As the Lyme vaccine candidate was outlicensed by the end of 2020, revenue from this vaccine candidate is included in the Technologies and Services segment from 2021 onward.

In 2021 revenues from technologies and services amounted to €27.6 million, compared to €11.8 million in 2020 and €5.8 million in 2019. In 2021 this revenue included €14.3 million from the collaboration with Pfizer related to the Lyme vaccine candidate.

Geographical markets

YEAR ENDED DECEMBER 31, 2019 *in € thousand*	Commercialized products	COVID	Vaccine candidates	Technologies and services	Total
United States	63,700	-	162	130	63,992
Canada	24,396	-	-	-	24,396
Austria	2,668	-	-	4,136	6,803
United Kingdom	8,596	-	-	15	8,610
Nordics	11,027	-	-	5	11,032
Germany	10,345	-	-	150	10,495
Other Europe	4,961	-	(10,678)	440	(5,277)
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*	Commercialized products	COVID	Vaccine candidates	Technologies and services	Total
United States	36,414	-	31,604	341	68,359
Canada	8,965	-	-	-	8,965
Austria	3,333	-	-	6,928	10,261
United Kingdom	1,848	-	-	1,038	2,886
Nordics	2,866	-	-	5	2,871
Germany	7,060	-	-	200	7,260
Other Europe	2,068	-	-	2,373	4,441
Other markets	3,384	-	-	930	4,314
REVENUES FROM CONTRACTS WITH CUSTOMERS	**65,939**	**-**	**31,604**	**11,814**	**109,357**

YEAR ENDED DECEMBER 31, 2021 *in € thousand*	Commercialized products	COVID	Vaccine candidates	Technologies and services	Total
United States	40,339	-	-	14,452	54,791
Canada	4,226	-	-	-	4,226
Austria	9,341	-	-	8,376	17,718
United Kingdom	2,721	253,314	-	40	256,075
Nordics	2,440	-	-	-	2,440
Germany	726	-	-	240	966
Other Europe	3,075	-	-	3,210	6,286
Other markets	134	-	3,257	1,294	4,684
REVENUES FROM CONTRACTS WITH CUSTOMERS	**63,002**	**253,314**	**3,257**	**27,613**	**347,186**

Sales channels

Commercialized products are sold *via* the following sales channels:

	Year ended December 31,		
In € thousand	2021	2020	2019
Direct product sales	60,325	54,160	110,386
Indirect product sales (Sales through distributors)	2,678	11,778	19,125
TOTAL PRODUCT SALES	**63,002**	**65,939**	**129,511**

5.4 Assets and liabilities related to contracts with customers

See Note 19 for details on trade receivables, Note 20 for details on costs to obtain a contract, Note 28 for details of contract liabilities and Note 29 for details of refund liabilities.

Note 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:

		Year ended December 31,		
In € thousand	*Notes*	2021	2020	2019
Consulting and other purchased services		169,158	65,212	29,840
Cost of services and change in inventory		105,648	10,778	5,320
Employee benefit expense other than share-based compensation	*7*	85,334	58,264	46,219
Share-based compensation expense	*7*	14,678	6,328	2,552
Raw materials and consumables used		14,676	12,434	9,844
Depreciation and amortization and impairment	*12/13/14*	14,281	9,939	8,607
Building and energy costs		10,960	8,140	6,995
Supply, office and IT costs		7,409	3,333	3,281
License fees and royalties		4,865	4,384	7,553
Advertising costs		2,176	2,496	6,801
Warehousing and distribution costs		1,419	1,898	3,013
Travel and transportation costs		538	529	1,921
Other expenses		1,309	822	1,399
OPERATING EXPENSES		**432,452**	**184,558**	**133,345**

The increase in operating expenses of €244.0 million in 2021, compared to 2020, primarily resulted from the increased research and development expenses due to the Company's advanced clinical trial programs, the inventory write-down – due to the COVID-19 pandemic for commercialized product as well as write-down on COVID-19 vaccine related inventory related to the termination of the UK Supply Agreement (refer to Note 5.2).

Fees charged by the Group Auditors:

	Year ended December 31,											
	PricewaterhouseCoopers						Deloitte & Associés					
In € thousand	2021	%	2020	%	2019	%	2021	%	2020	%	2019	%
Statutory audit of separate and consolidated financial statements	**630**	**51%**	**316**	**41%**	**222**	**93%**	**621**	**52%**	**346**	**45%**	**231**	**100%**
Provided by the Statutory Auditor	445		226	-	103	-	447		231	-	100	-
Provided by the Statutory Auditor's network	185		90	-	119	-	174		115	-	131	-
Services other than certification of accounts	**608**	**49%**	**461**	**59%**	**16**	**7%**	**578**	**48%**	**416**	**55%**	**-**	**-**
Other services	608	49%	461	59%	16	7%	578	48%	416	55%	-	-
Provided by the Statutory Auditor	578		416	-	-	-	578		416	-	-	-
Provided by the Statutory Auditor's network	30		45	-	16	-	-		-	-	-	-
TOTAL	**1,238**	**100%**	**777**	**100%**	**238**	**100%**	**1,199**	**100%**	**762**	**100%**	**231**	**100%**

In 2021, other services included mainly the audit fees for the audit of the financial statements under PCAOB standards for years ended December 31, 2020 and 2019, compliance fees, as well as fees related to the audit of the Austrian research and development tax credit.

Note 7 Employee benefit expense

Employee benefit expenses include the following:

	Year ended December 31,		
In € thousand	2021	2020	2019
Salaries	47,717	38,515	34,128
Social security contributions	35,923	18,555	10,621
Share-based compensation expense	14,678	6,328	2,552
Training and education	603	351	672
Other employee benefits	1,091	842	798
TOTAL EMPLOYEE BENEFIT EXPENSE	**100,012**	**64,592**	**48,771**

The social security contributions included a provision of €26.5 million (2020: €7.4 million, 2019: nil) of employer contribution charges on share-based payment programs which are due at exercise of the programs.

During 2021, the Group had an average of 722 employees (2020: 532 employees, 2019: 508 employees).

Note 8 Other income/(expenses), net

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 24.1).

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 milestones. The refundable consideration is accounted for as loan and measured in accordance with IFRS 9 (see Note 24.1). The difference between the proceeds from CEPI and the carrying amount of the loan is treated under IAS 20 and presented as "Borrowings". The amount which Instituto Butantan benefits from the CEPI grant, is recognized as revenue (refer to Note 1). In 2021, due to a change in estimate of the likelihood of repayment milestones, minus €0.9 million of grant income related to CEPI (2020: €5.8 million).

8.2 Research and development tax credits

Research and development tax credits granted by tax authorities are accounted for as grants under IAS 20. As a 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 and expenses, net include the following:

	Year ended December 31,		
In € thousand	2021	2020	2019
Research and development tax credit	21,949	9,937	6,314
Grant income	1,684	7,680	1,886
Profit/(loss) on disposal of fixed assets and intangible assets, net	(42)	(10)	(92)
Profit/(loss) from revaluation of lease agreements	-	1,584	-
Taxes, duties, fees, charges, other than income tax	(212)	(168)	(146)
Miscellaneous income/(expenses), net	(403)	95	(1,623)
OTHER INCOME AND EXPENSES, NET	**22,976**	**19,117**	**6,338**

Note 9 Finance income/(expenses), net

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

	Year ended December 31,		
In € thousand	2021	2020	2019
FINANCE INCOME			
▪ Interest income from other parties	249	119	199
▪ Fair value gains on derivative financial instruments	-	397	-
▪ Foreign exchange gains, net	8,130	173	1,250
TOTAL FINANCE INCOME	**8,379**	**689**	**1,449**
FINANCE EXPENSES			
▪ Interest expense on loans	(7,273)	(6,162)	(1,588)
▪ Interest expense on refund liabilities	(8,478)	(3,640)	(89)
▪ Interest expenses on lease liabilities	(903)	(907)	(926)
▪ Other interest expense	(309)	(30)	(30)
▪ Fair value losses on derivative financial instruments	-	-	(449)
TOTAL FINANCE EXPENSES	**(16,964)**	**(10,738)**	**(3,082)**
FINANCE INCOME/(EXPENSES), NET	**(8,584)**	**(10,049)**	**(1,633)**

In 2021, the net finance result amounted to minus €8.6 million compared to minus €10.0 million in 2020 and compared to minus €1.6 million in 2019. In 2021 the decrease in net finance expense was mainly due to positive net foreign exchange gains which were partially offset by increased interest expenses on non-current refund liabilities. In 2020 the increase in net finance expenses was mainly due to higher borrowings and the increase in non-current refund liabilities.

Note 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.

10.1 Current income tax

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

	Year ended December 31,		
In € thousand	2021	2020	2019
CURRENT TAX			
Current income tax charge	(32)	(69)	(2,849)
Adjustments in respect of current income tax of previous year	(19)	109	(258)
DEFERRED TAX			
Relating to origination and reversal of temporary differences	(3,395)	869	2,233
INCOME TAX INCOME/(EXPENSE)	**(3,446)**	**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:

	Year ended December 31,		
In € thousand	2021	2020	2019
Loss before tax	(69,979)	(65,302)	(870)
Tax calculated at domestic tax rates applicable to profits in the respective countries	18,824	16,675	1,431
Income not subject to tax (mainly R&D tax credit)	10,739	2,612	1,727
Expenses not deductible for tax purposes	(2,509)	(1,789)	(169)
Deferred tax asset not recognized	(26,902)	(15,852)	(7,405)
Utilization of previously unrecognized tax losses	-	-	5,480
Income tax credit	(459)	109	105
Effect of change in applicable tax rate	(3,291)	(771)	(1,708)
Exchange differences	296	(105)	62
Income tax of prior years	(64)	170	(256)
Minimum income tax	(80)	(141)	(142)
INCOME TAX INCOME/(EXPENSE)	**(3,446)**	**909**	**(874)**
Effective income tax rate	-	-	-

Although the Group operates at a loss overall, there are profitable jurisdictions.

10.2 Deferred tax

As at December 31, 2021, the deferred tax assets of €153.8 million (December 31, 2020: €126.3 million) were 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 at December 31, 2021, the Group had tax losses carried forward of €628.3 million (December 31, 2020: €529.5 million), of which €234.9 million were related to Valneva SE (December 31, 2020: €192.0 million), €380.0 million were related to Valneva Austria GmbH (December 31, 2020: €321.1 million), €0 million were related to Valneva USA, Inc. (December 31, 2020: €0.4 million), €0.8 million were related to Valneva Scotland, Ltd. (December 31, 2020: €3.1 million) and €12.6 million were related to Valneva Sweden AB (December 31, 2020: €12.9 million).

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 was as follows:

In € thousand	2021	2020	2019
Beginning of year	5,158	4,988	2,689
Exchange differences	(529)	(699)	66
Income statement charge/(credit)	(3,395)	869	2,233
END OF YEAR	**2,292**	**5,158**	**4,988**

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

	As at December 31,	
In € thousand	2021	2020
DEFERRED TAX ASSET FROM		
Tax losses carried forward	156,470	131,633
Fixed assets	2,007	2,033
Inventory	1,837	4,108
Borrowings and accrued interest	1,284	1,161
Provision	1,611	1,564
Other items	2,891	2,019
Non-recognition of deferred tax assets	(153,836)	(126,283)
TOTAL DEFERRED TAX ASSETS	**12,264**	**16,235**
DEFERRED TAX LIABILITY FROM		
Fixed assets	(2,359)	(1,187)
Intangible assets	(6,855)	(7,480)
Other items	(758)	(2,410)
TOTAL DEFERRED TAX LIABILITY	**(9,972)**	**(11,077)**
DEFERRED TAX, NET	**2,292**	**5,158**

The corporate income tax rate in the United Kingdom was 19% and will be increased to 25% in 2023.

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

The deferred tax assets and liabilities presented above as at December 31, 2021 and December 31, 2020 have been adjusted for these changes in tax rates.

Note 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 22 and 23).

	Year ended December 31,		
	2021	2020	2019
Net profit (loss) from continuing operations attributable to equity holders of the Company *(in € thousand)*	(73,425)	(64,393)	(1,744)
Weighted average number of outstanding shares	97,619,320	90,757,173	91,744,268
BASIC EARNINGS (LOSSES) FROM CONTINUING OPERATIONS PER SHARE *(IN € PER SHARE)*	**(0.75)**	**(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,		
	2021	2020	2019
Profit used to determine diluted earnings per share *(in € thousand)*	(73,425)	(64,393)	(1,744)
Weighted average number of outstanding shares for diluted earnings (losses) per share[(1)]	97,619,320	90,757,173	91,744,268
DILUTED EARNINGS/(LOSSES) FROM CONTINUING OPERATIONS PER SHARE *(IN € PER SHARE)*	**(0.75)**	**(0.71)**	**(0.02)**

(1) Potentially dilutive securities (2021: 5,846,267 share options; 2020: 5,481,763 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.

Note 12 Intangible assets

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 were incurred.

The costs of computer software subject to a software as a service agreement (SaaS) are recognized as expenses when they are 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 2021 and 2020, no development costs have been capitalized.

Amortization

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

- software 3 – 6 years;
- acquired R&D technology and projects 1 -15 years;
- development costs 1 -15 years.

The 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 estimated period where Valneva benefits from the patent.

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
Additions	48	401	-	86	535
Amortization charge	(569)	(2,723)	(194)	-	(3,486)
Disposals	-	(3,329)	(5)	-	(3,333)
Exchange rate differences	3	(108)	(16)	3	(119)
CLOSING NET BOOK VALUE	**1,112**	**32,423**	**1,737**	**137**	**35,409**
AS AT 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)
CLOSING NET BOOK VALUE	**1,112**	**32,423**	**1,737**	**137**	**35,409**

In € thousand	Software	Acquired R&D technology and projects	Development costs	Intangible assets in the course of construction	Total
YEAR ENDED DECEMBER 31, 2021					
Opening net book value	1,112	32,423	1,737	137	35,409
Additions	802	140	-	-	942
Amortization charge	(719)	(2,919)	(178)	-	(3,816)
Disposals	-	-	-	-	-
Exchange rate differences	22	123	21	(2)	165
CLOSING NET BOOK VALUE	**1,217**	**29,768**	**1,581**	**134**	**32,700**
AS AT DECEMBER 31, 2021					
Cost	6,254	80,724	9,895	134	97,007
Accumulated amortization and impairment	(5,037)	(50,956)	(8,314)	-	(64,307)
CLOSING NET BOOK VALUE	**1,217**	**29,768**	**1,581**	**134**	**32,700**

The disposal of acquired R&D technology and projects in 2020 included €3.3 million from de-recognition of the Lyme disease vaccine candidate (VLA15) (see Note 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.

As at December 31, 2021 and December 31, 2020, there were no acquired research and development technology projects assets with a definite useful life which are not yet amortized.

Significant intangible assets (included in acquired R&D technology and projects as well as in the development costs) with definite useful life are comprised primarily of the already commercialized vaccine against Japanese encephalitis (IXIARO®) with acquisition costs amounting to €79.0 million and a net book value amounting to €30.6 million (December 31, 2020: €33.2 million).

For impairment test, See Note 16.

Note 13 Leases (right of use assets and lease liabilities)

The Group leases various premises, equipment, and vehicles. Rental contracts are typically made for fixed periods ranging from a few months to five years. The rental contracts for the premises in Sweden (10 and 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 Solna, Sweden include options to terminate the agreements earlier. The notice period is between one and six years. At the commencement date, it was not reasonably certain that these early termination options were to be exercised, so they were not included in the valuation of the lease liabilities and right of use assets. The Group changed the manner in which it accounts for leases effective January 1, 2019 due to the adoption of IFRS 16 – Leases.

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 liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, which is generally the case for leases in the Group, the Group uses its incremental borrowing rate. The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different than that of the Group and the lease does not benefit from a guarantee from the Group. 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 interest rates of 2.493% and 3.401% were 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.

RoU 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 €5,000) 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.

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

	Right-of-use assets				
In € thousand	Land, buildings and leasehold improvements	Manufacturing and laboratory equipment	Furniture, fittings and other	Total assets	Lease liabilities
YEAR ENDED DECEMBER 31, 2020					
Opening net book value	49,039	58	236	49,334	58,901
Additions	117	-	151	267	267
Amortization	(2,309)	(22)	(141)	(2,471)	-
Revaluation due to variable payments	(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
CLOSING NET BOOK VALUE	**43,121**	**37**	**216**	**43,374**	**52,088**

	Right-of-use assets				
In € thousand	Land, buildings and leasehold improvements	Manufacturing and laboratory equipment	Furniture, fittings and other	Total assets	Lease liabilities
YEAR ENDED DECEMBER 31, 2021					
Opening net book value	43,121	37	216	43,374	52,088
Additions	7,642	-	231	7,874	7,873
Amortization	(2,628)	(22)	(135)	(2,784)	-
Revaluation	199	-	3	202	202
Termination of contracts	-	-	(41)	(41)	(44)
Lease payments	-	-	-	-	(3,601)
Interest expenses	-	-	-	-	802
Exchange rate differences	(341)	-	3	(339)	(496)
CLOSING NET BOOK VALUE	**47,993**	**15**	**278**	**48,285**	**56,822**

Revaluation of right of use (RoU) assets for land, buildings and leasehold improvements and lease liabilities in 2020 mainly refers to the partial early termination of the rental contract in Sweden.

For impairment test, see Note 16.

As at December 31, 2021, RoU assets increased to €48.3 million from €43.4 million as at December 31, 2020, mainly due to a new lease contract for land and building in Sweden (addition of €6.4 million, partly offset by amortization expenses of €0.5 million), as well as a new lease contract for land and building in Scotland (December 31, 2021: €1.2 million). Major lease agreements were for the premises in Austria (December 31, 2021: €24.0 million, December 31, 2020: €24.8 million) and Sweden (December 31, 2021: €22.1 million, December 31, 2020: €17.6 million).

For more details on lease liabilities, see Note 27.

13.2 Other amounts recognized in the consolidated income statement

	Year ended December 31,		
In € thousand	2021	2020	2019
Expense relating to short-term leases (included in other income and expenses)	340	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)	21	-	3
Income relating to revaluation of lease liabilities (included in other income and expenses)	42	1,591	-
Expenses relating to termination of lease contracts (included in other income and expenses)	(38)	(7)	-

Income relating to revaluation of lease liabilities in 2020 referred to the partial early termination of the rental contract in Sweden.

Note 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 incur.

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 1 -15 years
- Furniture, fittings and office equipment 4 -10 years
- Hardware 3 -5 years

Leasehold improvements are depreciated over the shorter of their useful life or the lease term, unless the entity expects to use the assets beyond the lease term.

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 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
YEAR ENDED DECEMBER 31, 2020						
Opening net book value	9,248	5,944	707	313	3,791	20,003
Additions	2,578	8,553	241	30	7,535	18,936
Depreciation charge	(1,087)	(2,471)	(211)	(73)	-	(3,842)
Impairment charge	-	-	-	-	(140)	(140)
Disposals	-	(2)	(1)	(3)	-	(6)
Exchange rate differences	(87)	16	(10)	(9)	(82)	(172)
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)
CLOSING NET BOOK VALUE	**10,651**	**12,041**	**726**	**257**	**11,105**	**34,779**

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, 2021						
Opening net book value	10,651	12,041	726	257	11,105	34,779
Additions	664	14,360	912	16	79,897	95,848
Depreciation charge	(1,160)	(6,129)	(333)	(59)	-	(7,681)
Impairment charge	-	-	-	-	-	-
Disposals	-	(19)	(2)	(21)	(4)	(46)
Exchange rate differences	129	813	32	9	1,662	2,645
CLOSING NET BOOK VALUE	**10,284**	**21,066**	**1,335**	**202**	**92,659**	**125,545**
DECEMBER 31, 2021						
Cost	25,554	44,127	3,204	1,454	92,659	166,999
Accumulated depreciation and impairment	(15,269)	(23,062)	(1,870)	(1,252)	-	(41,453)
CLOSING NET BOOK VALUE	**10,284**	**21,066**	**1,335**	**202**	**92,659**	**125,545**

Additions in 2020 and 2021 mainly referred to investments in Scotland and Sweden and related to the production of the COVID-19 vaccine VLA2001.

From the total of €14.3 million depreciation and amortization expenses (2020: €9.9 million), €8.9 million (2020: €5.0 million) were charged to cost of goods and services, €4.7 million were charged to research and development expenses (2020: €4.1 million), €0.4 million were charged to marketing and distribution expenses (2020: €0.5 million) and €0.3 million were charged to general and administrative expenses (2020: €0.3 million). The increase in depreciation and amortization charged to costs of goods and services was caused by investments in Scotland and Sweden in 2020 and 2021.

Note 15 Investments in associates

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:

			% of ownership interest as at December 31,	
Name of associate	Place of business	Measurement method	2021	2020
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 retains 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 in associates is accounted for by using the equity method in accordance with IAS 28.

In 2021, the Company recorded a loss of €0.0 million related to its share of equity in BliNK (2020: loss of €0.3 million). The total equity of BliNK amounted to €4.3 million as at December 31, 2021 (December 31, 2020: €4.4 million). Refer to Note 16 impairment testing.

15.1 Summarized financial information

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).

	As at December 31,	
In € thousand	2021	2020
BLINK BIOMEDICAL SAS		
Non-current assets	2	3
Current assets	4,782	4,759
Non-current liabilities	209	209
Current liabilities	93	38
Revenue	810	836
Loss from continuing operations	(16)	(272)
TOTAL COMPREHENSIVE INCOME	**(16)**	**(272)**

15.2 Reconciliation to the carrying amount

	As at December 31,	
In € thousand	2021	2020
Net assets of associate	4,344	4,355
Proportion of the Company's ownership interest in BliNK Biomedical SAS	48.9%	48.9%
BALANCE	**2,121**	**2,130**

Note 16 Impairment testing

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. 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.

As at December 31, 2021, impairment tests were performed on the IXIARO®, the DUKORAL® and the COVID cash-generating units (CGUs).

IXIARO® annual product sales in 2021 declined moderately due to the COVID-19 crisis and travel restrictions. No triggering event was identified in 2021. However, an impairment test has been performed for the IXIARO® CGU as at December 31, 2021 on a voluntary basis.

For the DUKORAL® CGU a more significant year-over-year reduction in product sales was experienced and a triggering event was identified during H1 2021. In addition to the impairment test performed in June 2021 another voluntary impairment test was performed in December 2021.

	Year ended December 31,		
In € thousand	2021	2020	% 2021 vs 2020
PRODUCT SALES			
IXIARO®	45,118	48,480	(6.9%)
DUKORAL®	2,440	13,300	(81.7%)

For the first time an impairment test has been performed for the COVID CGU, where the termination of the UK Supply Agreement represented a triggering event ('loss of a major customer').

As a basis, the long-range business model including product specific financial plans covering a period of five years was used consistently across all CGUs tested. The Group's long range business model includes assumptions on market size/market share, product sales and resulting profitability. The value in use calculations are based on the plans for the next five years and a terminal value applied for the periods beyond 2026. A terminal value has been applied on the IXIARO® and DUKORAL® CGUs while no terminal value has been applied on the COVID CGU.

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 7.49%. The discount rate of 7.49% was based on a negative risk-free rate of 0.20%, 6.68% market risk premium, a negative country risk premium of 0.37%, 1.03% currency risk, a levered beta of 1.12, and a peer group related equity-capital ratio. The net carrying value of IXIARO® related assets amounted to €48.2 million as at December 31, 2021 (December 31, 2020: €46.7 million).

During 2021, 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 were no material intangible assets held for DUKORAL® the carrying amount of property, plant and equipment and RoU assets as well as working capital were tested. For DUKORAL® sales recovery to pre-COVID levels is not expected, driven by the expected entry of a competing product in some European markets within the coming years. The calculations used post tax risk-adjusted cash flow projections based on the Group's long-range business plan and a discount rate of 7.23% *per annum*. The discount rate of 7.23% *per annum* was based on negative risk-free rate of 0.20%, 6.68% market risk premium, negative country risk premium of 0.36%, 0.74% currency risk, a levered beta of 1.13 and a peer group related equity-capital ratio. The net carrying value of DUKORAL® related assets amounted to €13.7 million as at December 31, 2021 (December 31, 2020: €15.1 million).

During 2021, the Group invested significant funds into building up COVID manufacturing capacities across both the Livingston and Solna production sites. In addition to property, plant and equipment, RoU assets as well as intangible assets the Group holds significant working capital (mainly inventories) related to the COVID CGU. Business plan assumptions have been revised after termination of the UK Supply Agreement and after signing of supply agreements with the European Commission and Bahrain, and foresee a continuation of COVID-19 vaccine sales during the planning horizon of 5 years. The calculations used post tax risk-adjusted cash flow projections based on the Group's long-range business plan and a discount rate of 7.77% *per annum*. The discount rate of 7.77% *per annum* was based on negative risk-free rate of 0.20%, 6.68% market risk premium, country risk premium of 0.49%, 0.46% currency risk, a levered beta of 1.12 and a peer group related equity-capital ratio. The net carrying value of COVID related assets amounted to €214.5 million as at December 31, 2021.

The impairment tests resulted in no impairment charges.

No triggering event was identified for the CGUs.

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 7.23% for DUKORAL®, 7.49% for IXIARO® (2020: 7.30% for DUKORAL®, 7.55% for IXIARO®) and 7.77% for COVID. The recoverable amounts of these CGUs would equal its carrying amount if the key assumptions were to change as follows: increase in the discount rate from 7.49% to 53.11% would trigger an impairment loss for IXIARO® (2020: 4,689 basis points from 7.55% to 54.44%), increase from 7.23% to 13.10% would trigger an impairment loss for DUKORAL® (2020: increase of 328 basis points from 7.30% to 10.58%) and an increase in the discount rate from 7.77% to 75.34% would trigger an impairment loss for COVID.

	2021		2020		
Sensitivity analysis	IXIARO®	DUKORAL®	COVID	IXARO	DUKORAL®
WACC	7.49%	7.23%	7.77%	7.55%	7.30%
Break-even WACC	53.11%	13.10%	75.34%	54.44%	10.58%
Impairment if WACC increases by 1%	NO	NO	NO	NO	NO
Impairment if sales reduce by 10%	NO	NO	NO	NO	NO

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 IXIARO® and DUKORAL® revenues of 10% (which reflects the sensitivity to slower than currently expected recovery of the travel vaccine market assumption taken) would result in no impairment loss in 2021 and 2020. A potential reduction in COVID revenues of 10% (as a result of *e.g.* later than expected licensure or manufacturing capacity constraints) would result in no impairment loss in 2021.

As at December 31, 2021 an impairment test was performed on the investment held in BliNK Biomedical SAS. A triggering event was identified given the net income of BliNK showed a loss giving situation for the year ended December 31, 2021. As a basis the BliNK business plan for the next 5 years has been used. No terminal value has been applied for the period beyond the planning horizon of 5 years. The calculation used post tax risk-adjusted cash flow projections and a discount rate of 6.84%. The discount rate of 6.84% was based on a negative risk-free rate of 0.20%, 6.49% market risk premium, a levered beta of 1.12, and a peer group related equity-capital ratio. The impairment test resulted in no impairment charges.

As at December 31, 2020, impairment charges amounted to €0.1 million and related to assets in the course of construction (see Note 14).

As at December 31, 2019, impairment charges amounting to €0.1 million were recognized following the decision of Emergent BioSolutions Inc. to not make use of their opt-in right post successful finalization of a Phase 1 clinical study. The impairment charge of €0.1 million was recognized for acquired R&D technology and projects.

Note 17 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.

17.1 Financial instruments by category

AS AT 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[1]	-	11,918	11,918
Cash and cash equivalents	-	204,435	204,435
ASSETS	**-**	**235,584**	**235,584**

(1) 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.

AS AT DECEMBER 31, 2020 *in € thousand*	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[1]	-	8,300	8,300
Lease liabilities	-	52,088	52,088
Refund liabilities	-	111,426	111,426
Other liabilities[2]	-	51	51
LIABILITIES	**-**	**261,439**	**261,439**

(1) 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.

(2) Deferred income is excluded from the other liabilities balance, as this analysis is required only for financial instruments.

AS AT DECEMBER 31, 2021 *in € thousand*	Assets at fair value through profit and loss	Assets at amortized cost	Total
ASSETS AS PER BALANCE SHEET			
Trade receivables	-	44,013	44,013
Other assets[1]	-	11,522	11,522
Cash and cash equivalents	-	346,686	346,686
ASSETS	**-**	**402,221**	**402,221**

(1) Deferred income is excluded from the other liabilities balance, as this analysis is required only for financial instruments.

AS AT DECEMBER 31, 2021 *in € thousand*	Liabilities at fair value through profit and loss	Liabilities at amortized cost	Total
LIABILITIES AS PER BALANCE SHEET			
Borrowings	-	57,834	57,834
Trade payables and accruals	-	68,119	68,119
Tax and employee-related liabilities(1)	-	10,101	10,101
Lease liabilities	-	56,822	56,822
Refund liabilities	-	254,582	254,582
Other liabilities(2)	-	44	44
LIABILITIES	**-**	**447,502**	**447,502**

(1) 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.

(2) Deferred income is excluded from the other liabilities balance, as this analysis is required only for financial instruments.

17.2 Fair value measurements

As at December 31, 2021 and December 31, 2020, the Company did not have assets and liabilities measured though profit and loss.

In 2020, 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.

As at December 31, 2021 and December 31, 2020, the Company did not have open foreign currency options nor foreign currency forwards.

17.3 Credit quality of financial assets

The credit quality of financial assets that are not impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates as follows:

	As at December 31,	
In € thousand	2021	2020
TRADE RECEIVABLES		
Receivables from governmental institutions (AAA-country)	289	36
Receivables from governmental institutions (AA-country)	23,086	15,595
Receivables from governmental institutions (A-country)	606	-
AA	2	188
A	3,442	787
Counterparties without external credit rating or rating below A	16,589	2,631
TRADE RECEIVABLES	**44,013**	**19,237**
OTHER ASSETS		
A	11,296	11,644
Assets from governmental institutions (AA-country)	199	-
Counterparties without external credit rating or rating below A	27	336
OTHER ASSETS	**11,522**	**11,979**
CASH AND CASH EQUIVALENTS		
AA	3,457	3,984
A	332,361	149,477
Counterparties without external credit rating or rating below A	10,868	50,973
CASH AND CASH EQUIVALENTS	**346,686**	**204,435**

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.

17.4 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 receivable 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 as at December 31, 2021 and December 31, 2020 that losses incurred were immaterial, taking further into account the limited number of customers as well as credit checks mentioned in Note 2.5. Therefore, loss allowance was considered immaterial as at December 31, 2021 and December 31, 2020.

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. As at December 31, 2021 and December 31, 2020, the expected credit loss was calculated using the cumulative expected default rate based on the counterparties' ratings and was immaterial.

Note 18 Inventories

Inventories are stated at the lower of cost and net realizable value. 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. Inventories exclude borrowing costs. Provisions for batches which fail to meet quality requirements and may not be sold (failed batches) are deducted from the value of inventories.

	As at December 31,	
In € thousand	2021	2020
Raw materials	102,082	4,790
Work in progress	55,681	14,914
Finished goods	8,135	13,625
Purchased goods (third party products)	7,362	1,303
GROSS AMOUNT OF INVENTORIES BEFORE WRITE-DOWN	**173,260**	**34,631**
Less: write-down provision	(49,162)	(7,698)
INVENTORIES	**124,098**	**26,933**

The increase in raw materials and work in progress is primarily related to the production of the COVID-19 vaccine.

In 2021, the cost of inventories, which is recognized as an expense and is included in the position "Cost of goods and services", amounted to €145.3 million (2020: €27.0 million), of which €127.1 million (2020: €9.6 million) related to raw materials which cannot be used and failed batches, which were written down. In 2021, €121.4 million (2020: nil) of these expenses related to the COVID-19 vaccine and stem from write-downs for materials which cannot be used, failed batches and batches at risk of failure (see termination of UK supply agreement in Note 5.2). €5.7 million (2020: €9.6 million) of these expenses related to commercialized products and stem from write-downs due to lower sales expectations and limited shelf life of the products.

Write-down provisions related to the inventory categories as follows:

	As at December 31,	
In € thousand	2021	2020
Raw materials	29,751	470
Work in progress	15,096	2,730
Finished goods	3,974	4,435
Purchased goods (third party products)	342	63
TOTAL WRITE-DOWN PROVISION	**49,162**	**7,698**

Given the expected reductions in product sales related to Valneva's commercialized 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 at December 31, 2021 and 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. These write-downs totaled €7.6 million as at December 31, 2021 (December 31, 2020: €7.4 million), €4.0 million (December 31, 2020: €4.4 million) thereof related to finished goods, €3.3 million (December 31, 2020: €2.4 million) related to work in progress and €0.3 million related to purchased goods (December 31, 2020: €0.5 million related to raw materials and €0.1 million related to purchased goods). As at December 31, 2021, the remaining write-down provisions concerning raw materials amounting to €29.8 million and work in progress amounting to €11.8 million mainly related to the COVID-19 vaccine. As at December 31, 2020, write-down provisions concerning work in progress amounting to €0.3 million related to failed batches.

Note 19 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:

	As at December 31,	
In € thousand	2021	2020
Trade receivables	44,030	19,237
Less: loss allowance of receivables	(17)	(6)
TRADE RECEIVABLES, NET	**44,013**	**19,232**

In 2021 and 2020, no material impairment losses were recognized. As at December 31, 2021, the amount of trade receivables past due amounted to €21.2 million (2020: €0.4 million) and mainly related to accounts receivable due from highly rated governmental authorities. In the months of January 2022 and February 2022 this amount of trade receivables past due of €21.2 million was lowered by €18.7 million due to payments received in the months of January 2022 and February 2022.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

As at December 31, 2021, trade receivables included €40.9 million (December 31, 2020: €18.7 million) receivables from contracts with customers.

Note 20 Other assets

Other assets include the following:

	As at December 31,	
In € thousand	2021	2020
R&D tax credit receivables	35,390	19,637
Advance payments	27,375	33,671
Tax receivables	6,145	5,468
Prepaid expenses	5,131	2,544
Contract costs	3,010	2,846
Consumables and supplies on stock	1,722	1,061
Miscellaneous current assets	23	158
OTHER NON-FINANCIAL ASSETS	**78,796**	**65,385**
Deposits	11,339	11,358
Miscellaneous financial assets	183	560
OTHER FINANCIAL ASSETS	**11,522**	**11,918**
OTHER ASSETS	**90,318**	**77,303**
Less non-current portion	(19,282)	(19,476)
CURRENT PORTION	**71,036**	**57,828**

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.

The increase in R&D tax credit receivables is mainly related to increased research and development expenditures primarily in connection to the COVID-19 and chikungunya vaccine candidates.

As at December 31, 2021 and December 31, 2020, the deposits mainly related to a deposit associated with a lease agreement.

As at December 31, 2021, advance payments amounting to €16.4 million related to the agreement with IDT Biologika to produce the COVID-19 vaccine. Advance payments amounting to €7.2 million related to the collaboration agreement with Dynavax (see Note 1).

As at December 31, 2020, advance payments amounting to €31.1 million related to the collaboration agreement with Dynavax.

Contract costs mainly relate to the collaboration with Pfizer (see Note 1) and refer to costs to obtain a contract. It will be amortized in line with the pattern of revenue recognition.

Note 21 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.

	As at December 31,	
In € thousand	2021	2020
Cash in hand	3	2
Cash at bank	346,639	173,107
Short-term bank deposits (maximum maturity of 3 months)	-	31,285
Restricted cash	44	41
CASH AND CASH EQUIVALENTS	**346,686**	**204,435**

As at December 31, 2021 and 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. As 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 24.1) was €75.0 million, which was amended in January 2021 to be €50.0 million in 2021 and 2022 and €35.0 million from 2023 onward.

Note 22 Equity

The ordinary shares and convertible preferred shares are classified as equity.

	As at December 31,	
Number of shares	2021	2020
Ordinary shares issued (€0.15 par value per share)	105,190,223	90,950,048
Convertible preferred shares registered	48,862	20,514
TOTAL SHARES ISSUED	**105,239,085**	**90,970,562**
Less Treasury shares	(124,322)	(146,322)
OUTSTANDING SHARES	**105,114,763**	**90,824,240**

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, re-issued 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.

In January 2021, 790,075 stock options (of which 363,050 were granted from ESOP 2016 and 427,025 from ESOP 2017) were exercised, which resulted in an increase in ordinary shares.

In May 2021, the Company announced the closing of its global offering to specified categories of investors of an aggregate of 8,145,176 new ordinary shares, after full exercise of the overallotment option granted to the underwriters (the "Option"), consisting of a public offering of 2,850,088 American Depositary Shares ("ADSs"), each representing two ordinary shares, in the United States at an offering price of $26.41 per ADS (the "U.S. Offering"), and a concurrent private placement of 2,445,000 ordinary shares in Europe (including in France) and other countries outside of the United States at the corresponding offering price of €11.00 per ordinary share (the "European Private Placement", and, together with the U.S. Offering, the "Global Offering"). Aggregate gross proceeds of the Global Offering, after full exercise of the Option, before deducting underwriting commissions and estimated expenses payable by the Company, were approximately $107.6 million (€89.6 million). The cost of equity transactions in the amount of €6.8 million, which were directly attributable to the issue of new shares, are shown in equity as a deduction, net of tax, if any, from the proceeds.

In November 2021, the Company announced the closing of its global offering to specified categories of investors of an aggregate of 5,175,000 new ordinary shares, after full exercise of the overallotment option granted to the underwriters (the "Option"), consisting of a public offering of 354,060 American Depositary Shares ("ADSs"), each representing two ordinary shares, in the United States at an offering price of $39.42 per ADS (the "U.S. Offering"), and a concurrent private placement of 4,466,880 ordinary shares in Europe (including France) and other countries outside of the United States at the corresponding offering price of €17.00 per ordinary share (the "European Private Placement", and, together with the U.S. Offering, the "Global Offering"). Aggregate gross proceeds of the Global Offering, after full exercise of the Option and before deducting underwriting commissions and estimated expenses payable by the Company, were approximately $102.0 million (€88.0 million). The cost of equity transactions in the amount of €6.7 million, which were directly attributable to the issue of new shares, are shown in equity as a deduction, net of tax, if any, from the proceeds.

Conditional and authorized capital

As at December 31, 2021, the Company had 6,572,937 shares of conditional capital in connection with (see Note 23):

- the possible exercise of existing stock options;
- the possible exercise of existing equity warrants (BSAs);
- the possible final grant of existing Free ordinary shares;
- the possible final grant and conversion of existing free convertible preferred shares.

Pursuant to resolution No. 21 of the Combined General Meeting held on June 23, 2021, the maximum aggregate amount of capital increases that may be carried out, with immediate effect or in the future, under resolutions 13 to 20 of said Meeting, may not exceed €5,175 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.

22.1 Other reserves

In € thousand	Other regulated reserves	Other comprehensive 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**

In € thousand	Other regulated reserves	Other comprehensive income	Treasury shares	Capital from Share-based compensation	Other revenue reserves	Total
BALANCE AS AT JANUARY 1, 2021	**52,820**	**(2,474)**	**(898)**	**12,368**	**(9,474)**	**52,342**
Currency translation differences	-	(2,877)	-	-	-	(2,877)
Defined benefit plan actuarial gains	-	205	-	-	-	205
Share-based compensation expense:						
▪ Value of services	-	-	-	2,632	-	2,632
Purchase/sale of treasury shares	-	-	253		(43)	209
BALANCE AS AT DECEMBER 31, 2021	**52,820**	**(5,146)**	**(645)**	**15,000**	**(9,517)**	**52,512**

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

The Company did not obtain a dividend from its subsidiaries or associates nor paid a dividend to its shareholders in 2021 and 2020.

Note 23 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:

	Year ended December 31,		
In € thousand	2021	2020	2019
Stock option plans	646	1,182	1,177
Free convertible preferred share plans	652	1,266	1,198
Free ordinary shares program	1,334	1,563	130
Equity warrants	-	-	-
Phantom shares	11,877	2,317	74
SHARE-BASED COMPENSATION EXPENSE	**14,509**	**6,328**	**2,578**

23.1 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, as well as the Manufacturing site Heads (since 2017), would have the opportunity to participate in four-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. Stock Options granted in 2019 are subject to performance conditions.

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.

4

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

	2021			2020		
	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 as at January 1	4,911,410	4,975,831	3.06	5,247,110	5,313,098	3.06
Granted	-	-	-	-	-	-
Forfeited	(187,950)	(189,168)	3.07	(335,700)	(337,267)	3.06
Exercised	(790,075)	(790,075)	2.79	-	-	-
OUTSTANDING AT YEAR END	**3,933,385**	**3,996,588**	**3.11**	**4,911,410**	**4,975,831**	**3.06**
Exercisable at year end	3,203,817	3,267,020		2,855,570	2,919,991	

790,075 employee stock options (of which 363,050 were granted from ESOP 2016 and 427,025 from ESOP 2017) were exercised in January 2021. No stock options were exercised in 2020.

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

	Exercise price	Number of options as at December 31,	
Expiry date	*in € per share*	2021	2020
2023	2.919	696,903	645,900
2025	3.92	522,500	533,000
2026	2.71	36,200	399,250
2027	2.85	552,725	998,000
2029	3.05	2,188,260	2,335,260
OUTSTANDING AT YEAR END		**3,996,588**	**4,911,410**

In 2021 and 2020, no stock options were granted. The fair value of the granted options was determined using the Black Scholes valuation model.

23.2 Free ordinary shares

In 2019, Company's Management Board granted free ordinary shares for the benefit of Management Board and Management Committee members. The purpose of this free share plan 2019-2023 is to provide a long-term incentive program for the Company's senior management. No further free ordinary shares were granted in 2021 and 2020.

In 2019, the number of free ordinary shares 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	
	2021	2020
Outstanding as at January 1	1,842,404	2,191,947
Forfeited	-	349,543
OUTSTANDING AT YEAR END	**-**	**1,842,404**

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 vested on December 19, 2021, the second tranche will vest on December 19, 2022, and the third tranche will vest on December 19, 2023. Vesting is subject to performance conditions.

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 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 number 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.

23.3 Free convertible preferred share plan

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 in December 2021 (the **Conversion Date**), the Management Board determined 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**" (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) was €18.21.

As the Final Share Price was higher than €8.00, the conversion ratio was determined that the beneficiaries' gross gain will not exceed the gross gain they would have realized if the Final Share Price was €8.00.

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 FCPS are as follows:

	Number of shares	Number of FCPS	
	2021	2021	2020
Outstanding as at January 1		32,463	34,017
Granted		-	-
Expired		-	(1,554)
OUTSTANDING AT YEAR END		**32,463**	**32,463**
Exercisable at year end *(in number of shares)*	884,144		

The fair value of FCPS 2017 was determined using the Monte Carlo valuation model.

23.4 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.

In 2020, 690,000 phantom shares were granted. In 2021, no new phantom shares were granted.

The carrying amount of the liability relating to the phantom shares as at December 31, 2021 was €14.3 million (December 31, 2020: €2.3 million). The fair values of the granted options were determined on the balance sheet dates using the Black Scholes valuation model.

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

	Exercise price	Number of Phantom shares at as December 31,	
	in € per share	2021	2020
2023	2.919	4,950	10,450
2025	3.92	6,000	14,000
2026	2.71	-	9,000
2027	2.85	6,250	32,000
2029	3.05	134,250	176,750
2030	-	690,000	690,000
OUTSTANDING AT YEAR END		**841,450**	**932,200**

The significant inputs into the models were:

	2021	2020
Expected volatility *(in %)*	72.97	43.81
Expected vesting period *(term in years)*	0.25 – 4.39	0.25 – 5.40
Risk-free interest rate *(in %)*	(0.78) – (0.64)	(0.82) – (0.71)

23.5 Equity warrants

In 2017, the Company granted equity warrants to members of the Supervisory Board. 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 2017 plan (BSA 27) amounts to €2.574.

Changes in the equity warrants outstanding are as follows:

	Number of equity warrants	
	2021	2020
Outstanding as at January 1	43,750	103,875
Granted	-	-
Exercised	(21,875)	(26,750)
Forfeited	-	(33,375)
OUTSTANDING AT YEAR END	**21,875**	**43,750**

Note 24 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:

	As at December 31,	
In € thousand	2021	2020
NON-CURRENT		
Other loans	50,726	46,375
NON-CURRENT BORROWINGS	**50,726**	**46,375**
CURRENT		
Other loans	7,107	6,988
CURRENT BORROWINGS	**7,107**	**6,988**
TOTAL BORROWINGS	**57,834**	**53,363**

The maturity of non-current borrowings is as follows:

	As at December 31,	
In € thousand	2021	2020
Between 1 and 2 years	21,102	5,925
Between 2 and 3 years	15,502	14,270
Between 3 and 4 years	12,306	12,559
Between 4 and 5 years	674	10,524
Over 5 years	1,143	3,097
NON-CURRENT BORROWINGS	**50,726**	**46,375**
Current borrowings	7,107	6,988
TOTAL BORROWINGS	**57,834**	**53,363**

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

	As at December 31,	
In € thousand	2021	2020
Borrowings denominated in EUR	4,708	5,855
Borrowings denominated in USD	53,126	47,508
TOTAL BORROWINGS	**57,834**	**53,363**

24.1 Other loans

In February 2020, Valneva Austria GmbH signed a loan agreement (the Loan Agreement) with US healthcare funds Deerfield Management Company and OrbiMed (the Lenders), for an initial borrowing capacity of up to $85 million.

Principal payments will start in 2023, while the loan will mature in 2026. 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 at December 31, 2021, $60.0 million (€54.1 million) was drawn down in two tranches under the Loan Agreement. As at December 31, 2021 the carrying amount was €49.7 million. The interest rate is 9.95% (equivalent to 10.09% on an annual basis). The loan is secured by all of Valneva's assets, including the intellectual property, and is guaranteed by Valneva SE and certain of its subsidiaries.

Noting the COVID-19 pandemic impact on the travel industry and following a temporary waiver of the revenue covenant for the second half of 2020, Valneva, Deerfield and OrbiMed agreed to modify this covenant for 2021 and 2022, replacing the twelve-month rolling €115 million with quarterly minimum revenues representing an annual total of €64 million in 2021 and an annual total of €103.75 million in 2022. The parties also agreed to modify the minimum cash requirement to €50 million for 2021 and 2022 and to €35 million for the following years.

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 Loan Agreement, 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	2021	2020
BALANCE AS AT JANUARY 1	**46,190**	**-**
Proceeds of issue	-	52,935
Transaction costs	-	(4,162)
Accrued interest	6,167	4,538
Payment of interest	(6,459)	(2,698)
Exchange rate difference	3,774	(4,423)
BALANCE AS AT DECEMBER 31	**49,671**	**46,190**
Less: non-current portion	(44,360)	(41,261)
CURRENT PORTION	**5,311**	**4,929**

As at December 31, 2021, Other loans also included borrowings related to financing of research and development expenses and CIR (R&D tax credit in France) of €4.7 million (December 31, 2020: €5.9 million) as well as the amount related to CEPI of €3.5 million (December 31, 2020: €1.3 million), representing payments received which are expected to be paid back in the future. For detailed information see Note 8.1.

24.2 Borrowings and other loans secured

As at December 31, 2021, €54.4 million (December 31, 2020: €52.0 million) of the outstanding borrowings and other loans were 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).

24.3 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, 2021, material differences were identified only for guaranteed other loans. Based on an estimated arms' length interest rate of 9.55%, the fair value is €4.2 million (carrying amounts is €4.7 million).

Note 25 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:

	As at December 31,	
In € thousand	2021	2020
Trade payables	16,035	24,898
Accrued expenses	52,084	11,314
BALANCE AS AT DECEMBER 31	**68,119**	**36,212**
Less non-current portion	-	-
CURRENT PORTION	**68,119**	**36,212**

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

Note 26 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.

	As at December 31,	
In € thousand	2021	2020
Employee-related liabilities	10,101	8,300
Social security and other taxes	7,148	4,866
BALANCE AS AT DECEMBER 31	**17,249**	**13,165**
Less non-current portion	-	-
CURRENT PORTION	**17,249**	**13,165**

Note 27 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 13.

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

	As at December 31,	
In € thousand	2021	2020
Between 1 and 2 years	25,301	2,296
Between 2 and 3 years	2,150	24,434
Between 3 and 4 years	2,214	1,280
Between 4 and 5 years	2,289	1,331
Between 5 and 10 years	10,733	7,384
Between 10 and 15 years	9,114	8,907
Over 15 years	1,886	3,759
NON-CURRENT LEASE LIABILITIES	**53,687**	**49,392**
Current lease liabilities	3,135	2,696
TOTAL LEASE LIABILITIES	**56,822**	**52,088**

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

	As at December 31,	
In € thousand	2021	2020
EUR	24,650	25,633
SEK	30,657	26,166
Other	1,515	289
TOTAL LEASE LIABILITIES	**56,822**	**52,088**

Note 28 Contract liabilities

A contract liability has to be recognized, when the customer already provided the consideration 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".

Development of contract liabilities is presented in the table below:

In € thousand	2021	2020
BALANCE AS AT JANUARY 1	**89,636**	**1,426**
Revenue recognition	(89,364)	(594)
Exchange rate differences	7	101
Addition	128,479	88,703
BALANCE AS AT DECEMBER 31	**128,758**	**89,636**
Less non-current portion	(4,741)	(58)
CURRENT PORTION	**124,017**	**89,578**

With regards to additions in 2021, €116.9 million were related to the APA with the European Commission to supply up to 60 million doses of VLA2001, €3.8 million were related to the APA with the Kingdom of Bahrain, and €4.7 million were related to a payment received from the DoD for IXIARO®. With regards to changes to the position because of revenue recognized in 2021, €87.0 million related to the UK Supply Agreement (refer to Note 1).

As at December 31, 2020, €87.0 million related to the UK Supply Agreement (see Note 1), €1.6 million related to CTM services provided to different customers and €1.0 million related to the agreement for the development, manufacturing and marketing of Valneva's single-shot chikungunya vaccine, VLA1553, in LMICs with Instituto Butantan.

Note 29 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 the Company has an obligation to repay or amounts which did not meet the criteria for revenue recognition in the past, but there are no remaining goods and services to be provided in future.

Development of refund liabilities:

In € thousand	2021	2020
BALANCE AS AT JANUARY 1	**111,426**	**6,553**
Additions	159,179	109,296
Payments	(18,022)	(477)
Other releases	(15,198)	-
Interest expense capitalized	8,478	3,640
Exchange rate difference	8,718	(7,586)
BALANCE AS AT DECEMBER 31	**254,581**	**111,426**
Less non-current portion	(158,970)	(97,205)
CURRENT PORTION	**95,611**	**14,222**

As at December 31, 2021, €79.6 million (thereof €75.2 million non-current) related to the collaboration with Pfizer Inc. (see Note 1), €166.9 million (thereof €77.3 million non-current) related to the UK Supply Agreement (see Note 5.2), €6.4 million (thereof €6.3 million non-current) related to the expected payment to GSK related to the termination of the SAA in 2019 (see Note 1). Other releases related to reductions in refund liabilities in the wake of revaluations that increased contract liabilities.

As at December 31, 2020, €81.9 million (thereof €70.0 million non-current) related to the collaboration with Pfizer Inc. (see Note 1), €20.9 million (all non-current) related to the UK Supply Agreement (see Note 5.2), €6.3 million (all non-current) related to the expected payment to GSK related to the termination of the SAA in 2019 (see Note 1) and €2.3 million 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 2.5.

Note 30 Provisions

30.1 Provisions for employee commitments

	As at December 31,	
In € thousand	2021	2020
Employer contribution costs on share-based compensation plans	26,520	7,351
Phantom shares	14,267	2,390
Retirement termination benefits	422	550
Leaving indemnities	-	112
BALANCE AS AT DECEMBER 31	**41,210**	**10,403**
Less non-current portion	8,308	2,358
CURRENT PORTION	**32,901**	**8,045**

(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 at December 31, 2021: €24.5 (December 31, 2020: €7.75).

(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

	As at December 31,	
	2021	2020
Discount rate	1.00%	0.50%
Salary increase rate	2.00%	2.00%
Turnover rate	0%-21.35%	0%-21.35%
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	2021	2020
BALANCE AS AT JANUARY 1	**550**	**404**
Current service cost	77	68
Actuarial losses/(gains)	(205)	78
BALANCE AS AT DECEMBER 31	**422**	**550**

30.2 Other provisions

	As at December 31,	
In € thousand	2021	2020
Non-current	-	-
Current	15,806	2,124
PROVISIONS	**15,806**	**2,124**

As at December 31, 2021, the significantly increased provision related mainly to onerous purchase agreements related to the termination of the UK Supply Agreement (€13.5 million). Secondly, the position comprised €2.1 million from a provision for expected legal and settlement costs under a court proceeding related to the Intercell AG/Vivalis SA merger (December 31, 2020: €1.9 million).

Note 31 Other liabilities

	As at December 31,	
In € thousand	2021	2020
Deferred income	4,966	2,861
Other financial liabilities	44	51
Miscellaneous liabilities	8	2
OTHER LIABILITIES	**5,019**	**2,913**
Less non-current portion	(69)	(72)
CURRENT PORTION	**4,950**	**2,841**

Deferred income mainly includes conditional advances from a grant from CEPI (see Note 8).

Note 32 Cash flow information

32.1 Cash generated from operations

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

		Year ended December 31,		
In € thousand	*Note*	2021	2020	2019
LOSS FOR THE YEAR		**(73,425)**	**(64,393)**	**(1,744)**
Adjustments for				
▪ Depreciation and amortization	*12/13/14*	14,281	9,799	8,532
▪ Write-off/impairment fixed assets/intangibles	*12/13/14*	-	140	75
▪ Share-based compensation expense	*23*	14,509	6,328	2,552
▪ Income tax expense/(income)	*10*	3,446	(909)	874
▪ Dividends received from associated companies	*15*	-	-	433
▪ (Profit)/loss from disposal of property, plant, equipment and intangible assets	*8*	46	10	92
▪ Share of (profit)/loss from associates	*15*	5	133	(1,574)
▪ Fair value losses on derivative financial instruments		-	-	178
▪ Provision for employer contribution costs on share-based compensation plans	*30.1*	19,079	7,351	-
▪ Other non-cash (income)/expense		(11,604)	4,470	(892)
▪ Interest income	*9*	(249)	(119)	(199)
▪ Interest expense	*9*	16,964	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		194	(2,303)	79
▪ Long term contract liabilities	*28*	4,662	(674)	(2,321)
▪ Long term refund liabilities	*29*	54,501	90,653	6,016
▪ Other non-current liabilities and provisions		(3)	795	(178)
Changes in working capital (excluding the effects of acquisition and exchange rate differences on consolidation):				
▪ Inventory		(92,373)	(4,196)	(2,415)
▪ Trade and other receivables		(21,349)	(24,023)	(17,278)
▪ Contract liabilities	*28*	34,453	88,801	(989)
▪ Refund liabilities	*29*	80,160	10,614	448
▪ Trade and other payables and provisions		35,236	6,544	13,552
CASH GENERATED FROM OPERATIONS		**78,532**	**139,759**	**7,875**

In 2021, other non-cash (income)/expense mainly related to net foreign exchange gains.

In 2020, other non-cash (income)/expense included €3.3 million expenses from disposal of Lyme VLA15 (see Notes 1 and 12), €1.6 million income from a revaluation of lease liabilities and right of use assets and €2.6 million net foreign exchange losses.

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:

	Year ended December 31,		
In € thousand	2021	2020	2019
Net book value	46	34	92
Loss on disposal of fixed assets	(46)	(10)	(92)
PROCEEDS FROM DISPOSAL OF PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS	**-**	**24**	**-**

32.2 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 13.

In € thousand	Bank borrowings	Other loans	Total
BALANCE AS 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[1]	241	3,090	3,331
BALANCE AS AT DECEMBER 31, 2020	**-**	**53,363**	**53,363**
BALANCE AS AT JANUARY 1, 2021	**-**	**53,363**	**53,363**
Repayments	-	(1,956)	(1,956)
Additions, net of transaction costs	-	859	859
Foreign exchange movements	-	3,998	3,998
Other changes[1]	-	1,570	1,570
BALANCE AS AT DECEMBER 31, 2021	**-**	**57,834**	**57,834**

(1) Other changes include interest accruals and payments.

Note 33 Commitments and contingencies

As at December 31, 2021, there were €23.6 million of capital expenditure contracted, mainly related to manufacturing sites for the COVID-19 vaccine candidate (December 31, 2020: €48.0 million).

33.1 Other commitments, pledges and guarantees

The other commitments relate to minimum payments consist of:

	As at December 31,	
In € thousand	2021	2020
Loans and grants	143	1,454
Royalties	8,941	9,393
OTHER COMMITMENTS	**9,084**	**10,846**

The pledges consist of:

	As at December 31,	
In € thousand	2021	2020
Pledges on consolidated investments	19,901	19,474
Pledges on bank accounts	292,257	150,642
Pledges on receivable	344,519	160,511
GUARANTEES AND PLEDGES	**656,677**	**330,626**

33.2 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. In October 2021, a court-appointed expert recommended an increase in the cash compensation as well as further valuation work on the exchange ratio. The Company therefore held a provision of €2.1 million to cover this increase and potential settlement costs (December 31, 2020: €1.9 million). €0.3 million of additional expenses related to this litigation was included in "other expenses" in the year ended December 31, 2021.

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 first half of 2022. 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.

Note 34 Related-party transactions

34.1 Rendering of services

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

	Year ended December 31,		
In € thousand	2021	2020	2019
Provision of services:			
▪ Operating activities	231	187	236
PROVISION OF SERVICES	**231**	**187**	**236**

34.2 Key management compensation

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

	Year ended December 31,		
In € thousand	2021	2020	2019
Salaries and other short-term employee benefits[(1)]	1,930	2,950	2,449
Other long-term benefits	24	18	15
Share-based payments (expense of the year)	856	1,786	1,174
KEY MANAGEMENT COMPENSATION	**2,809**	**4,755**	**3,638**

(1) In 2020 leaving indemnities of €0.9 million have been included.

34.3 Supervisory Board compensation

In 2021, the aggregate compensation of the members of the Company's Supervisory Board amounted to €0.3 million (2020: €0.2 million, 2019: €0.3 million). In the year 2017, the Company granted equity warrants to members of the Supervisory Board. For more information, see Note 23.

Note 35 Events after the reporting period

Valneva Scotland was awarded two grants worth up to £20 million (approximately €23.9 million) from Scottish Enterprise, Scotland's national economic development agency, to support research and development relating to the manufacturing processes of Valneva's COVID-19 vaccine candidate and Valneva's other vaccine candidates. The funds under these grants will be received over three years, beginning in March 2022.

At year end, the company assessed the inventory valuation taking into consideration the residual shelf life and production plan for 2022. This analysis resulted in a write-down of raw material for an amount of €23 million as at December 31, 2021. In 2022, one of the suppliers performed additional analysis and concluded in March 2022 on an extension of the shelf life. As a consequence, Valneva expects to use some of the material in the manufacturing process and will reverse a portion of the write-down. Since the extension of the shelf life was determined in 2022, the company considers the developments after the reporting date as a non-adjusting subsequent event.

4.1.6. Statutory Auditors' report on the consolidated financial statements

For the purposes of this URD, the Group's consolidated financial statements for the year ended December 31, 2021 are shown with a different tree structure from that of the financial statements attached to the Statutory Auditors' report, particularly with regard to the numbering of the notes. For this reason, and for a proper understanding of the report presented below, the reader is invited to consult the following cross-reference table:

NOTE REFERRED TO IN THE STATUTORY AUDITOR'S REPORT	Corresponding Note in Section 4.1.5 of this URD
Note 5.1	Note 1
Note 5.3.1	Note 3.1
Note 5.3.2	Note 3.2
Note 5.5.2	Note 5.2
Note 5.18	Note 18

NOTE REFERRED TO IN THE STATUTORY AUDITOR'S REPORT	Corresponding Note in Section 4.1.5 of this URD
Note 5.29	Note 29
Note 5.30.2	Note 30.2
Note 5.33.2	Note 33.2

(For the year ended 31 December 2021)

To the General Assembly

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 Neeting, we have audited the accompanying consolidated financial statements of VALNEVA ("the Group") for the year ended December 31, 2021.

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, 2021 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 and Governance Committee.

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 déontologie*") for statutory auditors, for the period from 1 January 2021 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

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.

RISK DESCRIPTION

Consequences of the termination of the SARS-CoV-2 Vaccine Supply Agreement with the UK Secretary of State for Business, Energy and Industrial Strategy (the UK Authority) – Revenue recognition, provision for onerous purchase contracts and valuation of inventories built up for the commercialization of this vaccine

(Paragraph "Significant agreements signed in the periods presented" included in the Note 5.1 «General information and significant events of the period», Note 5.3.1 «Critical judgements in applying the Group's accounting policies», Note 5.3.2 «Key sources of estimation uncertainty», paragraph «Vaccine Supply Agreement with the UK Authority» included in the Note 5.5.2 «Other revenues, Note 5.18 «Inventories», Note 5.29 «Refund liabilities» and Note 5.30.2 «Other Provisions» to the consolidated financial statements)

In September 2020, Valneva entered into a supply agreement (the UK Supply Agreement) with the UK Secretary of State for Business, Energy, and Industrial Strategy (the UK Authority), under which Valneva was to manufacture and supply the UK Authority with its SARS-CoV-2 vaccine, after increasing its manufacturing capacity in Scotland. This contract falls under the scope of IFRS 15 "Revenue from Contracts with Customers". This Agreement required the UK Authority to make non-refundable pre-payments and as of December 31, 2021, Valneva thus received a total of 408.3 million euros.

Valneva was notified in September 2021 of the UK Authority's decision to terminate this Vaccine Supply Agreement. In the notice of termination, the UK Authority wished to terminate the UK Supply Agreement on two different bases. The first being that Valneva will fail to meet its obligations regarding the delivery schedule provided for in the UK Supply Agreement (termination for anticipated violation of the delivery schedule provided for in the Supply Agreement) and the second being that the UK Authority wished to terminate the UK Supply Agreement with a thirty days' notice in using its discretionary right to terminate for convenience. The Company, after consultation with its external advisors, considers that the first basis for termination is unfounded and has thus taken note of the termination, by the UK Authority, of the Supply Agreement on the basis only of the exercise of this discretionary right.

The Company's management has thus assessed the impacts of the termination of the UK Supply Agreement on the financial statements as of December 31, 2021:

- Payments received from the UK Authority, for which the likelihood of reimbursement was considered remote, amount to 253.3 million euros as of December 31, 2021 and were recognized in other revenues ("COVID-19" segment). For amounts considered carrying uncertainties and a reimbursement likelihood which could not be assessed as highly unlikely, a refund liability of 166.9 million euros was recorded as of December 31, 2021.
- Onerous purchase contracts related to the supply of this vaccine have been identified and a provision of 13.5 million euros has been recorded as of December 31, 2021.

RISK RESPONSE

We have read the Supply Agreement entered into between Valneva and the UK Authority and the termination letter, in order to assess in particular the compliance of the accounting treatment adopted by management for this contract.

We have examined the procedures implemented by Management to identify and list all the risks associated with the termination of the SARS-CoV-2 vaccine supply contract with the UK Authority. We have assessed the reasonableness of Management's estimate of the legal basis for terminating this Agreement:

- by reviewing the risk analysis carried out by the General and Legal Department of Valneva;
- by obtaining and analyzing written correspondence between Valneva and the UK Authority;
- by obtaining and analyzing lawyers' notes.

We also reviewed the process implemented by management, and assessed the design of the controls related to the recognition of revenue related to this contract to supply vaccines to the UK Authority. We have assessed the reasonableness of the main assumptions made by management concerning the probabilities of future reimbursements, forecasts of sales of the SARS-CoV-2 vaccine to customers other than the UK Authority, the probabilities of success in obtaining the marketing authorization, in coherence with external data and evidences obtained, moreover, during the audit, such as internal Company communications and presentations.

We also reviewed the process implemented by management and assessed the design of controls related to the recognition of provisions for onerous contracts. We reviewed the analysis of the contracts related to this vaccine by obtaining and analyzing in particular the agreements signed with the suppliers.

RISK DESCRIPTION	RISK RESPONSE
▪ The Group's management also carried out a review of the valuation of inventories linked to this vaccine and thus recorded an inventory depreciation. As of December 31, 2021, the remaining write-down provisions concerning raw materials amounting to €29.8 million and work in progress amounting to €11.8 million mainly related to the COVID-19 vaccine. The revenue recognition for this contract requires judgment to define the contractual framework in which the termination of this contract takes place and its impact on the risk of reimbursement of non-refundable pre-payments already received. Adding to this, is the estimation of the part of pre-payments carrying uncertainties regarding their probability of reimbursement and recorded as refund liabilities at the closing date. The valuation of onerous purchase contracts and the assessment of the net realizable value of inventories related to this vaccine also require multiple assumptions and judgments. We therefore considered the accounting treatment of the consequences of the termination of this UK Supply Agreement as a key audit matter.	We have assessed the reasonableness of forecasts for production plans, sales and the ability to sell products based in particular on their residual shelf life. Our assessment was based in particular on our understanding of the expected commercial opportunities for the vaccine, our inquiries with Management and on consistency with the forecasts resulting from the strategic plans presented to the Supervisory Board. We have also assessed that note disclosures to the consolidated financial statements provided appropriate information.

Contingencies and other provisions
(Notes 5.30.2 « Other provisions » and 5.33.2 « Contingencies and litigations » to the consolidated financial statements)

Valneva 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 in 2009, through which Vivalis (today Valneva) had acquired the technology that was subsequently combined with another antibody discovery technology and contributed to BliNK Biomedical 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, 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 2.1 million euros as at December 31, 2021. 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.	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 legal letters. Finally, we have assessed that note disclosures to the consolidated financial statements provided appropriate information.

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 Group's information given 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. This information should be reported on by an independent third party.

Report on Other Legal and Regulatory Requirements

Format of presentation of the consolidated financial statements included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the consolidated financial statements 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*), prepared under the responsibility of the Management board, complies with the single electronic format defined in the European Delegated Regulation No 2019/815 of 17 December 2018. As it relates to consolidated financial statements, our work includes verifying that the tagging of these consolidated financial statements complies with the format defined in the above delegated regulation.

Based on the work we have performed, we conclude that the presentation of the consolidated financial statements included in the annual financial report complies, in all material respects, with the European single electronic format.

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Valneva 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, 2021, PricewaterhouseCoopers Audit was in the 10th year of total uninterrupted engagement and Deloitte & Associés was in the 15th year, in the which are the 9th year for both firms since securities of the Company were admitted to trading on a regulated market.

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 and Governance Committee 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 and Governance Committee

We submit a report to the Audit and Governance Committee 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 and Governance Committee 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 & Governance Committee 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 Audit and Governance Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards

Neuilly-sur-Seine and Bordeaux, 23 March 2022

The Statutory Auditors

PricewaterhouseCoopers Audit

French original signed by
Cédric Mazille

Deloitte & Associés

French original signed by
Stéphane Lemanissier

4.2. Parent entity financial statements at December 31, 2021

4.2.1. Balance sheet

(a) Assets

In € thousand	*Note No.*	Gross Value	Amortization, depreciation and provisions	December 31, 2021	December 31, 2020
INTANGIBLE FIXED ASSETS	***3.1***				
Research and development expenditures		7,540	7,475	66	107
Concessions, patents and similar rights		763	550	213	401
Goodwill		0	0	0	0
Other intangible assets in process		0	0	0	0
PROPERTY, PLANT AND EQUIPMENT	***3.2***				
Land		679	277	401	402
Constructions		5,833	3,820	2,013	2,245
Plant, machinery and equipment		4,681	3,566	1,115	958
Other PPE		628	489	139	98
Tangible fixed assets under construction		0	0	0	0
Prepayments		0	0	0	0
LONG-TERM INVESTMENTS	***3.3***				
Non-consolidated investments		166,690	6,874	159,816	159,821
Receivables on non-consolidated investments		0	0	0	0
Loans		187	0	187	187
Other financial assets		645	0	645	1,168
TOTAL NON-CURRENT ASSETS		**187,647**	**23,052**	**164,595**	**165,386**
INVENTORIES AND WORK IN PROGRESS	***3.4***				
Raw materials and supplies		423	0	423	137
Work-in-progress		0	0	0	0
RECEIVABLES					
Trade receivables and related accounts	*3.5*	205	0	205	178
Other receivables	*3.6*	47,633	14	47,619	21,313
Called up capital		0	0	0	0
OTHER CURRENT ASSETS					
Marketable securities		0	0	0	0
Cash at bank and in hand	*3.7*	140,564	0	140,564	15,836
ACCRUAL ACCOUNTS					
Prepaid expenses	*3.8*	2,862	0	2,862	294
TOTAL CURRENT ASSETS		**191,686**	**14**	**191,672**	**37,758**
Unrealized losses on foreign exchange		390	0	390	353
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**379,723**	**23,067**	**356,657**	**203,498**

(b) Liabilities and equity

In € thousand	*Note No.*	December 31, 2021	December 31, 2020
Share capital or individual share		15,786	13,646
Additional paid-in capital		430,438	266,163
Regulated reserves		52,832	52,832
Retained earnings/(accumulated deficit)		(163,603)	(149,039)
Other reserves		(43)	0
Net income/(loss) for the year profit or loss		**(28,222)**	**(14,564)**
Investment grants	*3.11*	47	50
Tax-driven provisions		0	0
SHAREHOLDERS' EQUITY	***3.10***	**307,234**	**169,089**
Subordinated grants	*3.12*	971	1,551
OTHER EQUITY		**971**	**1,551**
Provisions for contingencies		2,490	2,206
Provisions for losses		3,448	2,157
PROVISIONS FOR CONTINGENCIES AND LOSSES	***3.13***	**5,937**	**4,363**
BORROWINGS			
Bank borrowings	*3.14*	3,740	4,308
OPERATING PAYABLES			
Trade payables and related accounts	*3.15*	4,275	2,589
Tax and employee-related liabilities	*3.16*	3,626	1,494
OTHER PAYABLES			
Payables on fixed assets and equivalent	*3.17*	41	7
Other financial liabilities	*3.17*	30,579	20,025
ACCRUAL ACCOUNTS			
Deferred income	*3.18*	0	0
TOTAL LIABILITIES		**42,261**	**28,423**
Unrealized losses on foreign exchange		253	72
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**356,657**	**203,498**

4.2.2. Income statement

				As at December 31,	
In € thousand	France	Export	*Note No.*	2021	2020
Sales of services	328	3,271		3,598	3,378
NET SALES			***4.1***	**3,598**	**3,378**
Change in inventory of own production of goods and services					
Own production of goods and services capitalized			*4.2*	0	0
Grants			*4.3*	0	3
Reversals of depreciation, amortization and provisions, expense reclassifications			*4.5*	148	188
Other income			*4.4*	2,416	3,750
OPERATING INCOME				**6,163**	**7,319**
Purchase of trade goods				0	0
Purchases of raw materials & other supplies (including customs duties)				999	619
Change in inventory (raw materials and supplies)				(286)	(3)
Other purchases and external expenses			*4.6*	25,686	14,023
Taxes other than on income and related payments			*4.7*	131	206
Wages and salaries			*4.8*	3,716	3,396
Employee benefit expense			*4.8*	3,639	1,416
Allowances for depreciation and amortisation, provisions					
For fixed assets			*4.9*	828	705
For current assets			*4.9*	14	0
For contingencies and losses			*4.9*	1,414	1,757
Other expenses				776	288
OPERATING EXPENSES				**36,918**	**22,407**
INCOME (LOSS) FROM ORDINARY ACTIVITIES				**(30,755)**	**(15,089)**
Joint venture operations					
Financial income					
Financial income from non-consolidated investments					
Income from other marketable securities and receivables capitalized				279	77
Other interests and similar income				234	87
Reversals of provisions and expense reclassifications			*4.9*	447	533
Foreign exchange gains				1,557	0
Net proceeds from the disposal of marketable securities				0	0
FINANCIAL INCOME				**2,518**	**698**
Amortization and charges to provisions for financial items			*4.9*	395	355
Interest and similar expenses				291	1,127
Foreign exchange losses				821	12
Net charges on disposals of marketable securities				0	0
FINANCIAL EXPENSES				**1,506**	**1,494**
NET FINANCIAL INCOME (EXPENSE)			***4.10***	**1,012**	**(797)**
INCOME (LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX AND EXCEPTIONAL ITEMS				**(29,743)**	**(15,885)**

In € thousand	France	Export	*Note No.*	As at December 31, 2021	2020
Exceptional income from non-capital transactions				1	0
Exceptional income from capital transactions				3	8
Reversals of provisions and expense reclassifications				0	247
EXCEPTIONAL INCOME				**5**	**255**
Exceptional expenses on non-capital transactions				0	0
Exceptional expenses on capital transactions				10	7
Exceptional depreciation, amortization and provisions				247	0
EXCEPTIONAL EXPENSES				**257**	**7**
NET EXCEPTIONAL ITEMS			***4.11***	**(253)**	**248**
Corporate income tax			*4.12*	(1,774)	(1,073)
TOTAL INCOME				**8,685**	**8,271**
TOTAL EXPENSES				**36,907**	**22,835**
PROFIT OR LOSS				**(28,222)**	**(14,564)**
Basic net earnings per share *(in euros)*			*4.13*	(0.29)	(0.16)
Diluted net earnings per share *(in euros)*				(0.29)	(0.16)

4.2.3. Cash flow statement

In € thousand	*Note No.*	2021	2020
Cash flow from operating activities			
Net profit/(loss)	*Section 4.2.2*	(28,222)	(14,564)
Income and expenses with no impact on cash or unrelated to operating activities			
Operating depreciation and amortization expenses	*4.9*	2,256	2,461
Reversals of operating depreciation and amortization expenses	*4.9*	(123)	(164)
Financial depreciation and amortization expenses	*4.9*	(52)	(178)
Exceptional depreciation and amortization	*4.9*	247	0
Reversals of exceptional provisions	*4.9*	0	(247)
Expense reclassifications on capitalized assets	*4.2*	0	0
Amount of grants recognized under income	*4.11*	(3)	(4)
(Gains)/losses on disposal of assets	*4.11*	0	6
Cancellation of operating/exceptional receivables		0	0
OPERATING CASH FLOWS		**(25,898)**	**(12,690)**
Change in other current assets and liabilities			
Inventories	*3.4*	(286)	(3)
Trade receivables and related accounts	*3.5*	(27)	(128)
Trade payables and related accounts	*3.15*	1,687	967
Other receivables	*3.6*	(26,320)	9,853
Prepayments and accrued income		(2,604)	(190)
Tax and employee-related liabilities	*3.16*	2,131	101
Other accruals and deferred income	*3.17*	10,554	1,307
Accruals and deferred income		180	22
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**(40,582)**	**(760)**
Cash flow from investing activities			
Purchase of intangible fixed assets:	*3.1*	(11)	(400)
Purchase of property, plant and equipment	*3.2*	(553)	(417)
Purchase of long-term investments	*3.3*	0	0
Net capital expenditure		616	34
Change in working capital requirements with regard to assets	*3.17*	33	(3)
NET CASH USED IN INVESTING ACTIVITIES		**86**	**(786)**
Net cash generated from financing activities			
Proceeds from borrowings	*3.14*	859	1.493
Repayment of borrowings	*3.14*	(1,426)	(21,520)
Subordinated grants received/repaid	*3.12*	(580)	(281)
Investment grants received	*3.11*	0	0
Capital increase	*3.10*	179,785	(103)
Transaction costs charged to merger premium	*3.10*	(13,414)	0
NET CASH FROM FINANCING ACTIVITIES		**165,224**	**(20,411)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**124,728**	**(21,957)**
Opening cash, cash equivalents and marketable securities	*3.7*	15,836	37,793
Closing cash, cash equivalents and marketable securities	*3.7*	140,564	15,836
NET CHANGE IN CASH AND CASH EQUIVALENTS		**124,728**	**(21,957)**

4.2.4. Notes to the financial statements

Note 1 Events of the year

- On May 10, 2021, Valneva has completed the global offering consisting of a public offering of 2,850,088 "American Depositary Shares" or "ADS", each representing two ordinary shares (or 5,700,176 ordinary shares), and a concurrent private placement of 2,445,000 ordinary shares in Europe. This issue generated an increase in the share capital of €1,2 million and share premium of €88,4 million.
- On November 2, 2021, Valneva has completed the global offering consisting of the public offering of 354,060 "American Depositary Shares" or "ADS", each representing two ordinary shares (or 708,120 ordinary shares), and a concurrent private placement of 4,466,880 ordinary shares in Europe. This issue generated an increase in the share capital of €0,8 million and share premium of €87,2 million.

Note 2 Accounting policies and methods

2.1. General background

The financial statements have been drawn up in accordance with French generally accepted accounting principles in line with the requirements of Regulation 99-03 of the French Accounting Regulation Committee relating to Regulation 2016-07 of the French accounting standard setter (*Autorité des Normes Comptables* or ANC), and applied in accordance with the fundamental accounting principles of prudence, going concern, consistency and accruals, the time period concept and general financial statements preparation and presentation rules.

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

The financial information is expressed in thousands of euros and was approved by the Management Board on March 23, 2022 (full statements including notes to the financial statements).

2.2. Use of and changes in estimates

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

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

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

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

2.3. Unrealized foreign exchange gains and losses

Foreign currency income and expense items are translated in the accounts at the exchange rate prevailing on the transaction date.

In accordance with Regulation 2015-05 of July 2, 2015 on forward financial instruments and hedging transactions applicable as from January 1, 2017, foreign exchange gains and losses on trade receivables and payables are now recognized under "other income and expenses" in the operating income statement. Foreign exchange gains and losses on financial transactions remain recognized in the financial income statement.

Foreign-currency denominated receivables, payables and cash balances are recorded in the balance sheet at the closing exchange rate. Translation differences resulting from the retranslation of foreign-currency denominated receivables and payables at the closing exchange rate are recorded in "Unrealized foreign exchange gains/losses" in the balance sheet. A contingency provision is recorded to cover all unrealized foreign exchange losses. The portion of the unrealized loss corresponding to trade receivables and payables is recognized in operating income to ensure a symmetry between the recognition of the unrealized loss and the permanent loss.

2.4. Intangible fixed assets

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

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

When the useful life of intangible assets is indefinite, they are not amortized but instead subject to systematic impairment tests.

2.5. Research and development expenditures

Research expenditure is expensed as and when incurred.

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

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

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

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

When development expenditures are capitalized, economic amortization begins at the start of the commercial use of products resulting from this development work. Economic amortization is calculated on a straight-line basis over an estimated useful life for projects.

2.6. Concessions, patents and similar rights

Computer software is recognized at cost and amortized over two or six years according to the straight-line method.

2.7. Property, plant and equipment

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

The estimated useful lives are as follows:

- Constructions:
  - buildings:
    - i) structure: 25 years,
    - ii) roofing: 25 years,
    - iii) weatherboarding: 25 years,
    - iv) exterior woodwork: 20 years,
    - v) interior partitions: 20 years;
  - general installations:
    - i) fluid and energy systems: 10 to 15 years,
    - ii) air treatment: 10 years,
    - iii) ventilation and air conditioning: 10 years;
  - buildings on land owned by third parties: 8 to 10 years;
- Land:
  - land improvements: 10 years,
  - plantations: 10 years;
- Plant, machinery and equipment: 4 to 10 years;
- Vehicles: 4 years;
- Office and computer equipment: 3 to 10 years;
- Furniture: 4 to 10 years.

2.8. Impairment of assets

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

External indications:

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

Internal indicators:

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

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

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

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

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

2.9. Borrowing costs

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

2.10. Financial assets

Equity investments include costs for the acquisition of different subsidiaries of the Company.

The value of each equity investment is determined in reference to the share in the net equity and future prospects of the subsidiaries. When this value is lower than their carrying amount, an impairment expense is recorded for the difference.

Other long-term investments consist of 124,322 ordinary treasury shares amounting to €645,107, corresponding to financial compensation paid by the Company to former Intercell shareholders who exercised their exit right following the merger with Intercell AG in May 2013.

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

2.11. Inventories

Inventories are stated at cost using the basis of the actual price. Amounts for impairment may be recognized on the basis of the net realizable value.

2.12. Receivables and related accounts

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

2.13. Cash at bank and in hand

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

2.14. Employee commitments

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

For defined benefit plans, retirement costs are determined once a year :

- Up to December 31, 2020, using the projected unit credit method where each period of service gave rise to an additional unit of benefit entitlement and where each unit was measured separately to determine the final obligation.

- As of December 31, 2021, under the new calculation method proposed by the IFRIC IC and according to the updated recommendation of the ANC n° 2013-02 as at December 31, 2021 : under this method, when the plan provides for the payment of an indemnity to the employee, if he or she is present at the date of retirement, the amount of which depends on seniority and is capped at a certain years of service, the commitment must be calculated solely on the basis of the years of service prior to the retirement date.

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

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

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

The gain resulting from the change in calculation method in 2021 is considered to be not material.

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

A provision for social security charges due on share-based payments has been recognized since December 31, 2020, using Valneva's closing share price (€24.5 as at December 31, 2021).

2.15. Grant income

Operating grants are recognized upon the signature of the contracts.

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

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

2.16. Subordinated grants

Subordinated grants are recognized in liabilities under "Subordinated grants". Should failure to complete work be reported, the debt waiver is recognized in "Other exceptional income". Grants used to finance research and development projects that are capitalized are recognized under "Development expenditure", whereas those used for projects not capitalized are recognized under "Operating Grants".

2.17. Provisions for contingencies and losses

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

2.18. Payables

Payables are stated at nominal amount.

2.19. Revenues

Valneva SE's know-how and intellectual property are focused on the manufacture of vaccines: Valneva SE offers research and commercial licenses for its EB66® cell lines to biotechnology companies and the pharmaceutical industry for the production of viral vaccines;

Sales generated by Valneva SE originate from:

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

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

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

2.20. Operating grants

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

2.21. Other income

Other income includes mainly:

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

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

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

2.22. Staff costs

CICE wage tax credit

The CICE *(crédit d'impôt pour la compétitivité et l'emploi)* was a tax credit granted to companies with salaried employees. This tax credit was eliminated on January 1, 2019.

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

The receivable related to the CICE wage tax credit receivable for 2018 will be paid back in 2022 and for that reason has not yet been allocated to expenses.

The 2017 CICE wage tax credit receivable was allocated to training expenses, R&D equipment and other investments.

2.23. Net exceptional items

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

2.24. Corporate income tax

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

(a) Current tax

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

(b) Research tax credit

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

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

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

Receivables relating to research tax credits (RTC) are henceforth collateralized with BPI *(Banque Publique d'Investissement).*

2.25. Earnings per share/Diluted earnings per share

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

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

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

Note 3 Notes to the balance sheet

3.1. Net intangible fixed assets

(a) Change from January 1, 2020 to December 31, 2021

		Changes in the period			
In € thousand	January 1, 2021	Increase	Decrease	Other changes	At December 31, 2021
Preliminary expenses	0	0	0	0	0
Development expenditure	7,540	0	0	0	7,540
Goodwill	0	0	0	0	0
Concessions, patents and rights	400	0	0	0	400
Software	352	11	0	0	363
Intangible assets under development	0	0	0	0	0
Other	0	0	0	0	0
GROSS INTANGIBLE FIXED ASSETS	**8,293**	**11**	**0**	**0**	**8,303**
Preliminary expenses	0	0	0	0	0
Development expenditure(1)	7,434	41	0	0	7,475
Goodwill(2)	0	0	0	0	0
Concessions, patents and rights(3)	44	178	0	0	222
Software	307	21	0	0	328
TOTAL AMORTIZATION	**7,785**	**240**	**0**	**0**	**8,025**
NET INTANGIBLE FIXED ASSETS	**508**	**(229)**	**0**	**0**	**278**
Development expenditure	0	0	0	0	0
Concessions, patents and rights	0	0	0	0	0
Software	0	0	0	0	0
TOTAL ACCELERATED TAX DEPRECIATION OR AMORTIZATION	**0**	**0**	**0**	**0**	**0**
NET TAX VALUE OF INTANGIBLE FIXED ASSETS	**508**	**(229)**	**0**	**0**	**278**
(1) Of which exceptional depreciation	*1,668*	*0*	*0*	*0*	*1,168*
(2) Of which exceptional depreciation	*0*	*0*	*0*	*0*	*0*
(3) Of which exceptional depreciation	*0*	*0*	*0*	*0*	*0*

(b) Change from January 1, 2020 to December 31, 2020

		Changes in the period			
In € thousand	January 1, 2020	Increase	Decrease	Other changes	At December 31, 2020
Preliminary expenses	0	0	0	0	0
Development expenditure	7,547	0	6		7,540
Goodwill	0	0	0	0	0
Concessions, patents and rights	0	400	0	0	400
Software	352	0	0	0	352
Intangible assets under development	0	0	0	0	0
Other	0	0	0	0	0
GROSS INTANGIBLE FIXED ASSETS	**7,899**	**400**	**(6)**	**0**	**8,293**
Preliminary expenses	0	0	0	0	0
Development expenditure[1]	7,380	56	(2)	0	7,434
Goodwill[2]	0	0	0	0	0
Concessions, patents and rights[3]	0	44	0	0	44
Software	283	24	0	0	307
TOTAL AMORTIZATION	**7,662**	**125**	**(2)**	**0**	**7,785**
NET INTANGIBLE FIXED ASSETS	**237**	**275**	**(5)**	**0**	**508**
Development expenditure	0	0	0	0	0
Concessions, patents and rights	0	0	0	0	0
Software	0	0	0	0	0
TOTAL ACCELERATED TAX DEPRECIATION OR AMORTIZATION	**0**	**0**	**0**	**0**	**0**
NET TAX VALUE OF INTANGIBLE FIXED ASSETS	**237**	**275**	**(5)**	**0**	**508**
(1) Of which exceptional depreciation	*1,668*	*0*	*0*	*0*	*1,668*
(2) Of which exceptional depreciation	*0*	*0*	*0*	*0*	*0*
(3) Of which exceptional depreciation	*0*	*0*	*0*	*0*	*0*

Development expenditure: New development expenditures of €400 thousand were capitalized in 2020 in accordance with the accounting policy described in Note 2.5.

3.2. Net intangible fixed assets

(a) Change from January 1, 2021 to December 31, 2021

		Changes in the period			
In € thousand	January 1, 2021	Increase	Decrease	Other changes	December 31, 2021
Land	679	0	0	0	679
Buildings on own land	3,026	0	0	0	3,026
Buildings on land of third parties	0	0	0	0	0
Building installations and improvements	2,779	29	0	0	2,808
Plant, machinery and equipment	4,235	445	0	0	4,681
General installations, miscellaneous improvements	9	0	0	0	9
Vehicles	0	0	0	0	0
Office, IT equipment, furniture	539	78	0	0	617
Recoverable packaging	2	0	0	0	2
Tangible fixed assets under construction	0	0	0	0	0
Prepayments	0	0	0	0	0
GROSS INTANGIBLE FIXED ASSETS	**11,268**	**553**	**0**	**0**	**11,821**
Land	277	1	0	0	277
Buildings on own land	1,404	133	0	0	1,537
Buildings on land of third parties	0	0	0	0	0
Building installations and improvements	2,155	128	0	0	2,283
Plant, machinery and equipment	3,278	288	0	0	3,566
General installations, miscellaneous improvements	6	0	0	0	6
Vehicles	0	0	0	0	0
Office, IT equipment, furniture	444	37	0	0	481
Recoverable packaging	2	0	0	0	2
TOTAL DEPRECIATION	**7,566**	**588**	**0**	**0**	**8,153**
Impairment	0	0	0	0	0
Plant, machinery and equipment	0	0	0	0	0
NET INTANGIBLE FIXED ASSETS	**3,703**	**(35)**	**0**	**0**	**3,668**

€553 thousand in capital expenditures were incurred for fixtures, laboratory and IT equipment for the Saint-Herblain site.

(b) Change from January 1, 2020 to December 31, 2020

		Changes in the period			
In € thousand	January 1, 2020	Increase	Decrease	Other changes	December 31, 2020
Land	679	0	0	0	679
Buildings on own land	3,026	0	0	0	3,026
Buildings on land of third parties	0	0	0	0	0
Building installations and improvements	2,745	34	0	0	2,779
Plant, machinery and equipment	4,192	364	(321)	0	4,235
General installations, miscellaneous improvements	9	0	0	0	9
Vehicles	5	0	(5)	0	0
Office, IT equipment, furniture	550	19	(30)	0	539
Recoverable packaging	2	0	0	0	2
Tangible fixed assets under construction	0	0	0	0	0
Prepayments	0		0	0	0
GROSS INTANGIBLE FIXED ASSETS	**11,208**	**417**	**(356)**	**0**	**11,268**
Land	261	16	0	0	277
Buildings on own land	1,271	133	0	0	1,404
Buildings on land of third parties	0	0	0	0	0
Building installations and improvements	2,000	155	0	0	2,155
Plant, machinery and equipment	3,354	244	(321)	0	3,278
General installations, miscellaneous improvements	5	1	0	0	6
Vehicles	5	0	(5)	0	0
Office, IT equipment, furniture	442	31	(29)	0	444
Recoverable packaging	2	0	0	0	2
TOTAL DEPRECIATION	**7,341**	**580**	**(355)**	**0**	**7,566**
Impairment	0	0	0	0	0
Plant, machinery and equipment	0	0	0	0	0
NET INTANGIBLE FIXED ASSETS	**3,867**	**(163)**	**(1)**	**0**	**3,703**

€417 thousand in capital expenditures were incurred for fixtures, laboratory and IT equipment for the Saint-Herblain site, while equipment scrapping was carried out for €356 thousand.

3.3. Financial assets

(a) Change from January 1, 2021 to December 31, 2021

In € thousand	January 1, 2020	Acquisitions/ Contributions/ Transformations/ Mergers	Disposals	December 31, 2020
Non-consolidated investments	166,690	0	0	166,690
Receivables on non-consolidated investments	0	0	0	0
Loans[(1)]	187	0	0	187
Deposits and bonds	17	0	(16)	0
Treasury shares	645	0	0	645
Liquidity agreement	600	0	(600)	0
GROSS VALUE	**168,139**	**0**	**(616)**	**167,522**
Impairment of equity investments	6,869	5	0	6,874
Depreciation of deposits and bonds	0	0	0	0
Treasury shares impairment	0	0	0	0
Liquidity agreement impairment	94	(94)	0	0
TOTAL DEPRECIATION	**6,963**	**(89)**	**0**	**6,874**
TOTAL NET LONG-TERM INVESTMENTS	**161,176**	**89**	**(616)**	**160,648**

(1) Long-term loans in connection with social housing levies €187 thousand.

Non-consolidated investments

Treasury shares

124,322 ordinary shares held in treasury representing €645,107 and corresponding to financial consideration the Company paid to former Intercell shareholders having exercised their exit right. There was no impairment at December 31, 2021 for these securities.

The liquidity agreement entered into in July 2007 with Natixis, and transferred on June 25, 2018 to Oddo BHF, was terminated on June 11, 2021.

Assets held under this liquidity agreement included, at the date of termination, €556 thousand in cash and 4,025 ordinary shares. These treasury shares were canceled on October 4, 2021. A €94 thousand reversal of the provision for impairment recorded at December 31, 2020 was recorded on the same date.

Impairment of equity investments

An additional provision for impairment of BliNK Biomedical SAS securities was recorded in the amount of €5 thousand based on the net equity of this company and the earnings prospects announced on December 31, 2021.

Portfolio of shares held in treasury

In € thousand	Number of shares at December 31, 2021	Gross	Provision	Net
Liquidity agreement	0	0	0	0
Financial compensation:	124,322	645	0	645
▪ ordinary shares with a value of €0.15				

(b) Change from January 1, 2020 to December 31, 2020

In € thousand	January 1, 2020	Acquisitions/ Contributions/ Transformations/ Mergers	Disposals	December 31, 2020
Non-consolidated investments	166,690	0	0	166,690
Receivables on non-consolidated investments	0	0	0	0
Loans[(1)]	204	(16)	0	187
Deposits and bonds	33	(16)	0	17
Treasury shares	646	(1)	0	645
Liquidity agreement	600	0	0	600
GROSS VALUE	**168,173**	**(34)**	**0**	**168,139**
Impairment of equity investments	6,736	133	0	6,869
Depreciation of deposits and bonds	0	0	0	0
Treasury shares impairment	331	(331)	0	0
Liquidity agreement impairment	296	(202)	0	94
TOTAL DEPRECIATION	**7,363**	**(400)**	**0**	**6,963**
TOTAL NET LONG-TERM INVESTMENTS	**160,810**	**366**	**0**	**161,176**

(1) Long-term loans in connection with social housing levies €187 thousand.

Non-consolidated investments

Treasury shares

124,322 ordinary shares held in treasury representing €645,107 and corresponding to financial consideration the Company paid to former Intercell shareholders having exercised their exit right. 124,322 preferred shares held in treasury, amounting to 1,243 euros, were repurchased and immediately cancelled by the company in 2020.

The liquidity agreement entered into in July 2007 with Natixis was transferred on June 25, 2018 to Oddo BHF. This liquidity agreement covering ordinary shares of Valneva SE is compliant in particular with the AMF Decision 2018-01 establishing liquidity contracts on equity securities as an accepted market. It is effective as a July 2, 2018 for a one-year period subject to tacit renewal in the amount of €600 thousand at December 31, 2020.

Assets held under this liquidity agreement included both cash and shares (22,000 shares at December 31, 2020). The portion in shares has been valued on the basis of the average trading price for December 2020, resulting in a reversal of the impairment charge of €202 thousand. At December 31, 2020, the remaining amount of this provision amounted to €94 thousand.

A reversal of the provision for impairment of €331 thousand for treasury shares was recorded according to this same principle of measurement at December 31, 2020. At December 31, 2020, the remaining amount of this provision amounted to €0.

Impairment of equity investments

An additional provision for impairment of BliNK Biomedical SAS securities was recorded in the amount of €133 thousand based on the net equity of this company and the earnings prospects announced on December 31, 2020.

Portfolio of shares held in treasury

In € thousand	Number of shares at December 31, 2020	Gross	Provision	Net
Liquidity agreement	22,000	253	94	159
Financial compensation:		645	0	645
▪ ordinary shares with a value of €0.15	124,322			

3.4. Inventories and work-in-progress

(a) Change from January 1, 2021 to December 31, 2021

In € thousand	January 1, 2021	Increase	Decrease	At December 31, 2021
Raw materials and supplies	137	286		423
Impairment	0	0	0	0
TOTAL	**137**	**286**	**0**	**423**

(b) Change from January 1, 2020 to December 31, 2020

In € thousand	January 1, 2020	Increase	Decrease	At December 31, 2020
Raw materials and supplies	134	3	0	137
Impairment	0	0	0	0
TOTAL	**134**	**3**	**0**	**137**

3.5. Trade receivables and related accounts

In € thousand	At December 31, 2021	At December 31, 2020
Trade receivables	205	178
Doubtful trade receivables	0	0
GROSS VALUE	**205**	**178**
Impairment of trade receivables	0	0
TOTAL TRADE RECEIVABLES (NET VALUE)	**205**	**178**

(a) Trade receivables by maturity at December 31, 2021

In € thousand	Gross	Up to 1 year	More than 1 year
Trade receivables	205	205	0
Doubtful trade receivables	0	0	0
Trade receivables – Sales invoice accruals	0	0	0
TOTAL	**205**	**205**	**0**

(b) Trade receivables by maturity at December 31, 2020

In € thousand	Gross	Up to 1 year	More than 1 year
Trade receivables	178	178	0
Doubtful trade receivables	0	0	0
Trade receivables – Sales invoice accruals	0	0	0
TOTAL	**178**	**178**	**0**

3.6. Other receivables

In € thousand	December 31, 2021	December 31, 2020
Corporate income tax	6,485	6,544
VAT	384	427
Current account advances/subsidiaries	40,712	13,985
Other operating receivables	52	357
Provision for doubtful operating receivables	(14)	357
TOTAL OTHER RECEIVABLES (NET VALUE)	**47,619**	**21,313**

Corporate income tax receivables represent the research tax credit (RTC) and the CICE *(crédit d'impôt compétitivité emploi)* wage tax credit.

(a) Trade receivables by maturity at December 31, 2021

In € thousand	December 31, 2021	December 31, 2020
2021 RTC	1,774	0
2020 RTC	1,073	1,073
2019 RTC	1,866	1,866
2018 RTC	1,728	1,728
2017 RTC	0	1,782
2018 CICE wage tax credit	44	44
2017 CICE wage tax credit	0	51
TOTAL CORPORATE INCOME TAX RECEIVABLES (NET VALUE)	**6,485**	**6,544**

In € thousand	Gross	Up to 1 year	More than 1 year
Corporate income tax	6,485	1,772	4,713
VAT	384	384	0
Current account advances/subsidiaries	40,712	40,712	0
Other operating receivables	52	52	0
Provision for doubtful operating receivables	(14)	(14)	0
TOTAL	**47,619**	**42,906**	**4,713**

(b) Trade receivables by maturity at December 31, 2020

In € thousand	Gross	Up to 1 year	More than 1 year
Corporate income tax	6,544	1,833	4,712
VAT	427	427	0
Current account advances/subsidiaries	13,985	13,985	0
Other operating receivables	357	357	0
TOTAL	**21,313**	**16,601**	**4,712**

3.7. Net cash

In € thousand	December 31, 2021	December 31, 2020
Cash at bank and in hand[(1)]	140,564	10,836
Fixed term deposits	0	5,000
Cash assets	**140,564**	**15,836**
Bank facilities	0	0
Cash liabilities	0	0
Net cash flow	**140,564**	**15,836**

(1) Of which notes sent for collection or discounting. *0*

3.8. Prepaid expenses

In € thousand	December 31, 2021	December 31, 2020
Office supplies	4	1
Work by various third parties	4	6
Maintenance and repairs	22	20
Insurance premiums	2,659	181
Documentation	5	5
Conventions	6	1
Travel expenses	0	0
Fees	60	40
Advertising, contributions	0	0
Bank services	3	11
Employee benefit expense	0	0
Site security services	3	2
Royalties, concessions, patents	95	27
TOTAL	**2,862**	**294**

3.9. Accrued income

In € thousand	December 31, 2021	December 31, 2020
Trade receivables and related account	0	0
Bank – Accrued interest on time deposits	0	0
TOTAL ACCRUED INCOME	**0**	**0**

3.10. Shareholders' equity

(a) Change from January 1, 2021 to December 31, 2021

		Changes in the period			
In € thousand	January 1, 2021	Increase	Decrease	Other changes	December 31, 2021
Share capital or individual share	13,646	2,140	0	0	15,786
Additional paid-in capital	266,163	164,274	0	0	430,438
Regulated reserves	52,832	0	0	0	52,832
Other reserves	0	(43)	0	0	(43)
Retained earnings/(accumulated deficit)	(149,039)	0	0	(14,564)	(163,603)
Net income/(loss) for the year	**(14,564)**	**0**	**(28,222)**	**14,564**	**(28,222)**
Net investment grants	50	0	(3)	0	47
Tax-driven provisions	0	0	0	0	0
TOTAL SHAREHOLDERS' EQUITY	**169,089**	**166,371**	**(28,226)**	**0**	**307,234**

Share capital

At December 31, 2021, the share capital in the amount of €15,786 thousand was comprised of 105,239,085 shares, of which 105,190,223 ordinary shares with a par value of €0.15 and 48,862 convertible preferred shares with a par value of €0.15.

Corporate actions in 2021:

In 2021, the Management Board, or the Managing Director by delegation, noted:

- The exercise of 21,875 equity warrants (BSA 27). The final gross proceeds of the transactions amounted to €56,306.25 corresponding to the issuance of 21,875 new ordinary shares, issued at a subscription price of €2.574 per share. This issue generated an increase in the share capital of €3,281.25 and share premium of €53,025.00.
- The exercise of 790,075 stock options granted to employees and non-executive managers (including 363,050 granted under "Stock Option Plans" ("POSA") in 2016 and 427,025 as of "POSA" 2017) in January 2021. This issue generated an increase in the share capital of €118,511.25 and share premium of €2,082,375.50.
- On May 10, 2021, the global offering consisting of a public offering of 2,850,088 "American Depositary Shares" or "ADS", each representing two ordinary shares (or 5,700,176 ordinary shares), and a concurrent private placement of 2,445,000 ordinary shares in Europe. This issue generated an increase in the share capital of €1,221,776.40 and share premium of €88,375,159.60. The equity transaction cost, amounting to €6,760,816.45 and directly attributable to the issue of new shares, is presented as a deduction from shareholders' equity.
- On October 4, 2021, the reduction of the share capital by canceling 4,025 treasury shares held by the Company following the termination of its liquidity agreement with ODDO BHF. This cancellation generated a reduction in the share capital of €603.75.
- On November 2, 2021, the global offering consisting of the public offering of 354,060 "American Depositary Shares" or "ADS", each representing two ordinary shares (or 708,120 ordinary shares), and a concurrent private placement of 4,466,880 ordinary shares in Europe. This issue generated an increase in the share capital of €776,250 and share premium of €87,198,750. The equity transaction cost, amounting to €6,653,000.90 and directly attributable to the issue of new shares, is presented as a deduction from shareholders' equity.
- In December 2021, the vesting of 32,463 free convertible preferred shares and the conversion of 4,115 preferred shares into 112,074 new ordinary shares. This transaction generated an increase in the share capital of €21,063.30, credited against the share premium account.

At December 31, 2021, the breakdown of the capital ownership structure was primarily as follows:

- 13.02% by Groupe Grimaud La Corbière SAS;
- 8.19% by Bpifrance Participations SA;

The remaining capital is held as follows:

- 0.11% by employees (non-corporate officers);
- 0.64 % by Management Board members;
- 0.97% by other private persons as shareholders to the Company's knowledge (including private persons of the Grimaud family – including Frédéric Grimaud, Chairman of the Supervisory Board and Financière Grand Champ SAS – in addition to independent members of the Supervisory Board, James Sulat and Anne-Marie Graffin);
- the remaining 77.07% by the free float.

Rates are calculated in reference to total share capital of 105,239,085 Valneva SE shares, divided into (a) 105,190,223 ordinary shares (ISIN FR0004056851) with a par value of €0.15 per share, (b) 48,862 convertible preferred shares, with a par value of €0.15.

Other equity

No dividend was paid in 2021.

(b) Change from January 1, 2020 to December 31, 2020

		Changes in the period			
In € thousand	January 1, 2020	Increase	Decrease	Other changes	December 31, 2020
Share capital or individual share	13,820	4	(178)	0	13,646
Additional paid-in capital	266,092	71	0	0	266,163
Regulated reserves	52,832	0	0	0	52,832
Retained earnings/(accumulated deficit)	(121,047)	0	0	(27,992)	(149,039)
Net income/(loss) for the year	**(27,992)**	**0**	**(14,564)**	**27,992**	**(14,564)**
Net investment grants	54	0	(4)	0	50
Tax-driven provisions	0	0	0	0	0
TOTAL SHAREHOLDERS' EQUITY	**183,760**	**75**	**(14,746)**	**0**	**169,089**

Share capital

At December 31, 2020, the share capital in the amount of €13,646 thousand was comprised of 90,970,562 shares, of which 90,950,048 ordinary shares with a par value of €0.15 and 20,514 convertible preferred shares with a par value of €0.15.

Corporate actions in 2020:

The Management Board duly noted in 2020 :

- the exercise of 4,875 warrants (BSA 25 warrants) by one member of the Supervisory Board. The final gross proceeds of the rights issue amounted to €19,110 corresponding to the issuance of 4,875 new ordinary shares, issued at a subscription price of €3.92 per share;
- the exercise of 21,875 warrants (BSA 27 warrants) by six members of the Supervisory Board. The final gross proceeds of the rights issue amounted to €56,306.25 corresponding to the issuance of 21,875 new ordinary shares, issued at a subscription price of €2.574 per share.

This issue generated an increase in the share capital of €4,012.50 thousand and share premium of €71,403.75.

17,836,719 preference shares with a value of €0.01 each were redeemed and immediately cancelled by the company on 29th May 2020. This cancellation generated a reduction in the share capital of €178,367.19.

At December 31, 2020, the breakdown of the capital ownership structure was primarily as follows:

- 15.07% by Groupe Grimaud La Corbière SA;
- 8.20% by Bpifrance Participations SA;
- 8.74% by two funds managed by MVM Life Science Partners LLP (MVM IV LP & MVM GP (No. 4) Scottish LP).

The remaining capital is held as follows:

- 0.84% held by employees and management;
- 1.30% by other private persons as shareholders to the Company's knowledge (including private persons of the Grimaud family – including Frédéric Grimaud, Chairman of the Supervisory Board and Financière Grand Champ SAS – in addition to independent members of the Supervisory Board, James Sulat and Alexander von Gabain);
- the remaining 65.86% by the free float.

Rates are calculated in reference to total share capital of 90,9570,562 Valneva SE shares, divided into (a) 90,950,048 ordinary shares (ISIN FR0004056851) with a par value of €0.15 per share, (b) 20,514 convertible preferred shares, also with a par value of €0.15.

Other equity

No dividend was paid in 2020.

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

No warrants were granted in 2020.

3.11. Investment grants

In € thousand	Dept 44
Net amount at 12/31/2020	**51**
Grant transferred to 2021 net income	(4)
Decrease in the grant	
NET AMOUNT AT 12/31/2021	**47**

3.12. Subordinated grants

In € thousand	OSEO Vivabio
Amount granted	2,770
Grant date	June 26, 2009
Net amount at 01/01/2011	**2,770**
Grant for 2011	0
Repayment during 2011	0
Net amount at 12/31/2011	**2,770**
Grant for 2012	0
Repayment during 2012	0
Net amount at 12/31/2012	**2,770**
Grant for 2013	0
Repayment during 2013	0
Net amount at 12/31/2013	**2,770**
Repayment during 2014	0
Net amount at 12/31/2014	**2,770**
Decrease in aid in line with actual expenses	(1,307)
Financial returns	**194**
Repayment during 2015	0
Net amount at 12/31/2015	**1,658**
Decrease in aid in line with actual expenses	0
Financial returns	198
Repayment during 2016	(70)
Net amount at 12/31/2016	**1,786**
Financial returns	204
Repayment during 2017	(223)
Net amount at 12/31/2017	**1,767**
Financial returns	210
Repayment during 2018	(79)
Net amount at 12/31/2018	**1,898**
Financial returns	213
Repayment during 2019	(315)
Net amount at 12/31/2019	**1,796**
Financial returns	193
Repayment during 2020	(438)
Net amount at 12/31/2020	**1, 551**
Financial returns	(49)
Repayment during 2021	(531)
Net amount at 12/31/2021	**971**

3.13. Provisions for contingencies and losses

(a) Change from January 1, 2021 to December 31, 2021

		Changes in the period			
			Reversals		
In € thousand	January 1, 2021	Increase	Used	Not used	December 31, 2021
Disputes	0	0	0	0	0
Foreign exchange risks	353	37	0	0	390
Retirement severance benefits	537	0	0	(123)	413
Social charges due on share-based payments	1,620	2,550	(1,135)	0	3,034
Miscellaneous risks	1,853	247	0	0	2,100
Restructuring costs	0	0	0	0	0
TOTAL PROVISIONS FOR CONTINGENCIES AND LOSSES	**4,363**	**2,834**	**(1,135)**	**(123)**	**5,937**
▪ of which operating	2,168	2,550	(1,135)	(123)	3,459
▪ of which financial	353	37	0	0	390
▪ of which exceptional	1,840	247	0	0	2,088

A provision recorded in the amount of €2,100 thousand in connection with the litigation with certain former Intercell shareholders who 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 was maintained, as an agreement has not yet been reached in 2021.

A provision for social security charges due on share-based payments established as at December 31, 2020, using Valneva's closing share price as at December 31, 2020, was maintained (€24.50 as at December 31, 2021). The reversal of €1,135 thousand represents the provision for current liabilities included in employee-related liabilities at December 31, 2021.

(b) Change from January 1, 2020 to December 31, 2020

		Changes in the period			
			Reversals		
In € thousand	January 1, 2020	Increase	Used	Not used	December 31, 2020
Disputes	0	0	0	0	0
Foreign exchange risks	131	222	0	0	353
Retirement severance benefits	400	137	0	0	537
Social charges due on share-based payments	0	1,620	0	0	1,620
Miscellaneous risks	2,100	0	(247)	0	1,853
Restructuring costs	164	0	(164)	0	0
TOTAL PROVISIONS FOR CONTINGENCIES AND LOSSES	**2,794**	**1,979**	**(411)**	**0**	**4,363**
▪ of which operating	575	1,757	(164)	0	2,168
▪ of which financial	131	222	0	0	353
▪ of which exceptional	2,088	0	(247)	0	1,840

A provision for restructuring costs recorded for €164 thousand relating to the Finance Department's reorganization initiated in October 2019 was reversed on December 31, 2020 following the completion of the restructuring plan.

At December 31, 2020 a provision recorded in the amount of €2,100 thousand in connection with the litigation with certain former Intercell shareholders who 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 was maintained, as an agreement has not yet been reached i 2020. The reversal of the provision corresponds to the costs incurred in 2020 in managing this litigation.

A provision for social security charges due on share-based payments was established as at 31 December 2020, using Valneva's share price as at 31 December 2020. (€7.75).

3.14. Borrowings

		At December 31,	
In € thousand		2021	2020
RTC credit collateralization[1]	1-month Euribor floating rate + 1.70%	3,737	4,304
Current bank facilities, bank credit balances		3	4
TOTAL		**3,740**	**4,308**

(1) of which accrued interest €4 thousand.

(a) At December 31, 2021

In € thousand	Gross	Up to 1 year	More than 1 year	More than 5 years
TOTAL FINANCIAL DEBT	**3,740**	**3,740**		
▪ of which loans secured during the year	3,734			
▪ of which loans repaid during the year	1,426			

The loans obtained during the year represent:

- the renewed collateralization of the 2018 and 2019 research tax credits (RTC);
- the collateralization of the 2020 RTC with BPI.

Repayment of these loans includes the collateralization of the 2017 RTC.

(b) At December 31, 2020

In € thousand	Gross	Up to 1 year	More than 1 year	More than 5 years
TOTAL FINANCIAL DEBT	**4,308**	**4,308**		
▪ of which loans secured during the year	4,300			
▪ of which loans repaid during the year	21,500			

The loans obtained during the year represent:

- the renewed collateralization of the 2017 and 2018 research tax credits (RTC);
- the collateralization of the 2019 RTC with BPI.

Repayment of these loans includes the collateralization of the 2016 RTC.

3.15. Trade payables and related accounts

(a) At December 31, 2021

In € thousand	Gross	Up to 1 year	More than 1 year	More than 5 years
Operating payables	2,202	2,202	0	0
Notes payable	0	0	0	0
Operating payables – purchase invoice accruals	2,073	2,073	0	0
TOTAL	**4,275**	**4,275**	**0**	**0**

(b) At December 31, 2020

In € thousand	Gross	Up to 1 year	More than 1 year	More than 5 years
Operating payables	291	291	0	0
Notes payable	0	0	0	0
Operating payables – purchase invoice accruals	2,298	2,298	0	0
TOTAL	**2,589**	**2,589**	**0**	**0**

3.16. Tax and employee-related liabilities

In € thousand	December 31, 2021	December 31, 2020
VAT due	61	37
Other taxes	48	42
Wages and salaries	937	870
Employee benefit expense	2,579	545
TOTAL TAX AND EMPLOYEE-RELATED LIABILITIES[1]	**3,626**	**1,494**
(1) up to 1 year	*3,626*	*1,394*
More than 1 and less than 5 years	*0*	*0*
more than 5 years	*0*	*0*

3.17. Other financial liabilities

In € thousand	December 31, 2021	December 31, 2020
Amounts due in respect of fixed asset purchases	41	7
Other operating payables	30,579	20,025
TOTAL OTHER LIABILITIES	**30,620**	**20,032**

The line item "Other operating liabilities" includes mainly the current account balance with Valneva Austria GmbH (€4,459 thousand) and the loan with the same affiliate (€25,000 thousand).

(a) At December 31, 2021

In € thousand	Gross	Up to 1 year	More than 1 year	More than 5 years
Payables to fixed asset suppliers	41	41	0	0
Other financial liabilities	30,579	30,579	0	0
TOTAL	**30,620**	**30,620**		

(b) At December 31, 2020

In € thousand	Gross	Up to 1 year	More than 1 year	More than 5 years
Payables to fixed asset suppliers	7	7	0	0
Other financial liabilities	20,025	3,525	16,500	0
TOTAL	**20,032**	**3,532**	**16,500**	**0**

3.18. Deferred income

In € thousand	December 31, 2021	December 31, 2020
Operating grants	0	0
Research services and royalties	0	0
TOTAL DEFERRED INCOME	**0**	**0**

3.19. Accrued expenses

In € thousand	December 31, 2021	December 31, 2020
Trade payables and related accounts	2,231	2,298
Tax and employee-related liabilities	1,377	1,254
Borrowings and financial liabilities	3	4
Other financial liabilities	19	13
TOTAL ACCRUED EXPENSES[1]	**3,630**	**3,568**

(1) Payables up to 1 year.

Note 4 Notes to the income statement

4.1. Revenues

In € thousand	December 31, 2021	December 31, 2020
Research services	36	42
Other services	3,562	3,336
TOTAL	**3,598**	**3,378**

In € thousand	December 31, 2021	December 31, 2020
Sales in France	328	296
Export sales	3,270	3,336
TOTAL	**3,598**	**3,378**

4.2. Own production of goods and services capitalized

In € thousand	December 31, 2021	December 31, 2020
Development expenditure	0	0
TOTAL	**0**	**0**

4.3. Operating grants

In € thousand	December 31, 2021	December 31, 2020
CPAM	0	3
TOTAL	**0**	**3**

4.4. Other income

In € thousand	December 31, 2021	December 31, 2020
Upfront and milestones	2,389	3,725
Translation gains on trade receivables and payables	26	25
Other	1	0
TOTAL	**2,416**	**3,750**

4.5. Reversals of depreciation, amortization and provisions and expense reclassifications

In € thousand	December 31, 2021	December 31, 2020
Reversals of provisions for contingencies and losses	123	164
Operating expense reclassifications	25	24
TOTAL	**148**	**188**

4.6. Purchases and external expenses

MAIN CHARGES *in € thousand*	December 31, 2021	December 31, 2020
Work by various third parties	2,849	1,596
Fees	7,714	4,792
Maintenance and repairs	319	307
Administrative services	7,081	6,046
Temporary personnel	0	0
Recruitment costs	188	90
Travel expenses	49	112
Symposiums, seminars, conferences	41	34
Post and telephone expenses	39	51
Entertainment expenses	23	26
Property leasing	40	36
Leasing expenses	10	12
Equipment leasing	16	14
Sundry transport expenses	114	71
Advertising, publications, public relations	171	175
Documentation	22	22
Insurance premiums	6,689	395
Waste management	43	45
Security services	9	9
Training fees	46	10
Bank services	79	44
Natural gas	24	20
Water	3	2
Electricity	94	93
Dues and related contributions	23	22
TOTAL	**25,686**	**14,023**

Fees and insurance increased significantly in 2021 in connection with the initial public offering on the Nasdaq market.

4.7. Taxes, duties and related amounts

In € thousand	December 31, 2021	December 31, 2020
Taxes on compensation	**69**	**92**
Training	42	68
Apprentices tax	24	22
Other taxes/compensation (FNAL)	2	2
Other taxes	**62**	**114**
Local taxes	46	48
CFE – CVAE regional business tax	(5)	3
Employer contribution for handicapped workers	4	3
Withholding taxes	14	59
Other taxes	3	1
TOTAL	**131**	**206**

4.8. Personnel

(a) Employees

Average number of employees	At December 31, 2021	At December 31, 2020
Executives and higher intellectual professions	35	34
Intermediate professions	5	4
Office employees/workers	5	4
Workers	0	0
Seconded personnel	0	0
TOTAL	**46**	**42**

- Employees present at December 31, 2021: 48 employees of which 46 on permanent contracts and on 2 on fixed term contracts.
- Employees present at December 31, 2020: 41 employees of which 41 on permanent contracts.

(b) Staff costs

In € thousand	December 31, 2021	December 31, 2020
Wages and salaries	3,716	3,396
Employee benefit expense	3,539	1,332
Other personnel expenses	100	85
TOTAL	**7,355**	**4,813**

(c) Compensation paid to Management Board and Supervisory Board Members

In € thousand	December 31, 2021	December 31, 2020
Fixed compensation	468	542
Variable compensation	295	217
Fringe benefits	22	22
ALL MANAGEMENT BOARD MEMBERS	**784**	**780**
Attendance fees	275	169
ALL SUPERVISORY BOARD MEMBERS	**275**	**169**
TOTAL	**1,059**	**949**

Free shares (Free ordinary shares fully vested)	December 31, 2021	December 31, 2020
Management Board Members	0	0
Supervisory Board Members	0	0

Free shares (Free convertible preferred shares fully vested)	December 31, 2021	December 31, 2020
Management Board Members	14,898	0
Supervisory Board Members	0	0

Stock options (Number of shares subscribed)	December 31, 2021	December 31, 2020
Management Board Members	0	0
Supervisory Board Members	0	0

Equity warrants (BSA) (Number of shares subscribed)	December 31, 2021	December 31, 2020
Management Board Members	0	0
Supervisory Board Members	12 500	26 750

(d) Employee benefits

Assumptions used for the valuation of pension benefits

	December 31, 2020	December 31, 2020
Discount rate	1%	0.50%
Salary increase rate	2%	2%
Social security charge rate	managers 47%- other categories 43%	Supervisors 47%- Others 43%
Employee turnover rate by age	Details below	Details below

Annual turnover	Supervisors	Managers	Office employees/ workers
	Rates determined by age group		
-25 years	18.00%	21.35%	3.33%
25-29 years	18.00%	21.35%	3.33%
30-34 years	9.00%	10.64%	1.68%
35-39 years	9.00%	10.64%	1.68%
40-44 years	3.00%	3.57%	0.57%
45-49 years	3.00%	3.57%	0.57%
50-54 years	0.00%	0.00%	0.00%

Change in net commitments and reconciliation of the provision

In € thousand	December 31, 2021	December 31, 2020
Commitment at the beginning of period	**537**	**400**
Commitment at the end of period	**413**	**537**
Provision at the beginning of period	**537**	**400**
Reversal of the period (impact of the new IFRIC method)	(172)	137
Charge for the period	48	0
Provision at the end of period	**413**	**537**

4.9. Depreciation, amortization & impairment of fixed assets

In € thousand	December 31, 2021	December 31, 2020
Intangible fixed assets	240	125
Property, plant and equipment	588	580
TOTAL FIXED ASSETS (A)	**828**	**705**
Employee commitments	(123)	137
Provisions for operating contingencies and losses	1,414	1,456
TOTAL PROVISIONS (B)	**1,291**	**1,593**
TOTAL NET CHARGES EXCLUDING CURRENT ASSETS (C=A+B)	**2,119**	**2,298**
Trade receivables and other current assets	14	0
TOTAL ASSETS (D)	**14**	**0**
EXCEPTIONAL AMORTIZATION (E=C+D)	**2,133**	**2,298**
Provisions for unrealized foreign exchange losses	37	222
Impairments of current account balances	0	0
Impairment of financial assets	(89)	(400)
TOTAL FINANCIAL ASSETS (F)	**(52)**	**(178)**
Exceptional amortization of fixed assets (G)	0	0
Impairment of fixed assets (H)	0	0
Accelerated tax depreciation or amortization of fixed assets (I)	0	0
Other provisions (J)	247	(247)
TOTAL EXCEPTIONAL ITEMS (K=G+H+I+J)	**247**	**(247)**

4.10. Net income/(loss) from financial items

In € thousand	December 31, 2021	December 31, 2020
Revenue from marketable securities and deposits	39	87
Interest on borrowings	(38)	(317)
Interest on repayable loans	49	(193)
Interest on current accounts	173	60
Dividends received	0	0
Translation adjustments	737	(234)
Penalties for early repayment	0	(600)
Impairment of financial assets/reversals	52	400
NET FINANCIAL INCOME/(EXPENSE)	**1,012**	**(797)**

4.11. Net exceptional items

In € thousand	December 31, 2021	December 31, 2020
Net income on disposals	0	(6)
Depreciation and provisions, net of reversals on tangible fixed assets	0	0
Amortization and provisions, net of reversals on intangible fixed assets	0	0
Provisions for contingencies and losses net reversals	(247)	247
Share of grant transferred to income	3	7
Misc.	(9)	0
NET EXCEPTIONAL ITEMS	**(253)**	**248**

4.12. Income tax

(a) Income tax charges

Effective tax rate

In € thousand	December 31, 2021	December 31, 2020
Net profit/(loss)	(28,222)	(14,564)
Income tax	(1,774)	(1,073)
Net loss before tax	(29,996)	(15,637)
EFFECTIVE TAX RATE	**0**	**0**

(b) Tax losses carried forward

	December 31, 2021	December 31, 2020
Losses carried forward at the beginning of the period	192,015	176,502
Losses generated during period	42,857	15,513
Losses utilized during period	0	0
Prior losses used	0	0
Losses expired during period	0	0
LOSSES CARRIED FORWARD AT THE END OF THE PERIOD	**234,872**	**192,015**

(c) Deferred tax assets and deferred tax liabilities

In € thousand	December 31, 2021	December 31, 2020
Deferred tax assets (investment grants and accelerated tax depreciation or amortization)	12	14
Deferred tax liabilities	0	
▪ operating grants taxable at time of allotment	0	0
▪ unrealized gains from UCITS	0	0
▪ employee profit-sharing	0	0
TOTAL DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES)	**12**	**14**

4.13. Earnings per share

		December 31, 2021	December 31, 2020
Basic net loss *(in euros)*	(a)	(28,222,329.97)	(14,564,022.50)
Average number of shares outstanding	(b)	98,766,453.99	91,385,179.46
Total number of potential shares	(c)	111,763,160	100,073,299
Basic net earnings per share *(in euros)*	(a)/(b)	(0.29)	(0.16)

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

4.14. Other information

(a) Commitments and contingent liabilities

Debt guarantee by collateral

In € thousand	December 31, 2021	December 31, 2020
Equipment pledge	0	0
Pledges on non-consolidated investments	0	0

Off-balance-sheet commitments

	As at December 31,	
In € thousand	2021	2020
Commitments given		
▪ Commitment on Wilmington/Valneva Austria GmbH loan[(1)]	49,671	46,190
▪ Financial returns on OSEO2 reimbursable loans[(2)]	143	1,454
▪ Equipment financing lease	8	13
▪ Comfort letter in favor of Valneva GmbH[(3)]	1,711	2,689
▪ Joint surety in favor of VGO Bureaux, lease signed for the premises of Valneva France[(4)]	238	236
▪ Comfort letter and guarantee for the benefit of Valneva Canada Inc. for a contract for vehicles	38	50
▪ Parent guarantee to Valneva Sweden AB[(5)]	8,077	7,927
▪ Guarantee to Valneva Scotland (grant)[(6)]	1,102	0
▪ Parent guarantee to Valneva GmbH (Supply agreement with the UK government and clinical trial agreement)[(7)]	166,876	14,136
TOTAL COMMITMENTS GIVEN	**227,865**	**72,694**
COMMITMENTS RECEIVED	**0**	**0**
TOTAL COMMITMENTS RECEIVED	**0**	**0**

(1) Principal of the loan guaranteed by Valneva SE at December 31.2021.
(2) The maximum amount repayable of reimbursable loans under the Vivabio program was reduced to €3 million in July 2015. This amount that is repayable until 2024, was recognized in the amount of €971 thousand (See Note 3.12).
(3) On lease instalments payable until the end of the property lease in 2023.
(4) Representing 3 years of rent excluding taxes and charges.
(5) On lease instalments payable until the end of the property lease in 2031.
(6) Representing the £925,000 granted to Valneva Scotland Limited by the Scotland's national economic development agency "Scottish Enterprise".
(7) Corresponding to the amount received from the British government to finance the investments.

Other commitments given

The Group's parent company has provided financial support for a period of at least 12 months from the date of approval of the financial statements for the period ending December 31, 2021 for the subsidiaries Valneva Austria, UK and Scotland.

Contingent liabilities

The following dispute is classified as contingent liability as the probability of an outflow of resources is low.

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 now expected in the first half of 2022. 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.

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

(b) Information concerning related parties

Related parties concern relations with Groupe Grimaud La Corbière SA (today Groupe Grimaud La Corbière SAS) and companies of Groupe Grimaud La Corbière (1), the subsidiary Valneva Austria GmbH (2), the subsidiary Valneva Canada Inc. (3), and the subsidiary Valneva UK Ltd. (4), the subsidiary Valneva USA Inc. (6) and the subsidiary Valneva France SAS.(7).

1. For Groupe Grimaud La Corbière SAS and Groupe Grimaud La Corbière companies, services rendered related to normal operating activities:

   a collaboration and research license agreement and a contract for the provision of premises and equipment (Vital Meat Project) signed in 2018 generated revenue of €231 thousand for the 2021 financial year (€43 thousand are included in trade receivables at December 31, 2021).

2. A loan agreement, entering into effect as from October 1, 2020, was signed between Valneva SE (the borrower) and its subsidiary Valneva Austria GmbH. The amount of this loan, subject to interest at a rate of 3-months EURIBOR plus 1 percent, is limited to €25 million and must be paid back before September 30, 2025. The loan amount represents € 25 million at December 31, 2021 and €107 thousand for interest were invoiced in 2021.

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

   Under the terms of this agreement, Valneva SE re-invoiced €2,919 thousand in 2021 and Valneva Austria GmbH re-invoiced €7,906 thousand in 2021.

   These invoices were recognized in the current account which are settled by a payment at the beginning of each quarter (with a credit balance for the net of €2,867 thousand at December 31, 2021).

3. A loan agreement, entering into effect in March 2015, was signed between Valneva SE and its subsidiary Valneva Canada Inc. The amount of this loan, subject to interest at a rate of 3-month CDOR plus 1 percent is limited to C$10 million and must be paid back before January 31, 2025 (the repayment term has been extended by 5 years as per an amendment to the agreement entered into on February 19, 2020). The loan amount represents €5.179 million (C$7.5 million), at December 31, 2021 and €62 thousand for interest was invoiced in 2021.

   An agreement between Valneva SE and Valneva Canada Inc. entering into effect starting in 2015 sets guidelines for re-invoicing services by Valneva SE. The amount charged back under this agreement represented income of €15 thousand for 2021.

   These invoices were recognized in the current account which are settled by a payment at the beginning of each quarter (with a debit balance for the net of €67 thousand at December 31, 2021).

4. A loan agreement, entering into effect as from November 30, 2015 was signed between Valneva SE and its subsidiary Valneva UK Ltd. The amount of this loan, subject to interest at a rate of 3-month LIBOR plus 1 percent, is limited to £4 million and must be paid back before January 31, 2025 (the repayment term has been extended by 5 years as per an amendment to the agreement entered into on February 19, 2020). The loan amount represents €2,145 million (£1.8 million) at December 31, 2021 and €23 thousand for interest were invoiced in 2021.

   An agreement between Valneva SE and it subsidiaries Valneva UK Ltd. in force as from January 1, 2019 governs the provisions for re-invoicing services by Valneva UK. The amount charged back under this agreement represented income of €806 thousand for 2021.

   These invoices were recognized in the current account which are settled by a payment at the beginning of each quarter (with a credit balance for the net of €626 thousand at December 31, 2021).

5. An agreement between Valneva SE and Intercell USA Inc. (today Valneva USA Inc.), entering into effect in 2015 sets guidelines for the re-invoicing of services between these two companies. The amount charged back under this agreement represented income of €26 thousand and an expense of €785 thousand for Valneva SE for 2021.

   These invoices were recognized in the current account which are settled by a payment at the beginning of each quarter (with a credit balance for the net of €405 thousand at December 31, 2021).

6. A loan agreement, entering into effect as from October 1, 2020 was signed between Valneva SE and its subsidiary Valneva Sweden. The amount of this loan, subject to interest at a rate of 3-month STIBOR plus 1 percent, is limited to SEK 300 million (the amount having been increased from 200 million to 300 million by amendment to the contract signed on September 15, 2021) and must be paid back before

October 31, 2025. The loan amount represents €29,286 thousand (SEK 300 million) at December 31, 2021 and €186 thousand for interest were invoiced in 2021.

An agreement between Valneva SE and Valneva Sweden AB entering into effect in 2015 sets guidelines for re-invoicing services by Valneva SE. The amount charged back under this agreement represented income of €101 thousand for 2021. An amendment to this agreement entering into effect on January 1, 2017 sets guidelines for the re-invoicing of services between these two companies. The amount charged back under this agreement represented an expense of €11 thousand for Valneva SE for 2021.

These invoices were recognized in the current account which are settled by a payment at the beginning of each quarter (with a debit balance for the net of €220 thousand at December 31, 2021).

7. A loan agreement, entering into effect as from April 1, 2020 was signed between Valneva SE and its subsidiary Valneva France. The amount of this loan, subject to interest at a rate of 3-month EURIBOR plus 1 percent, is limited to € 3 million and must be paid back before January 31, 2025. The loan amount represents €2,100 thousand at December 31, 2021 and €8 thousand for interest were invoiced in 2021.

An agreement between Valneva SE and Valneva France SAS entering into effect as from February 20, 2019 sets guidelines for the re-invoicing of services between these two companies. The amount charged back under this agreement represented income of €124 thousand for 2021 and an expense of €61 thousand for Valneva SE for 2021.

These invoices were recognized in the current account which are settled by a payment at the beginning of each quarter (with a debit balance for the net of €54 thousand at December 31, 2021).

In € thousand	December 31, 2021	December 31, 2020
FINANCIAL ASSETS		
Equity investments[1]	166,690	166,690
Loans		
RECEIVABLES		
Other receivables	40,712	13,985
PAYABLES		
Trade payables and related accounts		
Other financial liabilities	30,560	19,999
OPERATING EXPENSES		
Revenues	3,413	3,180
Other income	0	1,850
Financial income	279	77
OPERATING EXPENSES		
Other purchases and external expenses	9,508	7,134
FINANCIAL EXPENSE		
Interest and similar expenses	107	17

(1) See Note 3.3.

(c) Valneva SE's share capital after the exercise of different dilutive instruments at December 31, 2021

Valneva SE shareholding structure before exercise or full vesting (and, if applicable, conversion) of dilutive instruments

At December 31, 2021 (to the Company's knowledge)

		Shares held [1]		
SHAREHOLDERS		Ordinary shares	Preferred shares convertible into ordinary shares	%
Groupe Grimaud La Corbière SAS[2]		**13,704,831**	**0**	**13.02**
Bpifrance Participations SA		**8,619,478**	**0**	**8.19**
Management Board members	**Total Management Board members**	**636,674**	**30,316**	**0.64**
	Mr. Franck Grimaud	485,889	10,319	0.47
	Mr. Thomas Lingelbach	139,983	13,604	0.15
	Mr. Frédéric Jacotot	10,802	6,393	0.02
	Mr. Juan Carlos Jaramillo	0	0	0
Employees (non-corporate officers)		**101,142**	**13,756**	**0.11**
Other shareholders (private individuals)		**1,017,595**	**4,790**	**0.97**
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS[2]		707,458	0	0.67
Including independant members of the Supervisory Board	Mr. James Sulat	27,242	0	0.03
	Ms. Anne-Marie Graffin	11,125	0	0.01
Other floating capital		**81,110,503**	**0**	**77.07**
SUBTOTAL BY CATEGORY		**105,190,223**	**48,862**	**100**
TOTAL			**105,239,085**	**100**

(1) Percentages in this table are calculated in reference to a share capital of 105,239,085 Valneva SE shares, divided into (a) 105,190,223 ordinary shares (ISIN FR0004056851) with a par value of €0.15 each, and (b) 48,862 preferred shares convertible into ordinary shares, also with a par value of €0.15 each.

*(2) The **Groupe Familial Grimaud** is composed of the company Groupe Grimaud La Corbière SAS, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.*

Number of ordinary shares to be issued after exercise or full vesting (and, if applicable, conversion) of dilutive instruments

At December 31, 2021 (to the Company's knowledge)

		Dilutive instruments – Number of ordinary shares to be issued[1]			
SHAREHOLDERS		Stock-options	Equity warrants (BSA)	Free ordinary shares	Free Convertible Preferred Shares
Groupe Grimaud La Corbière SAS[2]		**0**	**0**	**0**	**0**
Bpifrance Participations SA		**0**	**0**	**0**	**0**
Management Board members	**Total Management Board members**	**330,921**	**0**	**856,807**	**405,756**
	Mr. Franck Grimaud	109,962	0	262,570	126,673
	Mr. Thomas Lingelbach	209,962	0	331,667	152,410
	Mr. Frédéric Jacotot	10,997	0	262,570	126,673
	Mr. Juan Carlos Jaramillo	0	0	0	0
Employees (non-corporate officers)		**3,634,071**	**0**	**720,000**	**267,367**
Other shareholders (private individuals)		**31,596**	**21,875**	**205,597**	**98,947**
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS[2]		0	6,250	0	0
Including independent members of the Supervisory Board	Mr. James Sulat	0	3,125	0	0
	Ms. Anne-Marie Graffin	0	3,125	0	0
Other floating capital		**0**	**0**	**0**	**0**
SUBTOTAL BY CATEGORY		**3,996,588**	**21,875**	**1,782,404**	**772,070**
TOTAL			**6,572,937**		

(1) Ratios of conversion with respect to the different dilutive instruments are set as follows:

- *Stock-options: 1 stock option issued pursuant to plan 7 entitles to 1.099617653 Valneva SE ordinary share (then rounded up for each beneficiary), while 1 stock option issued pursuant to plans 8, 9, 10 or 11 entitles to 1 ordinary share of the Company;*
- *BSA 27: 1 BSA entitles to 1 ordinary share of the Company Valneva SE;*
- *Preferred shares convertible into ordinary shares (2017-2021 program): the conversion of convertible preferred shares into ordinary shares is set by multiplying the number of free convertible preferred shares by 27.23567 (then rounded down). Conversion ratio defined at the time of vesting of the free convertible preferred shares, by decision of the Management Board on December 15, 2021.*

*(2) The **Groupe Familial Grimaud** is composed of the company Groupe Grimaud La Corbière SAS, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.*

Valneva SE shareholding structure after exercise or full vesting (and, if applicable, conversion) of dilutive instruments

At December 31, 2021 (to the Company's knowledge)

SHAREHOLDERS		Valneva SE Ordinary shares	%
Groupe Grimaud La Corbière SAS[1]		**13,704,831**	**12.26**
Bpifrance Participations SA		**8,619,478**	**7.71**
Management Board members	**Total Management Board members**	**2,230,158**	**2.01**
	Mr. Franck Grimaud	985,094	0.88
	Mr. Thomas Lingelbach	834,022	0.75
	Mr. Frédéric Jacotot	411,042	0.37
	Mr. Juan Carlos Jaramillo	0	0
Employees (non-corporate officers)		**4,722,580**	**4.23**
Other shareholders (private individuals)		**1,375,610**	**1.23**
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS [1]		713,708	0.64
Including independent members of the Supervisory Board	Mr. James Sulat	30,367	0.03
	Ms. Anne-Marie Graffin	14,250	0.01
Other floating capital		**81,110,503**	**72.57**
TOTAL		**111,763,160**	**100**

*(1) The **Groupe Familial Grimaud** is composed of the company Groupe Grimaud La Corbière SAS, the private shareholders of the Grimaud family and the Company Financière Grand Champ SAS.*

(d) Subsidiaries and associates

Subsidiaries (more than 50 percent)

Name	Share capital / Shareholders' equity[1]	Ownership interest[2] / Dividends[3]	Gross value of securities / Net value of securities	Loans, advances[4] / Guarantees[5]	Net sales[6] / Profit or loss[7]
Valneva Austria GmbH[8]	€10,070,000	100.00%	€147,876,224	€0	€322,330,929
	€226,847,352	€0	€147,876,224	€0	€(35,350,494)
Vaccines Holdings Sweden AB[8]	SEK 50,000	100.00%	€9,813,136	€0	SEK 0
	SEK 210,317,014	€0	€9,813,136	€0	SEK 8,843
Valneva Canada Inc.[8]	CAD 1,000	100.00%	€731	€5,179,200	CAD 6,242,313
	CAD 4,227,963	€0	€731	€0	CAD 223,735
Valneva Scotland Ltd.[8]	GBP 100	100.00%	€136	€2,144,644	GBP 3,010,642
	GBP 893,349	€0	€136	€0	GBP 125,700
Valneva France SAS[8]	€1,000	100.00%	€1,000	€2,100,000	€2,484,615
	€(89,804)	€0	€1,000	€0	€(171,747)

Non-consolidated investments (less than 50 percent)

Name	Share capital / Shareholders' equity[1]	Ownership interest[2] / Dividends[3]	Gross value of securities / Net value of securities	Loans, advances[4] / Guarantees[5]	Net sales[6] / Profit or loss[7]
BliNK Biomedical SAS	€2,192,459	48.90%	€8,998,528	€0	€267,489
	€2,168,441	€0	€2,124,446	€0	€(16,430)

(1) Equity = equity other than earnings and share capital.
(2) Ownership interest = percentage held by Valneva at 12/31/2021.
(3) Dividends = dividends received by Valneva in 2021.
(4) Loans, advances = loans, financial advances, current account advances.
(5) Guarantees = outstanding balance of guarantees given by Valneva.
(6) Net sales = sales excluding tax.
(7) Profit or loss = reported net income or loss of the last financial period.
(8) 2021 IFRS data.

(e) Market Risks

Interest rate risk

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

As far as its liquid assets are concerned, the exchange rate risk is controlled by procedures for monitoring and validation existing at the Company level. Liquid assets are also mainly invested in term deposits guaranteed on maturity offering a high degree of security (See Note 3.7).

The Company has also obtained loans to finance its investments and to support research and development. At December 31, 2021, borrowings totaled €3,740 thousand at 1-month Euribor floating rates. (See Note 3.14).

Exchange rate risk

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

(f) Events after the reporting period

No significant events have occurred since the end of the fiscal year.

4.2.5. Statutory Auditors' report on the financial statements

(For the year ended 31 December 2021)

To the General Assembly

VALNEVA SE
6 rue Alain Bombard
44800 Saint-Herblain

This is a translation into English of the statutory auditors' report on the 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 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 General Assembly, we have audited the accompanying financial statements of Valneva for the year ended 31 December 2021.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2021 and of the results of its operations for the year then ended in accordance with French accounting principles.

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

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 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 déontologie*) for statutory auditors, for the period from January 1st, 2021 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

Observation

Without qualifying our opinion, we draw your attention to Note 2.14 "Employee Commitments" describing the impact of the application at December 31, 2021 of the update of the ANC recommendation no. 2013-02 relating to retirement commitments.

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 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 financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

RISK DESCRIPTION	RISK RESPONSE
Contingencies and Provisions for risks *(Notes 3.13 "Provisions for contingencies and losses" and 4.14 (a) "Other information - Commitments and contingencies liabilities" to the annual financial statements)*	
Valneva is involved in two litigations. a) In July 2016, the Company received an additional request for payment, accompanied by a threat of legal action, This related to the acquisition of Humalys in 2009, through which Vivalis (today Valneva) had acquired the technology that was subsequently combined with another antibody discovery technology and contributed to BliNK Biomedical in early 2015. Humalys' former shareholders now demand additional payment pursuant to this disposal. The Company's management, after consultation with its external advisors, believes that this claim is unsubstantiated and the filed litigation is not likely 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, 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 € 2.1 million as at December 31, 2021. 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.	We gained an understanding of the procedures implemented by the Management regarding the identification of risks linked to a legal proceeding or a commercial /regulatory litigation. We estimated 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 notes to the annual financial statements provided appropriate disclosure.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the Shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Management Board and in the other documents with respect to the financial position and the financial statements provided to the Shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to the payment deadlines mentioned in Article D.441-4 of the French Commercial Code *(Code de commerce)*.

Report on corporate governance

We attest that the Supervisory Board's report on corporate governance sets out the information required by Articles L.225-37-4, L.22-10-10 and L.22-10-9 of the French Commercial Code (Code de commerce).

Concerning the information given in accordance with the requirements of Article L.22-10-9 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L.22-10-11 of the French Commercial Code (*Code de commerce*), we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

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

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the financial statements 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*), prepared under the responsibility of Management board.

Based on the work we have performed, we conclude that the presentation of the financial statements included in the annual financial report complies, in all material respects, with the European single electronic format.

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Valneva 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, 2021, PricewaterhouseCoopers Audit was in the 10th year of total uninterrupted engagement and Deloitte & Associés was in the 15th year, in the which are the 9th year for both firms since securities of the Company were admitted to trading on a regulated market

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principlesand for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 & Governance Committee 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 financial statements were approved by the Management Board.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the 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 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 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 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 financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit and governance Committee

We submit a report to the Audit and Governance Committee, 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 and Governance Committee, includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the 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 and Governance Committee, 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 and Governance Committee, the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Bordeaux, 23 March 2022

The Statutory Auditors

PricewaterhouseCoopers Audit

French original signed by
Cédric Mazille

Deloitte & Associés

French original signed by
Stéphane Lemanissier

5

Information relating to the company and its share capital

5.1. Share capital

5.1.1. Amount of share capital

A description of Valneva SE's share capital and shareholding structure at December 31, 2021 is presented in the Section "Structure of the Company's share capital at December 31, 2021" of this URD(1).

By way of comparison, at December 31, 2020, the Company's share capital stood at €13,645,584.30.

It was then composed of 90,970,562 shares in total, divided into:

- 90,950,048 ordinary shares (ISIN FR0004056851) with a par value of €0.15 each; and
- 20,514 preferred shares convertible into ordinary shares (***Convertible Preferred Shares***), also with a par value of €0.15 each.

These shares were all fully paid-up.

The corresponding number of theoretical voting rights (including suspended voting rights, such as those associated with treasury shares, and double voting rights) amounted to 119,619,986. The number of net voting rights was 119,473,664.

5.1.2. Non-equity securities

At the filing date of this URD, there are no issued or outstanding non-equity securities.

5.1.3. Share buybacks by the Company

(a) Current authorizations for share buyback programs and cancellation of the Company's shares

Please refer to the Section "Current authorizations related to share buyback programs and cancellation of shares of the Company" of this URD(2).

(b) Share buyback program implemented in connection with a liquidity agreement

The Company's General Meeting held on June 23, 2021 authorized the implementation of a share buyback program for a period of 18 months (resolution No. 10).

Therefore, during the fiscal year 2021, Valneva SE carried out transactions on its own shares, by means of a liquidity agreement concluded with the company Oddo BHF in order to ensure the liquidity and orderly trading of the Company's shares.

However, this liquidity agreement was terminated by Valneva with effect from June 11, 2021, as the liquidity of the Company's shares had improved(3).

*

Pursuant to Article L. 22-10-62 of the French Commercial Code and in the context of implementing this liquidity agreement, Valneva SE purchased 102,749 ordinary shares and sold 102,749 ordinary shares of the Company between January 1, 2021 and June 11, 2021 inclusive, at a weighted average purchase price of €9.285 per share (weighted average purchase price in 2020: €4.5824) and at a weighted average sale price of €9.6328 per share (weighted average price in 2020: €4.59).

Valneva SE did not pay any transaction fees.

As of June 11, 2021, following the termination of its liquidity agreement, the Company held its own 4,025 Valneva SE ordinary shares (*i.e.* 0.004% of the share capital(4), compared to 0.2% at December 31, 2020), whose value in reference to the closing price of June 11, 2021 was €46,690 (€603.75 at par value(5)).

These 4,025 ordinary shares were canceled on October 4, 2021, following a decision by the Company's Management Board(6).

(c) Treasury shares held in connection with the "Exit Right" implemented at the time of the merger of May 28, 2013 with Intercell AG

At December 31, 2021, the Company held 124,332 of its own ordinary shares with a par value of €0.15 per share. These shares were acquired through a combination of (a) a share buyback related to the merger with Intercell AG in May 2013 and the "Exit Right" offered to the latter's shareholders, and (b) the simultaneous implementation of consideration for the merger, as defined in Article 3 of the Merger Agreement dated December 16, 2012.

(1) See Section 27.1.
(2) See Section 2.7.8.2
(3) See Section 1.1.2 (dd) of this URD.
(4) Rate calculated in reference to a total share capital of 99,908,938 Valneva SE shares, divided into (a) 99,888,424 ordinary shares (ISIN FR0004056851) with a par value of €0.15 each, and (b) 20,514 preferred shares convertible into ordinary shares, also with a par value of €0.15 each.
(5) The par value of one Valneva SE ordinary share amounting to €0.15.
(6) See Section 1.1.2 (dd) of this URD.

Implementation of the Exit Right

In accordance with the Austrian legislation in force at that time, the shareholders of Intercell AG who, during the meeting at which they were invited to express their position on the proposed merger, opposed the resolutions relating to the approval of this merger and the related Merger Agreement, were granted a so-called "Exit Right" consisting of a financial compensation to be paid to them by the acquiring company Vivalis in exchange for their Intercell shares.

This financial compensation was set at a price of €1.69 per existing Intercell share, *i.e.* an overall potential compensation capped at €6,994,572 (for a total number of 4,138,800 Intercell shares).

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

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

At the time of the merger, Valneva SE had to buy back nearly 382,529 ordinary shares from exiting Intercell shareholders, under the share buyback program implemented pursuant to the Company's Combined General Meeting of March 7, 2013.

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

As consideration for the contribution of the totality of the assets and liabilities of the acquired company to the acquiring company, the provisions of the Merger Agreement provided that the Intercell shareholders would receive upon the merger, in exchange for their shares, ordinary shares as well as preferred shares newly issued by the acquiring company, the quantity of which would be defined according to an exchange ratio calculated on the basis of the valuation of the shares of each entity taking part in the transaction.

The exchange ratio offered to the shareholders of the acquiring company and the acquired company in the context of the merger was set at 13 ordinary shares and 13 preferred shares newly issued by the acquiring company, for 40 shares of the acquired company.

As Valneva SE acquired nearly 382,529 Intercell ordinary shares following implementation of the Exit Right of exiting Intercell shareholders, the Company was thus granted a total of 124,322 Valneva SE ordinary shares (as well as 124,322 Valneva SE preferred shares[1]).

(d) Repurchase of preferred shares related to the *Pseudomonas* project

In accordance with the provisions of the Company's Articles of Association in force between May 2013 and May 2020[2], and as announced in the Press Releases published on June 2, 2016, May 29, 2020 and June 11, 2020[3], the Valneva SE preferred shares (ISIN FR0011472943) which were issued in the 2013 merger with Intercell AG[4] have been redeemed at their par value of €0.01 per preferred share in June 2020, as the Group no longer expects approval of the *Pseudomonas* vaccine within their seven-year term (which would have led to conversion into Valneva SE ordinary shares at the end of this term).

5.1.4. Potential share capital

(a) Company stock option plans

Please refer to the paragraph "Stock option plans history" of this URD[5].

(b) Free share plans (ordinary shares and Convertible Preferred Shares)

Please refer to the paragraph "Free share plans history" of this URD[6].

(c) Equity warrants (BSA)

For a description of the equity warrant plans issued by the Company's Management Board on December 15, 2017, please refer to Section 2.6.2.2 (b) of this URD.

(1) These preferred shares having however been repurchased and cancelled: see Section 5.1.3 (d) of this URD.
(2) Article 13.3, subsections 3 to 5.
(3) https://valneva.com/media/press-releases/
(4) See the previous paragraph, entitled "Terms of consideration for the merger, as defined in the Merger Agreement".
(5) See Section 2.6.2.1 (c).
(6) *Idem*.

(d) Information on the fully-diluted Company's share capital

Valneva SE shareholding structure before exercise or full vesting (and, if applicable, conversion) of dilutive instruments

At December 31, 2021 (to the Company's knowledge)

		Shares held (*)		
SHAREHOLDERS		Ordinary shares	Preferred shares convertible into ordinary shares	%
Groupe Grimaud La Corbière SAS (**)		**13,704,831**	**0**	**13.02**
Bpifrance Participations SA		**8,619,478**	**0**	**8.19**
Management Board members	**Total Management Board members**	**636,674**	**30,316**	**0.64**
	Mr. Franck Grimaud	485,889	10,319	0.47
	Mr. Thomas Lingelbach	139,983	13,604	0.15
	Mr. Frédéric Jacotot	10,802	6,393	0.02
	Mr. Juan Carlos Jaramillo	0	0	0
Employees (non-corporate officers)		**101,142**	**13,756**	**0.11**
Other shareholders (private individuals)		**1,017,595**	**4,790**	**0.97**
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS(**)		707,458	0	0.67
Including independent members of the Supervisory Board	Mr. James Sulat	27,242	0	0.03
	Ms. Anne-Marie Graffin	11,125	0	0.01
Other floating capital		**81,110,503**	**0**	**77.07**
SUBTOTAL BY CATEGORY		**105,190,223**	**48,862**	**100**
TOTAL			**105,239,085**	**100**

(*) Percentages in this table are calculated in reference to a share capital of 105,239,085 Valneva SE shares, divided into (a) 105,190,223 ordinary shares (ISIN FR0004056851) with a par value of €0.15 each, and (b) 48,862 preferred shares convertible into ordinary shares, also with a par value of €0.15 each.

*(**) The **Groupe Familial Grimaud** is comprised of the company Groupe Grimaud La Corbière SAS, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.*

At February 28, 2022 (to the Company's knowledge)

SHAREHOLDERS		Shares held (*) Ordinary shares	Preferred shares convertible into ordinary shares	%
Groupe Grimaud La Corbière SAS (**)		**13,704,831**	**0**	**12.79**
Bpifrance Participations SA		**8,619,478**	**0**	**8.04**
Management Board members	**Total Management Board members**	**784,258**	**15,418**	**0.75**
	Mr. Franck Grimaud	520,550	5,668	0.49
	Mr. Thomas Lingelbach	197,236	8,008	0.19
	Mr. Frédéric Jacotot	66,472	1,742	0.06
	Mr. Juan Carlos Jaramillo	0	0	0
Employees (non-corporate officers)		**146,480**	**5,096**	**0.14**
Other shareholders (private individuals)		**999,488**	**0**	**0.93**
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS(**)		707,458	0	0.66
Including independent members of the Supervisory Board	Mr. James Sulat	27,242	0	0.03
	Ms. Anne-Marie Graffin	11,125	0	0.01
Other floating capital		**82,890,399**	**0**	**77.35**
SUBTOTAL BY CATEGORY		**107,144,334**	**20,514**	**100**
TOTAL		**107,165,448**		**100**

(*) Percentages in this table are calculated in reference to a share capital of 107,165,448 Valneva SE shares, divided into (a) 107,144,934 ordinary shares (ISIN FR0004056851) with a par value of €0.15 each, (b) 20,514 preferred shares convertible into ordinary shares, also with a par value of €0.15 each.

*(**) The **Groupe Familial Grimaud** is comprised of the company Groupe Grimaud La Corbière SAS, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.*

Number of ordinary shares to be issued after exercise or full vesting (and, if applicable, conversion) of dilutive instruments

At December 31, 2021 (to the Company's knowledge)

		Dilutive instruments Number of ordinary shares to be issued(*)			
SHAREHOLDERS		Stock options	Equity warrants (BSA)	Free ordinary shares	Free Convertible Preferred Shares
Groupe Grimaud La Corbière SAS(**)		**0**	**0**	**0**	**0**
Bpifrance Participations SA		**0**	**0**	**0**	**0**
Management Board members	**Total Management Board members**	**330,921**	**0**	**856,807**	**405,756**
	Mr. Franck Grimaud	109,962	0	262,570	126,673
	Mr. Thomas Lingelbach	209,962	0	331,667	152,410
	Mr. Frédéric Jacotot	10,997	0	262,570	126,673
	Mr. Juan Carlos Jaramillo	0	0	0	0
Employees (non-corporate officers)		**3,634,071**	**0**	**720,000**	**267,367**
Other shareholders (private individuals)		**31,596**	**21,875**	**205,597**	**98,947**
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS(**)		0	6,250	0	0
Including independent members of the Supervisory Board	Mr. James Sulat	0	3,125	0	0
	Ms. Anne-Marie Graffin	0	3,125	0	0
Other floating capital		**0**	**0**	**0**	**0**
SUBTOTAL BY CATEGORY		**3,996,588**	**21,875**	**1,782,404**	**772,070**
TOTAL			**6,572,937**		

(*) The conversion ratios of the various dilutive instruments are set as follows:

- *Stock options: for plan 7, 1 stock option entitles to 1.099617653 Valneva SE ordinary shares (then rounded up for each beneficiary), while for plans 8, 9, 10 and 11, 1 option entitles to 1 Valneva SE ordinary share;*
- *BSA 27: 1 BSA entitles to 1 Valneva SE ordinary share;*
- *Free Convertible Preferred Shares (2017-2021 program): the conversion of free convertible preferred shares into ordinary shares is carried out by multiplying the number of Free Convertible Preferred Share granted by 27.23567 (then rounded down to the nearest whole number). Conversion ratio defined by the Management Board decisions of December 15, 2021, at the time of the final vesting and delivery of the Free Convertible Preferred Share.*

*(**) The **Groupe Familial Grimaud** is comprised of the company Groupe Grimaud La Corbière SAS, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.*

At February 28, 2022 (to the Company's knowledge)

SHAREHOLDERS		Dilutive instruments Number of ordinary shares to be issued(*) Stock options	Equity warrants (BSA)	Free ordinary shares	Free Convertible Preferred Shares
Groupe Grimaud La Corbière SAS(**)		**0**	**0**	**0**	**0**
Bpifrance Participations SA		**0**	**0**	**0**	**0**
Management Board members	**Total Management Board members**	**0**	**0**	**856,807**	**0**
	Mr. Franck Grimaud	0	0	262,570	0
	Mr. Thomas Lingelbach	0	0	331,667	0
	Mr. Frédéric Jacotot	0	0	262,570	0
	Mr. Juan Carlos Jaramillo	0	0	0	0
Employees (non-corporate officers)		**2,801,197**	**0**	**720,000**	**0**
Other shareholders (private individuals)		**11,500**	**15,625**	**205,597**	**0**
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS(**)		0	6,250	0	0
Including independent members of the Supervisory Board	Mr. James Sulat	0	3,125	0	0
	Ms. Anne-Marie Graffin	0	3,125	0	0
Other floating capital		**0**	**0**	**0**	**0**
SUBTOTAL BY CATEGORY		**2,812,697**	**15,625**	**1,782,404**	**0**
TOTAL			**4,610,726**		

(*) The conversion ratios of the various dilutive instruments are set as follows:

- *Stock options: for plan 7, 1 stock option entitles to 1.099617653 Valneva SE ordinary shares (then rounded up for each beneficiary), while for plans 8, 9, 10 and 11, 1 option entitles to 1 Valneva SE ordinary share;*
- *BSA 27: 1 BSA entitles to 1 Valneva SE ordinary share;*

*(**) The **Groupe Familial Grimaud** is comprised of the company Groupe Grimaud La Corbière SAS, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.*

Valneva SE shareholding structure after exercise or full vesting (and, if applicable, conversion) of the dilutive instruments

At December 31, 2021 (to the Company's knowledge)

SHAREHOLDERS		Valneva SE Ordinary shares	%
Groupe Grimaud La Corbière SAS(*)		**13,704,831**	**12.26**
Bpifrance Participations SA		**8,619,478**	**7.71**
Management Board members	**Total Management Board members**	**2,230,158**	**2.00**
	Mr. Franck Grimaud	985,094	0.88
	Mr. Thomas Lingelbach	834,022	0.75
	Mr. Frédéric Jacotot	411,042	0.37
	Mr. Juan Carlos Jaramillo	0	0
Employees (non-corporate officers)		**4,722,580**	**4.23**
Other shareholders (private individuals)		**1,375,610**	**1.23**
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS(1)		713,708	0.64
Including independent members of the Supervisory Board	Mr. James Sulat	30,367	0.03
	Ms. Anne-Marie Graffin	14,250	0.01
Other floating capital		**81,110,503**	**72.57**
TOTAL		**111,763,160**	**100**

*(*) The **Groupe Familial Grimaud** is comprised of the company Groupe Grimaud La Corbière SAS, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.*

At February 28, 2022 (to the Company's knowledge)

SHAREHOLDERS		Valneva SE Ordinary shares	%
Groupe Grimaud La Corbière SAS(*)		**13,704,831**	**12.26**
Bpifrance Participations SA		**8,619,478**	**7.71**
Management Board members	**Total Management Board members**	**1,641,065**	**1.47**
	Mr. Franck Grimaud	783,120	0.70
	Mr. Thomas Lingelbach	528,903	0.47
	Mr. Frédéric Jacotot	329,042	0.29
	Mr. Juan Carlos Jaramillo	0	0
Employees (non-corporate officers)		**3,667,677**	**3.28**
Other shareholders (private individuals)		**1,232,210**	**1.10**
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS[1]		713,708	0.64
Including independent members of the Supervisory Board	Mr. James Sulat	30,367	0.03
	Ms. Anne-Marie Graffin	14,250	0.01
Other floating capital		**82,890,399**	**74.17**
TOTAL		**111,755,660**	**100**

*(*) The **Groupe Familial Grimaud** is comprised of the company Groupe Grimaud La Corbière SAS, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.*

5.1.5. Authorized share capital

Please refer to the Sections "Current delegations in connection with stock options and free shares" and "Other current delegations" of this URD(1).

5.1.6. Share capital changes

DATE	Nature of the share capital change	Shares composing the share capital	Share capital after the capital change
05/03/2019	**Capital increase by way of cash contribution completed on April 24, 2019** ▪ **Issuance of 3,125 Valneva SE ordinary shares** with a par value of €0.15 each ▪ **Total amount paid to the Company: €8,043.75** (including €468.75 in par value and €7,575 as issue premium)	**92,110,077 Valneva SE shares** Including: ▪ 90,920,173 ordinary shares with a par value of €0.15 each; ▪ 17,836,719 preferred shares with a par value of €0.01 each; and ▪ 789 preferred shares convertible into ordinary shares with a nominal value of €0.15 each.	**€13,816,511.49**
07/29/2019	**Capital increase through capitalization of issue premium** ▪ **Issuance of 19,725 Valneva SE convertible preferred shares** with a par value of €0.15 each ▪ **Share capital increase in par value: €2,958.75**	**92,129,802 Valneva SE shares** Including: ▪ 90,920,173 ordinary shares with a par value of €0.15 each; ▪ 17,836,719 preferred shares with a par value of €0.01 each; and ▪ 20,514 preferred shares convertible into ordinary shares with a par value of €0.15 each.	**€13,819,470.24**
11/04/2019	**Capital increase by way of cash contribution completed on October 25, 2019** ▪ **Issuance of 3,125 Valneva SE ordinary shares** with a par value of €0.15 each ▪ **Total amount paid to the Company: €8,043.75** (including €468.75 in par value and €7,575 as issue premium)	**92,132,927 Valneva SE shares** Including: ▪ 90,923,298 ordinary shares with a par value of €0.15 each; ▪ 17,836,719 preferred shares with a par value of €0.01 each; and ▪ 20,514 preferred shares convertible into ordinary shares with a nominal value of €0.15 each.	**€13,819,938.99**
05/15/2020	**Capital increase by way of cash contribution completed on May 12, 2020** ▪ **Issuance of 3,125 Valneva SE ordinary shares** with a par value of €0.15 each ▪ **Total amount paid to the Company: €8,043.75** (including €468.75 in par value and €7,575 as issue premium)	**92,136,052 Valneva SE shares** Including: ▪ 90,926,423 ordinary shares with a par value of €0.15 each; ▪ 17,836,719 preferred shares with a par value of €0.01 each; and ▪ 20,514 preferred shares convertible into ordinary shares with a nominal value of €0.15 each.	**€13,820,407.74**
05/29/2020	**Capital decrease by way of cancelation of prefered shares on May 29, 2020** ▪ **Cancellation of 17,836,719 prefered shares Valneva SE ordinary shares** with a par value of €0.01 each ▪ **Share capital decrease in par value: €178,367.19**	**90,946,937 Valneva SE shares** Including: ▪ 90,926,423 ordinary shares with a par value of €0.15 each; and ▪ 20,514 preferred shares convertible into ordinary shares with a nominal value of €0.15 each.	**€13,642,040.55**
07/29/2020	**Capital increase by way of cash contribution completed on July 27, 2020** ▪ **Issuance of 4,875 Valneva SE ordinary shares** with a par value of €0.15 each ▪ **Total amount paid to the Company: €19,110** (including €731.25 in par value and €18,378.75 as issue premium)	**90,951,812 Valneva SE shares** Including: ▪ 90,931,298 ordinary shares with a par value of €0.15 each; and ▪ 20,514 preferred shares convertible into ordinary shares with a nominal value of €0.15 each.	**€13,642,771.80**

(1) See Sections 2.7.8.1 and 2.7.8.3.

DATE	Nature of the share capital change	Shares composing the share capital	Share capital after the capital change
08/31/2020	**Capital increase by way of cash contribution completed on August 25, 2020** ▪ **Issuance of 3,125 Valneva SE ordinary shares** with a par value of €0.15 each ▪ **Total amount paid to the Company: €8,043.75** (including €468.75 in par value and €7,575 as issue premium)	**90,954,937 Valneva SE shares** Including: ▪ 90,934,423 ordinary shares with a par value of €0.15 each; and ▪ 20,514 preferred shares convertible into ordinary shares with a nominal value of €0.15 each.	**€13,643,240.55**
12/01/2020	**Capital increase by way of cash contribution completed on November 26, 2020** ▪ **Issuance of 3,125 Valneva SE ordinary shares** with a par value of €0.15 each ▪ **Total amount paid to the Company: €8,043.75** (including €468.75 in par value and €7,575 as issue premium)	**90,958,062 Valneva SE shares** Including: ▪ 90,937,548 ordinary shares with a par value of €0.15 each; and ▪ 20,514 preferred shares convertible into ordinary shares with a nominal value of €0.15 each.	**€13,643,709.30**
12/10/2020	**Capital increase by way of cash contribution completed on December 4, 7 and 9, 2020** ▪ **Issuance of 12,500 Valneva SE ordinary shares** with a par value of €0.15 each ▪ **Total amount paid to the Company: €32,175** (including €1,875 in par value and €30,300 as issue premium)	**90,970,562 Valneva SE shares** Including: ▪ 90,950,048 ordinary shares with a par value of €0.15 each; and ▪ 20,514 preferred shares convertible into ordinary shares with a nominal value of €0.15 each.	**€13,645,584.30**
01/27/2021	**Capital increase by way of cash contribution pursuant to the exercise of equity warrants (on January 22, 2021) and stock options (between January 18 and 25, 2021)**: ▪ **Issuance of 793,200 Valneva SE ordinary shares** with a par value of €0.15 each ▪ **Total amount paid to the Company: €2,208,930.50** (including € 118,980 in par value and €2,089,950.50 as issue premium)	**91,763,762 Valneva SE shares** Including: ▪ 91,743,248 ordinary shares with a par value of €0.15 each; and ▪ 20,514 preferred shares convertible into ordinary shares with a nominal value of €0.15 each.	**€13,764,564.30**
05/06/2021	**Capital increase by way of cash contribution** ▪ **Issuance of 7,082,762 Valneva SE ordinary shares** with a par value of €0.15 each ▪ **Total amount paid to the Company: €77,910,382** (including €1,062,414.30 in par value and €76,847,967.70 as issue premium)	**98,846,524 Valneva SE shares** Including: ▪ 98,826,010 ordinary shares with a par value of €0.15 each; and ▪ 20,514 preferred shares convertible into ordinary shares, with a par value of €0.15 each.	**€14,826,978.60**
05/07/2021	**Capital increase by way of cash contribution** ▪ **Issuance of 1,062,414 Valneva SE ordinary shares** with a par value of €0.15 each ▪ **Total amount paid to the Company: €11,686,554** (including €159,362.10 in par value and €11,527,191.90 as issue premium)	**99,908,938 Valneva SE shares** Including: ▪ 99,888,424 ordinary shares with a par value of €0.15 each; and ▪ 20,514 preferred shares convertible into ordinary shares, with a par value of €0.15 each.	**€14,986,340.70**
08/26/2021	**Capital increase by way of cash contribution on August 19, 2021** ▪ **Issuance of 3,125 Valneva SE ordinary shares** with a nominal value of €0.15 each ▪ **Total amount paid to the Company: €8,043.75** (including €468.75 in par value and €7,575 as issue premium)	**99,912,063 Valneva SE shares** Including: ▪ 99,891,549 ordinary shares with a par value of €0.15 each; and ▪ 20,514 preferred shares convertible into ordinary shares, with a par value of €0.15 each.	**€14,986,809.45**

DATE	Nature of the share capital change	Shares composing the share capital	Share capital after the capital change
09/03/2021	**Capital increase by way of cash contribution on September 2, 2021** ■ **Issuance of 3,125 Valneva SE ordinary shares** with a nominal value of €0.15 each ■ **Total amount paid to the Company: €8,043.75** (including €468.75 in par value and €7,575 as issue premium)	**99,915,188 Valneva SE shares** Including: ■ 99,894,674 ordinary shares with a par value of €0.15 each; and ■ 20,514 preferred shares convertible into ordinary shares, with a par value of €0.15 each.	**€14,987,278.20**
10/04/2021	**Capital reduction by way of cancellation of shares** ■ **Cancellation of 4,025 Valneva SE ordinary shares** with a nominal value of €0.15 each ■ **Par value of the share capital reduction: €603.75**	**99,911,163 Valneva SE shares** Including: ■ 99,890,649 ordinary shares with a par value of €0.15 each; and ■ 20,514 preferred shares convertible into ordinary shares, with a par value of €0.15 each.	**€14,986,674.45**
10/28/2021	**Capital increase by way of cash contribution** ■ **Issuance of 4,500,000 Valneva SE ordinary shares** with a nominal value of €0.15 each ■ **Total amount paid to the Company: €76,500,000** (including €675,000 in par value and €75,825,000 as issue premium)	**104,411,163 Valneva SE shares** Including: ■ 104,390,649 ordinary shares with a par value of €0.15 each; and ■ 20,514 preferred shares convertible into ordinary shares, with a par value of €0.15 each.	**€15,661,674.45**
10/30/2021	**Capital increase by way of cash contribution** ■ **Issuance of 675,000 Valneva SE ordinary shares** with a nominal value of €0.15 each ■ **Total amount paid to the Company: €11,475,000** (including €101,250 in par value and €11,373,750 as issue premium)	**105,086,163 Valneva SE shares** Including: ■ 105,065,649 ordinary shares with a par value of €0.15 each; and ■ 20,514 preferred shares convertible into ordinary shares, with a par value of €0.15 each.	**€15,762,924.45**
12/09/2021	**Capital increase by way of cash contribution completed on December 6, 7 and 8, 2021** ■ **Issuance of 12,500 Valneva SE ordinary shares** with a nominal value of €0.15 each ■ **Total amount paid to the Company: €32,175** (including €1,875 in par value and €30,300 as issue premium)	**105,098,663 Valneva SE shares** Including: ■ 105,078,149 ordinary shares with a par value of €0.15 each; and ■ 20,514 preferred shares convertible into ordinary shares, with a par value of €0.15 each.	**€15,764,799.45**
12/15/2021	**Capital increase through capitalization of issue premium** ■ **Issuance of 32,463 Valneva SE convertible preferred shares** with a par value of €0.15 each ■ **Par value of the share capital increase: €4,869.45**	**105,131,126 Valneva SE shares** Including: ■ 105,078,149 ordinary shares with a par value of €0.15 each; and ■ 52,977 preferred shares convertible into ordinary shares, with a par value of €0.15 each.	**€15,769,668.90**
12/22/2021	**Capital increase following conversion of Free Convertible Preferred Shares, with effect on December 16, 2021** ■ **Issuance of 112,074 Valneva SE ordinary shares** with a nominal value of €0.15 each ■ **Net share capital increase in par value: €16,193.85**	**105,239,085 Valneva SE shares** Including: ■ 105,190,223 ordinary shares with a par value of €0.15 each; and ■ 48,862 preferred shares convertible into ordinary shares, with a par value of €0.15 each.	**€15,785,862.75**

DATE	Nature of the share capital change	Shares composing the share capital	Share capital after the capital change
01/26/2022	**Capital increase by way of cash contribution pursuant to the exercise of equity warrants (on January 21, 2022) and stock options (between January 4 and 11, 2022):** ■ **Issuance of 1,179,516 Valneva SE ordinary shares** with a par value of €0.15 each ■ **Total amount paid to the Company: €3,917,031.12** (including €176,927.40 in par value and €3,740,103.72 as issue premium)	**107,162,323 Valneva SE shares** Including: ■ 107,141,809 ordinary shares with a par value of €0.15 each; and ■ 20,514 preferred shares convertible into ordinary shares, with a par value of €0.15 each.	**€16,074,348.45**
02/25/2022	**Capital increase by way of cash contribution completed on February 4, 2022** ■ **Issuance of 3,125 Valneva SE ordinary shares** with a nominal value of €0.15 each ■ **Total amount paid to the Company: €8,043.75** (including €468.75 in par value and €7,575 as issue premium)	**107,165,448 Valneva SE shares** Including: ■ 107,144,934 ordinary shares with a par value of €0.15 each; and ■ 20,514 preferred shares convertible into ordinary shares, with a par value of €0.15 each.	**€16,074,817.20**

5.1.7. Pledged share capital

SHAREHOLDERS OWNING PLEDGED SHARES	Pledge beneficiary	Number of pledged Valneva ordinary shares	Pledge starting date — Release date	Date of maturity of the pledge	Condition for the release of pledge	% of Valneva SE share capital pledged[1]
Groupe Grimaud La Corbière SAS	Pledge given to the benefit of the shareholder's banking pool and bondholders (EURO-PP), in the context of a syndicated loan. Following the early repayment of the loan to the banking pool in 2018, the pledge remains to date only in favour of the EURO-PP bondholders.	3,284,779	05/22/2014	Pledge effective as long as the beneficiaries has claims against the shareholder in connection with the EURO-PP.		3.12
		1,644,798	12/19/2014			1.56
		48,989	02/06/2015			0.05
		419,892	04/30/2015			0.40
		(5,398,458) (Release of pledged shares)	06/30/2015			(5.13)
		7,389,162	06/30/2015			7.02
		167,513	08/17/2015			0.16
		640,046	09/08/2015			0.61
		1,178,279	10/08/2015			1.12
		(1,155,822) (Release of pledged shares)	12/15/2015			(1.10)
		983,276	02/11/2016			0.93
		2,902,376	06/23/2016			2.76
		1,600,000	10/01/2018			1.52
		(4,500,000) (Release of pledged shares)	02/01/2019			(4.28)
SUBTOTAL		**9,204,830**				**8.74**
Groupe Grimaud La Corbière SAS	Pledge given to the benefit of the shareholder's banking pool, in the context of a syndicated loan.	4,500,000	02/01/2019	Pledge effective as long as the beneficiaries has claims against the shareholder in connection with the syndicated loan agreement.		4.28
SUBTOTAL		**4,500,000**				**4.28**
TOTAL		**13,704,830**				**13.02**

(1) This rate is calculated in reference to a share capital totalling 105,239,085 Valneva SE shares, divided into (a) 105,190,223 ordinary shares (ISIN FR0004056851) with a par value of €0.15 each, and (b) 48,862 preferred shares convertible into ordinary shares, also with a par value of €0.15 each.

5.1.8. Adjustments on capital securities or securities giving access to the Company's share capital

No adjustments were made to capital securities or securities giving access to the Company's share capital during the fiscal year 2021.

5.2. Main shareholders

5.2.1. Shareholding structure

Company's shareholding structure – Voting rights at February 28, 2022

(End of business day, to the Company's knowledge)

		Shares held (*)				
SHAREHOLDERS		Ordinary shares	Preferred shares convertible into ordinary shares	%	Theoretical voting rights	%
Groupe Grimaud La Corbière SAS (**)		**13,704,831**	**0**	**12.79**	**27,409,661**	**21.12**
Bpifrance Participations SA		**8,619,478**	**0**	**8.04**	**16,076,263**	**12.39**
Management Board members	**Total Management Board members**	**784,258**	**15,418**	**0.75**	**1,296,727**	**1.00**
	Mr. Franck Grimaud	520,550	5,668	0.49	1,006,439	0.78
	Mr. Thomas Lingelbach	197,236	8,008	0.19	213,014	0.16
	Mr. Frédéric Jacotot	66,472	1,742	0.06	77,274	0.06
	Mr. Juan Carlos Jaramillo	0	0	0.00	0	0.00
Employees (non-corporate officers)		**146,480**	**5,096**	**0.14**	**209,853**	**0.16**
Other shareholders (private individuals)		**999,488**	**0**	**0.93**	**1,900,518**	**1.46**
Including members of the Grimaud family (including Mr. Frédéric Grimaud, Chairman of the Supervisory Board) and Financière Grand Champ SAS(**)		707,458	0	0.66	1,366,118	1.05
Including independant members of the Supervisory Board	Mr. James Sulat	27,242	0	0.03	48,234	0.04
	Ms. Anne-Marie Graffin	11,125	0	0.01	11,125	0.01
Other floating capital		**82,890,399**	**0**	**77.35**	**82,890,399**	**63.87**
SUBTOTAL BY CATEGORY		**107,144,934**	**20,514**	**100**	**129,783,421**	**100.00**
TOTAL		**107,165,448**		**100**	**129,783,421**	**100.00**

(*) Percentages in this table are calculated in reference to a share capital of 107,165,448 Valneva SE shares, divided into (a) 107,144,934 ordinary shares (ISIN FR0004056851) with a par value of €0.15 each, and (b) 20,514 preferred shares convertible into ordinary shares, also with a par value of €0.15 each.

*(**) The **Groupe Familial Grimaud** is comprised of the company Groupe Grimaud La Corbière SAS, the private shareholders of the Grimaud family and the company Financière Grand Champ SAS.*

For information, the number of registered shares thus carrying a double voting right on February 28, 2022 amounts to 22,638,487, or 21.12% of the share capital(1). Consequently, the total number of voting rights resulting from the registered shares entitled to a double voting right is of 45,276,974, or 34.89% of the total voting rights(2).

Note: A description of Valneva SE's share capital and shareholding structure at December 31, 2021 is also presented in the Section "Structure of the Company's share capital at December 31, 2021" of this URD(3).

(1) This rate is calculated in reference to a share capital totaling 107,165,448 Valneva SE shares, divided into (a) 107,144,934 ordinary shares (ISIN FR0004056851) with a par value of €0.15 each, and (c) 20,514 preferred shares convertible into ordinary shares, also with a par value of €0.15 each.
(2) This rate is calculated in reference to 129,783,421 voting rights (theoretical) at February 28, 2022.
(3) See Section 2.7.1.

5.2.2. Direct or indirect shareholdings in the Company's share capital, of which the Company has been informed in accordance with Articles L. 233-7 and L. 233-12 of the French Commercial Code

Please refer to the Section of the same title in the Report by the Supervisory Board on the Corporate Governance for the fiscal year 2021, included in this URD(1).

5.2.3. Changes in share ownership over the past three fiscal years

Please refer to the Section "Structure of the Company's share capital at December 31, 2021" of this URD(2).

5.2.4. Shareholders' agreement

Please refer to the Section "Shareholders' agreements known to the Company and which may result in share transfer and voting rights restrictions" of this URD(3).

5.2.5. Control of the Company

As of the filing date of this URD, no shareholder directly or indirectly controls the Company (in the meaning of Article L. 233-3 of the French Commercial Code) or hold an interest equal or above the blocking minority (33 1/3% of the total voting rights of the Company).

5.2.6. Agreements or elements likely to result in a change of control of the Company; Agreements that are amended or terminated upon such change of control

Please refer to the Sections "Restrictions relating to double voting rights" and "Agreements executed by Valneva that may be modified or terminated in the event of a change in control of the Company" of this URD(4).

5.2.7. List of holders of any securities with special control rights; Description of said rights

Please refer to the Section of the same title in the Report by the Supervisory Board on the Corporate Governance for the fiscal year 2021, included in this URD(5).

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

Please refer to the Section of the same title in the Report by the Supervisory Board on the Corporate Governance for the fiscal year 2021, included in this URD(6).

(1) See Section 2.7.3.
(2) See Section 2.7.1.
(3) See Section 2.7.6.
(4) See Sections 2.7.2.1 (a) and 2.7.9.
(5) See Section 2.7.4.
(6) See Section 2.7.5.

5.3. Company's Articles of Association

5.3.1. Object and purpose of the Company (Article 3 of the Articles of Association)

The Company has as its object, within France and in every country:

- research and development within the field of biomedicine and pharmacology;
- the commercial exploitation of patents and know-how;
- trading in products of all kinds and the provision of services in the field of data processing and information technology;
- the production, monitoring and marketing of all products, services and research programs with applications to human and animal health, using the technologies of molecular and cellular biology and all of the associated techniques;
- the participation of the Company by all means, direct or indirect, in all operations which may be associated with its company object, through the creation of new companies, contributions, subscription or purchase of securities or company rights, mergers or otherwise, the creation, acquisition, leasing, lease management of all operating assets or facilities; the acquisition, exploitation or sale of all procedures and patents regarding these activities, within France and abroad;
- and more generally, all industrial, commercial or financial, securities or property operations, which may be directly or indirectly associated with its business object or likely to favour its exploitation, realization or development.

5.3.2. Corporate Governance

(a) Management Board

Please refer to the Section "Rules governing the Management Board" of this URD(1).

(b) Supervisory Board

Please refer to the Section "Rules governing the Supervisory Board" of this URD(2).

5.3.3. Rights and obligations attaching to Shares (Article 13 of the Articles of Association)

(a) Rights and obligations common to the Shares

Each Share gives the right to participate in collective decisions, as well as the right to be informed of the progress of the Company and to receive certain documents at times and under the conditions provided by law and the Articles of Association.

Shareholders shall only bear losses up to the limit of their contributions.

Subject to the provisions of the law and of the Articles of Association, no majority may impose an increase in their commitments. The rights and obligations attached to the share shall follow the security regardless of its holder.

The ownership of a Share shall entail the ipso jure adhesion to the decisions of the General Meeting and to the Articles of Association.

The assignment shall include all dividends fallen due and falling due, as well as any portion of the reserve fund, unless otherwise notified to the Company.

The heirs, creditors, assignees or other representatives of a shareholder may not, under any pretext, require the sealing of the property and company documents, demand the division or the sale by auction of these assets or interfere in the administration of the Company. In order to exercise their rights, they shall refer to the Company inventories and to the decisions of the General Meeting.

Whenever it is necessary to possess a certain number of Shares in order to exercise any right, in the event of an exchange, consolidation or attribution of securities or for an increase or reduction in the share capital, a merger or any other transaction, shareholders holding a number of Shares less than that required shall only be able to exercise these rights provided that they personally ensure that they obtain the required number of shares.

(b) Stipulations specific to ordinary shares

Each Ordinary Share confers a right of ownership of the Company's assets, to profit-sharing and to the liquidation surplus, to a share proportional to the stake in the share capital which it represents, taking into account, where appropriate, amortized and unamortized, paid up and unpaid share capital, for the nominal amount of the Shares and the rights of the different classes of Shares.

(1) See Section 2.1.3 (a).
(2) See Section 2.1.3 (b).

Except in cases where the law provides otherwise and with the exception of the double voting right provided below, each shareholder shall have as many voting rights and express as many votes at meetings as he has Ordinary Shares fully paid up for all of the due payments. For the same par value, each capital or participating Ordinary Share shall confer one vote.

A double voting right, considering the proportion of the share capital which they represent, shall be attributed to all fully paid up Ordinary Shares, which shall be documented by a registration in the nominative form for at least two years, starting from the registration of the Company in the form of a European Company, in the name of the same shareholder. This right is also granted on issuance, in the event of a share capital increase through incorporation of reserves, profits or issue premiums, to the Ordinary Shares attributed as a bonus to a shareholder by virtue of former Ordinary Shares for which it has already benefited from this right.

(c) Stipulations specific to Convertible Preferred Shares

1. Rights attaching to the Convertible Preferred Shares

The Convertible Preferred Shares will not be entitled to the distribution of dividends.

The Convertible Preferred Share does not carry voting rights in General Meeting. In accordance with the provisions set by statute and Article 32 of the Articles of Association, it confers a right to participate and vote in special shareholders meetings for holders of Convertible Preferred.

The Convertible Preferred Shares do not carry preferential subscription rights to capital increases or any other corporate action with preferential subscription rights to Ordinary Shares and will not benefit from capital increases by free grants of new shares or by increasing the nominal amount of existing ordinary shares or through the capitalization of reserves, earnings or other items that may be capitalized, or through free grants of securities giving access to shares for the benefit of holders of ordinary shares.

The Convertible Preferred Shares are non-transferable.

2. Right to convert Convertible Preferred Shares into Ordinary Shares subject to conditions

Condition for converting Convertible Preferred Shares into Ordinary Shares

The Convertible Preferred Shares may be converted into Ordinary Shares at the end of four (4) years from their issuance date or their allocation date (the ***Conversion Date***), according to a conversion ratio determined in the conditions described hereunder (the ***Conditions of Convertible Preferred Shares***):

The number of Ordinary Shares that may result from the conversion will be calculated according to a conversion ratio determined by the Management Board based on the volume weighted average price of the Company's share for a period defined by the Management Board (the ***Volume Weighted Average Price***) on the Conversion Date (the ***Conversion Ratio***).

It being stipulated that the Management Board will determine for this purpose on the date the Convertible Preferred Shares are issued or awarded:

- the Volume Weighted Average Price from which the Convertible Preferred Shares may confer a right of conversion (the ***Floor Price***) that may not, in any case be less than €4;
- the target price on the Conversion Date above which the Ordinary Shares issued from the conversion will not increase (the ***Ceiling Price***).

The Convertible Preferred Shares may not represent more than 6% of the share capital.

Procedures for conversion of Convertible Preferred Shares into Ordinary Shares

Subject to fulfillment of the Conditions of the Convertible Preferred Shares, the Convertible Preferred Shares will, on the Date of Conversion, be converted by the Company into Ordinary Shares at the request of the holder as from the Conversion Date and up to the cut-off date determined by the Management Board after which the Convertible Preferred Shares will automatically be converted if the holder has not requested conversion during this period.

The conversion of Convertible Preferred Shares into ordinary shares shall not require any payment by the holders of the Convertible Preferred Shares.

The nominal value of each of the Ordinary Shares shall be paid up by debiting the special blocked reserve account created for that purpose in the accounts (shareholders' equity) of the Company.

The conversion of Convertible Preferred Shares into Ordinary Shares will constitute *de facto* waiver by shareholders of their preferential subscription rights resulting from new ordinary shares that will be, as applicable, issued pursuant to this conversion.

The Ordinary Shares resulting from the conversion of Convertible Preferred Shares will be definitively fungible with existing ordinary shares of the Company as from the conversion date.

When the total number of Ordinary Shares to be received by a holder of Convertible Preferred Shares by applying the Conversion Ratio to the number of Convertible Preferred Shares held is not a whole number, said holder will receive the next lowest number of Ordinary Shares.

The Management Board must note for the record, as applicable, the number of Ordinary Shares resulting from the conversion of Convertible Preferred Shares, and make the necessary modifications to the bylaws, in particular with respect to the allocation of Shares per class and record the capital increase as required by law.

On conversion of the Convertible Preferred Shares, every holder of Convertible Preferred Shares may obtain a number of Ordinary Shares calculated with regard to the number of Convertible Preferred Shares which it holds on the basis of the Conversion Ratio in effect.

When the number of Ordinary Shares so calculated is not a whole number, the fraction of Ordinary Shares forming a fractional lot shall be paid in cash. In such an event, the holder of Convertible Preferred Shares shall receive an amount equal to the product (i) of the fraction of an Ordinary Share forming a fractional lot and (ii) an amount equal to the

first recorded market price of the Ordinary Share for the stock exchange trading session preceding that of the *ipso jure* conversion of the Convertible Preferred Shares into Ordinary Shares.

Such amount shall be debited from the special blocked reserve account created for that purpose in the accounts (shareholders' equity) of the Company and, as the case may be, from any available reserve accounts.

Protection of the individual rights of holders of Convertible Preferred Shares

Amortization of the share capital – Modification of profit-sharing – Issuance of preferred shares

The Company shall have the right to amortize its share capital, to modify the rules for sharing of its profits or the issuance of preferred shares, provided that, for as long as Convertible Preferred Shares are in circulation, it has taken the necessary measures to preserve the rights of the holders of the Convertible Preferred Shares, pursuant to the stipulations of the paragraph "*Financial Operations of the Company*" below.

Capital reduction due to losses

In the event of reduction of the share capital of the Company due to losses and carried out through a reduction in the nominal amount or number of shares comprising the share capital, the rights of the holders of the Convertible Preferred Shares shall consequently be reduced, as if the holders of the Convertible Preferred Shares had converted their Convertible Preferred Shares before the date on which the capital reduction had become final.

Financial operations of the Company

On conclusion of one of the following operations:

1. financial operations with a listed preferential subscription right;
2. attribution of bonus ordinary shares of the Company to shareholders, division or consolidation of shares;
3. free attribution to shareholders of any financial instruments other than the ordinary shares of the Company;
4. absorption, merger, division;
5. amortization of the share capital,

which the Company could realize starting from the date of issuance of the Convertible Preferred Shares, the maintenance of rights of holders of the Convertible Preferred Shares shall be ensured by carrying out an adjustment of the Conversion Ratio, pursuant to the following procedures (the ***Adjusted Conversion Ratio***).

This adjustment shall be carried out in such a way that it equalizes the value of the Ordinary Shares, to the nearest thousandth of an Ordinary Share, which have been obtained in the event of conversion of the Convertible Preferred Shares immediately after the realization of one of the above-mentioned operations, and the value of Ordinary Shares that would be obtained in case of conversion of Convertible Preferred Shares immediately after said operation.

In the event of adjustments carried out pursuant to paragraphs 1. to 5. below, the new Conversion Ratio shall be determined to the nearest thousandth (0.0005 being rounded up to the nearest thousandth, *i.e.* to 0.001). Any further adjustments shall be carried out on the basis of the preceding Conversion Ratio so calculated and rounded. At the same time, the Ordinary Shares shall only give rise to the delivery of a full number of Ordinary Shares, with the payment of partial shares being specified in the paragraph *"Payment of partial shares"* above.

1. In the case of financial operations entailing a listed preferential subscription right, the Adjusted Conversion Ratio shall be equal to the product of the current Conversion Ratio before the start of the operation in question and the ratio below:

$$\frac{\text{Value of the Ordinary Share after detachment of the preferential subscription right + Value of the preferential subscription right}}{\text{Value of the Ordinary Share after detachment of the preferential subscription right}}$$

To calculate this ratio, the value of the Ordinary Share after detachment of the preferential subscription right shall be determined as the arithmetic average of the first market prices on NYSE Euronext Paris exchange (or in the absence of a market price on NYSE Euronext Paris exchange, on another regulated or similar market on which the share and the subscription right are both listed) for all of the trading days included in the subscription period.

2. In the event of attribution of bonus Shares, as well as in the event of division or consolidation of Ordinary Shares, the Adjusted Conversion Ratio shall be equal to the product of the Conversion Ratio in effect before the start of the operation in question and the following ratio:

$$\frac{\text{Number of Ordinary Shares comprising the share capital after the operation}}{\text{Number of Ordinary Shares comprising the share capital before the operation}}$$

3. In the event of attribution free of charge of a financial instrument/financial instruments other than the ordinary shares of the Company, the Adjusted Conversion Ratio shall be determined as follows:

(a) if the right of free attribution of the financial instrument/financial instruments is subject to a listing on NYSE Euronext Paris exchange (or in the absence of a listing on NYSE Euronext Paris exchange, on another regulated or similar market), the new Conversion Ratio shall be equal to the product of the Conversion Ratio in effect before the start of the operation in question and the following ratio:

$$\frac{\text{Value of the ordinary share ex the free bonus right + value of the free bonus right}}{\text{Value of the ordinary share ex the free bonus right}}$$

To calculate this ratio:

- the value of the ordinary share ex the free bonus right shall be determined as the average weighted by the volumes of the first market prices quoted on NYSE Euronext Paris exchange (or in the absence of a price on NYSE Euronext Paris exchange, on another regulated or similar market on which the share and the subscription right are both listed) for the ordinary share ex the free bonus right for the first three stock exchange trading sessions, starting on the date on which the ordinary shares are listed ex the free bonus right,

- the value of the free bonus right shall be determined as in the above paragraph. If the free bonus right is not listed for at least each of these three stock exchange sessions, its value shall be determined by an independent expert of international reputation, chosen by the Company;

(b) if the bonus right for the financial instrument/financial instruments is not listed on the NYSE Euronext Paris exchange (or in the absence of a price on the NYSE Euronext Paris exchange, on another regulated or similar market), the Adjusted Conversion Ratio shall be equal to the product of the Conversion Ratio in effect before the start of the operation in question and the following ratio:

$$\frac{\text{Value of the ordinary share ex free bonus right + Value of the financial instrument(s) attributed per ordinary share}}{\text{Value of the ordinary share ex free bonus right}}$$

To calculate this ratio:

- the value of the ordinary share ex the free bonus right shall be determined as in paragraph (a) above;
- if the attributed financial securities are listed or likely to be listed on the NYSE Euronext Paris exchange (or in the absence of a listing on the NYSE Euronext Paris exchange, on another regulated or similar market), for the 10-day trading period starting on the date on which the shares are listed ex-distribution, the value per share of the attributed financial security/securities shall be equal to the average weighted by the volumes of the prices of the said financial securities observed on the said market for the first three stock exchange trading sessions included in this period during which the said financial securities are listed. If the said attributed financial securities are not listed for at least each of these three stock exchange trading sessions, the per share value of the attributed financial security/securities shall be determined by an independent expert of international reputation, chosen by the Company.

4. In the event of absorption of the Company by another company or merger with one or several other companies to form a new company or a division, the Convertible Preferred Shares shall be exchanged for the preferred shares of the absorbing or new company or of the companies benefiting from the division and shall be converted into ordinary shares of the absorbing or new company or the companies benefiting from the division (the ***Replacement Shares***).

The new Conversion Ratio shall be determined by multiplying the Conversion Ratio in effect before such an event by the exchange ratio for the Ordinary Shares into the Replacement Shares.

The company or companies which are beneficiaries of the contributions or the new company/companies shall replace the Company *ipso jure* in its obligations with regard to the holders of the Convertible Preferred Shares.

5. In the event of amortization of the share capital, the Adjusted Conversion Ratio shall be equal to the product of the Conversion Ratio in effect before the amortization and the following ratio:

$$\frac{\text{Value of the Ordinary Share before the amortization}}{\text{Value of the Ordinary Share before the amortization – Amount of the amortization per Ordinary Share}}$$

To calculate this ratio, the value of the Ordinary Share before the amortization shall mean the average weighted by the volumes of the market prices quoted on the NYSE Euronext Paris exchange (or in the absence of a price on the NYSE Euronext Paris exchange, on another regulated or similar market) for the last three stock exchange trading sessions preceding the day on which the Ordinary Shares are listed ex-amortization.

In the event that the Company executes operations for which an adjustment has not been stipulated by way of paragraphs 1. to 5. above and where a further provision of law or regulation provides for an adjustment, the Company shall make this adjustment pursuant to the applicable legal or regulatory provisions, taking account of practices in the field within the French market. In the event that the Ordinary Share of the Company is no longer admitted to trading on the NYSE Euronext Paris exchange (or in the absence of a price on the NYSE Euronext Paris exchange, on another regulated or similar market), the values referred to above shall be determined by an independent expert of international reputation, chosen by the Company.

Repurchase of Convertible Preferred Shares

If the functions of a holder of Convertible Preferred Shares within the Company or its subsidiaries are terminated for one of the following reasons:

- dismissal or gross or willful misconduct or the removal as corporate officer or employee of the Company or one of its subsidiaries in similar circumstances;
- voluntary early retirement with full pension benefits, in the absence of prior written approval from the Company;
- resignation in the absence of prior written approval from the Company,

the Company will buy back the Convertible Preferred Shares for the purpose of their cancellation.

The Convertible Preferred Shares will be repurchased at a price corresponding to their nominal value per share.

The Company will inform the holder of Convertible Preferred Shares concerned of the repurchase to be carried out by any means before the actual date of the repurchase.

All Convertible Preferred Shares repurchased on this basis will be definitively canceled as from that repurchase date and the capital of the Company will be reduced by the corresponding amount, with the creditors possessing a right of objection.

The Management Board must note for the record, as applicable, the number of Convertible Preferred Shares repurchased and canceled by the Company and make the necessary modifications to the Articles of Association with respect to the share capital and the number of shares making up the capital.

5.3.4. Amendment to shareholders' rights

Shareholder rights, as set forth in the Company's Articles of Association, may be changed or amended only by action taken at an Extraordinary General Meeting.

5.3.5. General Meetings

(a) Nature of General Meetings (Article 24 of the Articles of Association)

The decisions of the shareholders shall be taken at a General Meeting.

The Ordinary General Meetings shall be those which are convened on to take all of the decisions which do not modify the Articles of Association.

The Extraordinary General Meetings shall be those convened on to decide or authorize direct or indirect modifications of the Articles of Association.

The special meetings shall bring together the holders of shares of a given category to rule on a modification of the rights of the shares of this category and all other decisions provided by law or by the Articles of Association.

The resolutions of the General Meetings shall oblige all of the shareholders, even if absent, dissenting or incapable.

(b) Calling and convening of General Meetings (Article 25 of the Articles of Association)

The General Meetings shall be convened either by the Management Board or failing this, by the Supervisory Board or the Statutory Auditors or by a representative designated by the court, at the demand, either of any interested party or the Social and Economic Committee in the event of an emergency or by several shareholders representing at least 5% of the share capital.

During the liquidation period, the Meetings shall be convened by the liquidator(s).

The General Meetings shall be convened at the registered office or at any other location indicated in the notice of calling.

The Company shall be obliged, within the time limits set out in applicable laws, to publish a notice of meeting in the *Bulletin des Annonces Légales Obligatoires* containing the mentions provided by the laws in effect.

The convening of the General Meetings shall be realized by the inclusion in a newspaper authorized to receive legal announcements in the Department of the registered office and in addition, in the *Bulletin des Annonces Légales Obligatoires,* within the time limits set out in applicable laws.

When a meeting has been unable to deliberate in regular fashion, due to failure to reach the necessary quorum, the second meeting and as per the case, the second extended meeting, shall be convened, in the same forms as the first, within the time limits set out in applicable laws and the notice of calling shall recall the date of the first calling and reproduce its agenda.

(c) Agenda (Article 26 of the Articles of Association)

The agenda of the meetings shall be drawn up by the author of the calling.

One or several shareholders, representing at least the required proportion of the share capital and acting under the conditions and pursuant to the deadlines set by the law, shall be entitled to request the inclusion of draft resolutions in the agenda of the meeting by registered letter with a request for notice of receipt.

If a Social and Economic Committee exists, it may request the entering of draft resolutions on the agenda of a meeting.

These draft resolutions must be notified to the shareholders and be entered in the agenda and submitted to the vote of the meeting.

The meeting may not deliberate on an issue which is not entered on the agenda, which may not be modified at a second calling. It may nevertheless dismiss one or several members of the Supervisory Board under any circumstances and replace them.

(d) Admission to General Meetings – Powers (Article 27 of the Articles of Association)

All of the shareholders shall be entitled to take part in the General Meetings on providing proof of their identity, though subject to compliance with the following provisions:

- for holders of registered shares, their registration in the registered share account maintained by the Company no later than the second day preceding the Meeting date;
- for holders of ordinary bearer shares, issuance of a certificate of participation (attestation de participation) by an authorized intermediary confirming they are registered in a securities account no later than the second day preceding the Meeting date.

Any shareholder may vote by post through a form, the details of which are set forth by a decree of the *Conseil d'Etat*, and a copy of which may further be obtained under the conditions indicated by the notice of calling of the Meeting.

A shareholder may also vote by proxy, in accordance with the provisions of Article L. 225-106 and L. 22-10-39 of the French Commercial Code, and thus be represented either by another shareholder who provides evidence of a power of attorney, by his/her spouse or partner with whom he/she has concluded a civil solidarity pact, or by any other natural or legal person of his/her choice (and this under the conditions provided in Articles L. 22-10-40, R. 225-79 and R. 22-10-24 of the French Commercial Code).

In the event of existence of a Social and Economic Committee within the Company, two of its members designated by the counsel, of which one belongs to the category of technical staff and supervisors and the other to the category of employees and workers, or where appropriate, the persons mentioned in Articles L. 2312-74 and L. 2312-75 of the French Labour Code, may attend the General Meetings. They shall be heard at their request for all of the resolutions which require the unanimity of shareholders.

Shareholders may, upon decision of the Management Board, take part in the General Meetings by videoconference or by any other means of telecommunication, including the Internet, which allow their identification in accordance with the conditions and procedures set forth by the applicable regulations in force. Where applicable, this decision shall be communicated in the convening notice of the General Meeting.

Upon decision of the Management Board, the shareholders may access and use the proxy form or voting form in electronic format, under the conditions and in accordance with the conditions and procedures set forth by the applicable regulations in force.

(e) Holding of General Meetings – Bureau – Minutes (Article 28 of the Articles of Association)

An attendance sheet shall be signed by the attending shareholders and representatives, to which shall be attached the powers granted to each representative and, as appropriate, the postal voting forms. It shall be certified as accurate by the bureau of the Meeting.

The Meetings shall be chaired by the Chairman of the Supervisory Board or, in his absence, by the Deputy Chairman or by a member of the Supervisory Board especially appointed for this purpose. In the event of convening by a Statutory Auditor or court-appointed agent, the Meeting shall be chaired by the author of the convening notice. Failing this, the Meeting shall itself elect its Chairman.

The two present and accepting shareholders, representing the largest number of votes, both as themselves and as representatives, shall serve as scrutineers. The bureau so established shall designate a secretary, who may be selected from outside the members of the Meeting.

The deliberations of the meetings shall be recorded in minutes signed by the members of the bureau and drawn up in a special register, in accordance with the law. Copies and extracts of these minutes shall be certified under the conditions set by law.

(f) Quorum – Vote (Article 29 of the Articles of Association)

The quorum shall be calculated on all of the Shares comprising the share capital, except in the Special Meetings, where it shall be calculated on all of the Shares for the category in question, all of which minus the Shares deprived of the voting rights by virtue of the provisions of the law. In the event of a postal vote, for the calculation of the quorum, only forms duly completed and received by the Company at least three (3) days before the date of the meeting shall be considered, *i.e.* no later than the fourth day before the date of the Meeting.

Subject to the double voting right referred to Article 13.2 of the Articles of Association, the voting rights attached to ordinary shares shall be proportional to the stake in the share capital which they represent.

The vote shall be expressed by a show of hands, by a roll-call or by a secret ballot, pursuant to what the bureau of the Meeting or the shareholders decide. The shareholders may also vote by post, or by proxy under the conditions of Article 27 of the Articles of association, including, upon decision of the Management Board, by videoconference or by any other means of telecommunication, including the Internet, which allow their identification in accordance with the conditions and procedures set forth by the applicable regulations in force.

For the purposes of calculating the quorum and majority, shareholders shall be considered to be present who take part in the meeting *via* videoconference or telecommunications media, including the Internet, which permit their identification and guarantee their effective participation, the nature and conditions of application of which are determined by legislative and regulatory provisions in effect.

(g) Ordinary General Meeting (Article 30 of the Articles of Association)

The Ordinary General Meeting shall take all of the decisions exceeding the powers of the Management Board, which do not have the object of modifying the Articles of Association.

The Ordinary General Meeting shall meet at least once a year, within six months of the end of the financial year, to rule on the financial statements for the financial year, subject to the extension of the deadline by a court decision.

It shall only deliberate validly, on a first convening, if the present and represented shareholders, or those voting by postal vote, hold at least the number of shares set out in applicable laws.

No quorum shall be required for the second convening. It shall rule with a majority of the votes validly cast by the present or represented shareholders or shareholders voting by post. Abstention and votes blank or void shall not be considered as votes cast.

For the purposes of calculating the quorum and majority, shareholders shall be considered to be present who take part in the General Meetings *via* videoconference or telecommunications media as detailed above.

(h) Extraordinary General Meeting (Article 31 of the Articles of Association)

The Extraordinary General Meeting may amend the Articles of Association in all of their provisions and notably decide on the conversion of the Company into a limited liability company. It may nevertheless increase the commitments of the shareholders, subject to the operations resulting from a consolidation of shares effected in regular fashion.

The Extraordinary General Meeting may only deliberate validly if the present or represented shareholders or shareholders voting by postal vote possess on the first convening or on the second convening the number of shares set out by applicable laws. In the absence of this latter quorum, the second meeting may be extended until a date

two months later than the one on which it had been convened.

The Extraordinary General Meeting shall rule with a majority of two thirds of the votes validly cast by the present or represented shareholders, or voting by postal vote, unless there is a legal exemption. Abstention and votes blank or void shall not be considered as votes cast.

In constituent Extraordinary General Meetings, *i.e.* those convened to deliberate on the approval of a contribution in kind or the granting of a particular benefit, the grantor or beneficiary shall not have a vote, either for itself or as a representative.

For the purposes of calculating the quorum and majority, shareholders shall be regarded as present who take part in the General Meetings *via* videoconference or telecommunications media as detailed above.

(i) Special meetings (Article 32 of the Articles of Association)

If there are several categories of Share, no modification may be made to the rights of the Shares in one of these categories, without a requisite vote of an Extraordinary General Meeting, open to all of the shareholders and furthermore, without an equally requisite vote of a special meeting, open only to the owners of Shares of the category in question.

The special meetings may only deliberate validly if the present or represented shareholders hold on the first convening or on the second convening the number of shares of the relevant category set out by applicable laws.

Other meetings shall be convened and shall deliberate under the same conditions as the Extraordinary General Meetings, subject to the particular provisions applicable to meetings of holders of Shares with a priority dividend, but without voting rights.

For the purposes of calculating the quorum and majority, shareholders shall be regarded as present who take part in the meeting *via* videoconference or telecommunications media as detailed above and for which the nature and conditions of application are determined by current legislative and regulatory provisions.

(j) Right of notification of the Shareholders (Article 33 of the Articles of Association)

Every shareholder has the right to receive, under the conditions and at times set by law, the documents required for it to be able to pronounce knowledgeably and draw up a ruling on the management and control of the Company.

The nature of these documents and the conditions of their dispatch or provision shall be determined by the law and regulations.

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5.3.6. Clauses likely to affect control of the Company

Please refer to the Section "Agreements or elements that may lead to a change of control of the Company; Agreements that are amended or terminated upon such change of control" of this URD(1).

5.3.7. Threshold crossing (Article 12 of the Articles of Association)

For information on the applicable rules on threshold crossing provided in the Articles of Association, please refer to the Section "Mandatory information regarding threshold crossings" of this URD(2).

5.3.8. Special provisions applicable to changes in share capital (Article 9 of the Articles of Association)

There are no special provisions in the Company's Articles of Association applicable to changes in its share capital. As a result, the share capital and rights attached to shares may be simply amended in accordance with conditions provided for by law.

(1) See Section 5.2.6.
(2) See Section 2.7.2.1 (b).

5.4. Information and history of the Company during the fiscal year

Registered name

Valneva

Place of incorporation and registration number, LEI code

The Company is registered in the Trade and Companies Registry in Nantes under registration number 422 497 560.

Its LEI code is 969500DIVIP5VKNW4948.

Date of incorporation and term

The Company's business sector N.A.F. code (with respect to the main establishment) is 72.11Z — Research and development in biotechnology.

The Company was incorporated on April 7, 1999 for a fixed term, unless earlier dissolved or extended, of ninety-nine years from its registration with the Trade and Companies Registry, *i.e.* until April 6, 2098.

Registered office, legal form and applicable law

Registered office: 6 rue Alain Bombard, 44800 Saint-Herblain (France)

Telephone: +33 (0) 2 28 07 37 10

Valneva is a European Company with a Management Board and a Supervisory Board, governed in particular by the provisions of Book II of the French Commercial Code.

Website[1]: www.valneva.com

Significant events in the development of the issuer's activities

Please refer to the Sections "Annual operating highlights", "Recent events", "Description of the Group's activities" and "Group's business trends and outlooks" of this URD[2].

(1) Information provided on the Company's website are not part of this Universal Registration Document, unless it is incorporated by reference.
(2) See Sections 1.1.2, 1.1.3, 1.3 and 1.4.4.

5.5. Information on shareholdings

Please refer to the Section "Description of Valneva SE's shareholdings" of this URD[1], as well as to the Group's consolidated financial statements 2021[2].

(1) See Section 1.2.2 (c).
(2) See Note 15, in Section 4.1.5 of this URD.

5.6. Regulated agreements

5.6.1. List of regulated agreements

Regulated agreements authorized by the Company's Supervisory Board and executed during the fiscal year 2021[1]

Directors and officers indemnification agreements

Individual agreements exectuted between the Company and:
- Mr. Thomas Lingelbach, Chairman of the Company's Management Board (Agreement signed on June 29, 2021),
- Mr. Franck Grimaud, Member of the Management Board and Directeur Général & CBO of the Company (Agreement signed on July 13, 2021),
- Mr. Frédéric Jacotot, Member of the Management Board and General Counsel & Corporate Secretary of the Company (Agreement signed on June 24, 2021),
- Mr. Juan Carlos Jaramillo, Member of the Management Board and CMO (Agreement signed on July 6, 2021),
- Mr. Frédéric Grimaud, President & Chief Executive Officer of Groupe Grimaud La Corbière SAS, shareholder holding more than 10% of the voting rights of the Company, and Chairman of the Supervisory Board of Valneva SE (Agreement signed on June 29, 2021),
- Mr. James Sulat, Vice-Chairman of the Supervisory Board of Valneva SE (Agreement signed on June 25, 2021),
- Ms. Anne-Marie Graffin, Member of the Supervisory Board of Valneva SE (Agreement signed on July 5, 2021),
- Ms. Sharon Tetlow, Member of the Supervisory Board of Valneva SE (Agreement signed on July 16, 2021),
- Ms. Johanna Pattenier, Member of the Supervisory Board of Valneva SE (Agreement signed on June 29, 2021).

Agreements authorized by the Supervisory Board on May 5, 2021

Purpose of the agreements - Interest for the Company

Under the terms of the agreements, the Company undertakes - to the fullest extent permitted by applicable laws and regulations, and subject to additional limitations as detailed in these agreements - to indemnify each of the corporate officers, in the event that their personal legal liability is called into question in the performance of their duties, by covering certain procedural expenses (where applicable, via advance payments) as well as damages to be paid that would not be covered by the **D&O Insurance** (including, in particular, deductibles or any amount exceeding the cover limits).

These agreements were entered into in the interest of the Company because of the following:

- Following the Company's IPO on the Nasdaq, corporate officers are exposed to significantly increased risks of personal legal liability (in comparison with the level of risk arising from the application of French law). As a result of these additional risks, directors and officers of other companies listed in the United States are typically indemnified and/or insured.
- The Company considers that being listed on the Nasdaq is a key factor in the success of its future development, as this market generally has the highest valuations of biotechnology companies, as well as the highest stock liquidity, thus giving better prospects to the Company's shareholders.
- In this context, the engagement of current and future corporate officers is necessary for the achievement of the Company's objectives, and the absence of any protection that the Company could offer in the form of insurance and indemnification might prohibit such corporate officers from continuing in or accepting their duties within the Company.
  In seeking insurance coverage for its corporate officers, the Company learned that such insurance is currently extremely expensive and difficult to secure. The D&O Insurance that the Company finally obtained includes a very high deductible and is limited in scope and degree of protection provided despite its cost. The Company therefore concluded that being able to provide the indemnities and advances of expenses provided for by the agreements was important, since this offers corporate officers more complete protection than that resulting from the D&O Insurance alone, and that the required protection could not be achieved by any means other than by entering into these agreements.

  The Company believes that the provisions of these agreements are in the best interest of the Company and its shareholders, and that these provisions will benefit the Company through promoting the continued retention and recruitment of corporate officers.

Income and/or charges recognized during the fiscal year: 0

Encashments and/or payments: 0

Relationship between the price of the agreement and the Company's last annual profit: n/a [2]

(1) Amounts in euros — Charges and payments appear between brackets.
(2) No annual profit recorded for the Company.

Amendments 3, 4 and 5 to the Collaboration and Research License Agreement & Amendment 3 to the Premises and Equipment Provision Agreement - Amendments executed with Vital Meat SAS on March 24, 2021 (in the case of amendments 3 to the agreements), and effective from June 10, 2021 and December 31, 2021 (concerning amendments 4 and 5 to the Collaboration and Research License Agreement respectively).

Initial agreements entered into with the company Groupe Grimaud La Corbière SA (now Groupe Grimaud La Corbière SAS), then transferred to Vital Meat SAS (see hereinafter "Regulated agreements which remained in force during the fiscal year 2020")

Groupe Grimaud La Corbière SAS is a shareholder holding more than 10% of the Company's voting rights. Mr. Frédéric Grimaud is President & Chief Executive Officer of Groupe Grimaud La Corbière and Chairman of the Supervisory Board of Valneva SE. Groupe Grimaud La Corbière, legal entity represented by its President & Chief Executive Officer Mr. Frédéric Grimaud, is the President of its subsidiary Vital Meat SAS.

Amendments 3 and 4 to the Collaboration and Research License Agreement authorized by the Supervisory Board on March 23, 2021, Amendment 5 to the Collaboration and Research License Agreement authorized by the Supervisory Board on December 22, 2021, and Amendment 3 to the Premises and Equipment Provision Agreement authorized by the Supervisory Board on February 25, 2020

Purpose of the agreements - Interest for the Company	The aforementioned amendments were executed, depending on the case, for the purpose of extending the term of the Collaboration and Research License Agreement (***CCLR***) - at first, until June 30, 2021, then until December 31, 2021, and finally until March 31, 2022 - and for the purpose of extending the surface area of the premises leased by Valneva SE to Vital Meat SAS under the Premises and Equipment Provision Agreement (***CMAD***). Financial conditions: (i) under the CCLR: Periodic payments unchanged from the amounts defined in the previous amendments(*). (ii) under the CMAD: Conditions defined in the initial agreement unchanged(*). These amendments were entered into in the best interest of the Company in that they optimize the benefits described for Valneva SE under the initial agreements(*). In addition, the extension of the Collaboration and Research License Agreement until March 31, 2022 allows Valneva to have more time to study the best options for the grant of one or more commercial licenses for use of its EBx technology in the food sector. (*) *See hereinafter "Regulated agreements which remained in force during the fiscal year 2021".*

Income and/or charges recognized during the fiscal year with respect to the amendments 3, 4 and 5 to the CCLR: 106,023.33

Encashments and/or payments with respect to the amendments 3, 4 and 5 to the CCLR: 94,296.33

Relationship between the price of the agreement and the Company's last annual profit: n/a

Income and/or charges recognized during the fiscal year with respect to the amendment 3 to the CMAD: 64,082.39

Encashments and/or payments with respect to the amendment 3 to the CMAD: 57,864.38

Relationship between the price of the agreement and the Company's last annual profit: n/a

Amendment 1 to the 2019-2022 Management Agreement executed between Mr. Franck Grimaud and Valneva SE on March 4, 2021

Mr. Franck Grimaud is a member of the Management Board and Directeur Général & CBO of the Company.

Amendment authorized by the Supervisory Board on January 15, 2021

Purpose of the agreements - Interest for the Company	This amendment provides in particular for additional compensation for the corporate officer in the event of a change of control of the Company before the final grant of long-term incentive financial instruments, as well as changes to the rules governing remuneneration in the event of termination of the Management Agreement or non-renewal of the corporate officer's term of office at expiry (severance package indemnities set at one year's fixed compensation, including the notice period). The amendment was entered into in the best interest of the Company since (a) it minimizes the Company's financial exposure if a member of the Management Board is dismissed in the course of his term of office, and (b) it ensures that any indemnity linked to a change in control of the Company is no longer conditioned on the dismissal of the corporate officer, thus potentially allowing a smooth transition in the event of a change of control.

Income and/or charges recognized during the fiscal year: 0

Encashments and/or payments: 0

Relationship between the price of the agreement and the Company's last annual profit: n/a

Amendment 1 to the 2019-2022 Management Agreement executed between Mr. Frédéric Jacotot and Valneva SE on March 4, 2021

Mr. Frédéric JACOTOt is a member of the Management Board and General Counsel & Corporate Secretary of the Company.

Amendment authorized by the Supervisory Board on January 15, 2021

Purpose of the agreements - Interest for the Company	This amendment provides in particular for additional compensation for the corporate officer in the event of a change of control of the Company before the final grant of long-term incentive financial instruments, as well as changes to the rules governing remuneneration in the event of termination of the Management Agreement or non-renewal of the corporate officer's term of office at expiry (severance package indemnities set at one year's fixed compensation, including the notice period). The amendment was entered into in the best interest of the Company since (a) it minimizes the Company's financial exposure if a member of the Management Board is dismissed in the course of his term of office, and (b) it ensures that any indemnity linked to a change in control of the Company is no longer conditioned on the dismissal of the corporate officer, thus potentially allowing a smooth transition in the event of a change of control.

Income and/or charges recognized during the fiscal year: 0

Encashments and/or payments: 0

Relationship between the price of the agreement and the Company's last annual profit: n/a

***

Regulated agreements which remained in force during the fiscal year 2021

Collaboration and Research License Agreement & Premises and Equipment Provision Agreement, executed on September 27, 2018 with Groupe Grimaud La Corbière SA (today Groupe Grimaud La Corbière SAS), then transferred to Vital Meat SAS

Agreements that have been the subject of several amendments (see hereinafter, as well as in the previous part "Regulated agreements authorized by the Company's Supervisory Board and executed during the fiscal year 2021")

Groupe Grimaud La Corbière SAS is a shareholder holding more than 10% of the Company's voting rights. Mr. Frédéric Grimaud is President & Chief Executive Officer of Groupe Grimaud La Corbière and Chairman of the Supervisory Board of Valneva SE. Groupe Grimaud La Corbière, legal entity represented by its President & Chief Executive Officer Mr. Frédéric Grimaud, is the President of its subsidiary Vital Meat SAS.

Agreements authorized by the Supervisory Board on September 20, 2018

Purpose of the agreement - Interest for the Company	The Collaboration and Research License Agreement has been executed in order to explore the possibility of using Valneva SE's avian cell lines to produce nutritional meat-like substances, not originating from animals. Under the Collaboration and Research License Agreement (***CCLR***) and the Premises and Equipment Provision Agreement (***CMAD***), the Company (i) grants Groupe Grimaud La Corbière SA a two-year non-exclusive research license to use Valneva SE's EBx platform (excluding EB66®) and conduct the above-mentioned assessment, (ii) provides Groupe Grimaud La Corbière SA with limited assistance for this purpose, and (iii) puts few offices in its premises and certain equipment at Groupe Grimaud La Corbière SA's disposal. Financial conditions: (i) under the CCLR: + License fee for an amount of €50,000 excl. tax/year, and + Amount of €6,000 excl. tax/month, paid in exchange for a right of first refusal for a commercial license. (ii) under the CMAD: Rent of €23.70 excl. tax/m²/month for the Offices part and of €26.10 excl. tax/m²/month for the Laboratories part. The general benefits of the CCLR and CMAD for the Company are the following: ▪ an opportunity to potentially improve EB cell lines-related revenues by allowing the exploration of a new field without financial investment; ▪ rationalizing the use of the Nantes premises following R&D reorganization; ▪ a re-employment opportunity for an employee whose job was cut upon R&D reorganization.

Amendments 1 and 2 to the Collaboration and Research License Agreement & Amendment 2 to the Premises and Equipment Provision Agreement, executed with Vital Meat SAS on September 25, 2010, December 10, 2020 and June 15, 2020 respectively

Initial agreements entered into with the company Groupe Grimaud La Corbière SA (now Groupe Grimaud La Corbière SAS), then transferred to Vital Meat SAS.

Groupe Grimaud La Corbière SAS is a shareholder holding more than 10% of the Company's voting rights. Mr. Frédéric Grimaud is President & Chief Executive Officer of Groupe Grimaud La Corbière and Chairman of the Supervisory Board of Valneva SE. Groupe Grimaud La Corbière, legal entity represented by its President & Chief Executive Officer Mr. Frédéric Grimaud, is the President of its subsidiary Vital Meat SAS.

Amendments authorized by the Supervisory Board on September 22, 2020 and December 9, 2020 (with respect to Amendments 1 and 2 to the Collaboration and Research License Agreement), and by the Supervisory Board of February 25, 2020 (with respect to Amendment 2 to the Premises and Equipment Provision Agreement)

Purpose of the agreement - Interest for the Company	The aforementioned amendments were executed, depending on the case, for the purpose of extending the term of the Collaboration and Research License Agreement (***CCLR***) - at first, until December 31, 2020, and then until March 31, 2021, and for the purpose of extending the surface area of the premises leased by Valneva SE to Vital Meat SAS under the Premises and Equipment Provision Agreement (***CMAD***). Financial conditions: (i) under the CCLR: License fee now paid monthly (€4,167 excl. tax/month); other financial conditions unchanged. (ii) under the CMAD: Conditions defined in the initial agreement unchanged (see hereinbefore). These amendments are in the best interest of the Company because they enhance the benefits described for Valneva SE under the initial agreements.

Income and/or charges recognized during the fiscal year with respect to the amendments 1 and 2 to the CCLR: 37,220

Encashments and/or payments with respect to the amendments 1 and 2 to the CCLR: 44,180

Relationship between the price of the agreement and the Company's last annual profit: n/a

Income and/or charges recognized during the fiscal year with respect to the amendment 2 to the CMAD: 23,993.65

Encashments and/or payments with respect to the amendment 2 to the CMAD: 36,914.64

Relationship between the price of the agreement and the Company's last annual profit: n/a

Management Agreement executed between Mr. Franck Grimaud and Valneva SE on July 9, 2018

Mr. Franck Grimaud is a member of the Management Board and Directeur Général & CBO of the Company.

2019-2022 Management Agreement authorized by the Supervisory Board on June 28, 2018
Agreement amended by amendment signed on March 4, 2021 (see hereinbefore "Regulated agreements authorized by the Company's Supervisory Board and executed during the fiscal year 2021")

Purpose of the agreement - Interest for the Company	This agreement specifies the compensation and benefits to be received by Mr. Franck Grimaud in his capacity as member of the Management Board and *Directeur Général* as from the end of the Combined General Meeting called on June 27, 2019 to approve the financial statements for the fiscal year ended December 31, 2018. It also includes certain commitments undertaken by the Company for the payment of indemnities or the provision of benefits in the event of termination or change in the functions of the corporate officer(1).

Income and/or charges recognized during the fiscal year: (593,244.44)

Encashments and/or payments: (588,710.81)

Relationship between the price of the agreement and the Company's last annual profit: n/a

(1) For further details on these commitments, please refer to Section 2.6.2.1 (d) of this URD.

Management Agreement executed between Mr. Frédéric Jacotot and Valneva SE on July 9, 2018

Mr. Frédéric Jacotot is a member of the Management Board and General Counsel & Corporate Secretary of the Company.

2019-2022 Management Agreement authorized by the Supervisory Board on June 28, 2018
Agreement amended by amendment signed on March 4, 2021 (see hereinbefore "Regulated agreements authorized by the Company's Supervisory Board and executed during the fiscal year 2021")

Purpose of the agreement - Interest for the Company	This agreement specifies the compensation and benefits to be received by Mr. Frédéric Jacotot in his capacity as member of the Management Board and General Counsel as from the end of the Combined General Meeting called on June 27, 2019 to approve the financial statements for the fiscal year ended December 31, 2018. It also includes certain commitments undertaken by the Company for the payment of indemnities or the provision of benefits in the event of termination or change in the functions of the corporate officer(1).

Income and/or charges recognized during the fiscal year: (452,978.36)

Encashments and/or payments: (449,448.61)

Relationship between the price of the agreement and the Company's last annual profit: n/a

The Management Agreements described hereinbefore are in the best interest of the Company because they contribute to management stability in the long term, and enable the Company to be managed by recognized international leaders with diverse education, experience and skills, able to support the Company's growth, in accordance with its strategy.

The Company's commitments under these agreements, which result in the payment of indemnities or the provision of benefits in the event of termination or change in the functions of the corporate officers, contribute to management stability in the long term, reflect the Company's aim to provide for equitable solutions in the event of termination or change in the functions of the corporate officers (including in the interest of ensuring equal treatment), while making it possible to:

- limit the costs arising from terminating the Management Agreements;
- improve the predictability of these costs; and
- reduce the risks of litigation.

(1) For further details on these commitments, please refer to Section 2.6.2.1 (d) of this URD.

5.6.2. Special Auditors' Report on regulated agreements

Shareholders' Meeting held to approve the financial statements for the year ended December 31, 2021

This is a free translation into English of the statutory auditors' special report on regulated agreements that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements should be read in conjunction and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code (Code de Commerce) and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting.

To the Shareholders,

In our capacity as Statutory Auditors of Valneva (or the "Company"), we hereby report to you on regulated agreements.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of, as well as the reasons provided for, the agreements that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements. Under the provisions of Article R. 225-58 of the French Commercial Code (*Code de commerce*), it is the responsibility of the shareholders to determine whether the agreements are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by Article R. 225-58 of the French Commercial Code (*Code de commerce*) in relation to the implementation during the year of agreements already approved by the Annual General Meeting.

We performed the procedures that we considered necessary with regard to the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) applicable to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

Agreements to be submitted for the approval of the Annual General Meeting

Agreements authorized and concluded during the year

In accordance with article L. 225-88 of the French commercial code (*Code de commerce*), we have been informed of the following agreements and commitments previously authorized by the Supervisory Board.

Directors and officers indemnification agreements

- **Contracting Company:** Valneva
- **Person concerned:**
  - Mr. Thomas Lingelbach, Chairman of the Company's Management Board (Agreement signed on June 29, 2021).
  - Mr. Franck Grimaud, Member of the Management Board and *Directeur Général* & CBO of the Company (Agreement signed on July 13, 2021).
  - Mr. Frédéric Jacotot, Member of the Management Board and General Counsel & Corporate Secretary of the Company (Agreement signed on June 24, 2021).
  - Mr. Juan Carlos Jaramillo, Member of the Management Board and CMO (Agreement signed on July 6, 2021).
  - Mr. Frédéric Grimaud, President & Chief Executive Officer of Groupe Grimaud La Corbière SAS, shareholder holding more than 10% of the voting rights of the Company, and Chairman of the Supervisory Board of the Company (Agreement signed on June 29, 2021).
  - Mr. James Sulat, Vice-Chairman of the Supervisory Board of the Company (Agreement signed on June 25, 2021).
  - Ms. Anne-Marie Graffin, Member of the Supervisory Board of the Company (Agreement signed on July 5, 2021).
  - Ms. Sharon Tetlow, Member of the Supervisory Board of the Company (Agreement signed on July 16, 2021).
  - Ms. Johanna Pattenier, Member of the Supervisory Board of the Company (Agreement signed on June 29, 2021).
- **Nature et purpose:** The agreements, authorized by the supervisory board on May 5, 2021, undertake the Company - to the fullest extent permitted by applicable laws and regulations, and subject to additional limitations as detailed in these agreements: to indemnify each of these corporate officers, in the event that their personal legal liability is called into question in the performance of their duties, by covering certain procedural expenses (where applicable, via advance payments) as well as damages to be paid that would not be covered by the D&O Insurance (including, in particular, deductibles or any amount exceeding the cover limits).
- **Terms and conditions:** The expense recognized by your Company in 2021 in relation to these agreements amounts to €0 and the amount paid to €0.
- **Reason justifying that the agreement is in the Company's interest:** These agreements were entered into in the interest of the Company because of the following:
  - Following the Company's IPO on the Nasdaq, corporate officers are exposed to significantly increased risks of personal legal liability (in comparison with the level of risk arising from the application of French law). As a result of these additional risks, directors and officers of other companies listed in the United States are typically indemnified and/or insured.

- The Company considers that being listed on the Nasdaq is a key factor in the success of its future development, as this market generally has the highest valuations of biotechnology companies, as well as the highest stock liquidity, thus giving better prospects to the Company's shareholders.
- In this context, the engagement of current and future corporate officers is necessary for the achievement of the Company's objectives, and the absence of any protection that the Company could offer in the form of insurance and indemnification might prohibit such corporate officers from continuing in or accepting their duties within the Company. In seeking insurance coverage for its corporate officers, the Company learned that such insurance is currently extremely expensive and difficult to secure. The D&O Insurance that the Company finally obtained includes a very high deductible and is limited in scope and degree of protection provided despite its cost. The Company therefore concluded that being able to provide the indemnities and advances of expenses provided for by the agreements was important, since this offers corporate officers more complete protection than that resulting from the D&O Insurance alone, and that the required protection could not be achieved by any means other than by entering into these agreements.

Amendments 3, 4 and 5 to the Collaboration and Research Licence Agreement and Amendment 3 to the Premises and Equipment Provision Agreement, concluded with Vital Meat SAS

Initial agreements entered into with the company Groupe Grimaud La Corbière SA (now Groupe Grimaud La Corbière SAS), then transferred to Vital Meat SAS (see hereinafter "Regulated agreements which remained in force during the fiscal year 2020")

- **Contracting Company:** Valneva
- **Person concerned:** Frédéric Grimaud, Chairman of the Supervisory Board and President & Chief Executive Officer of Groupe Grimaud La Corbière SAS, shareholder holding more than 10% of the Company's voting rights.
- Groupe Grimaud La Corbière, legal entity represented by its President & Chief Executive Officer, Mr. Frédéric Grimaud, is the President of its subsidiary Vital Meat SAS.
- **Nature and purpose:** The Amendments 3, 4 and 5, authorized by the Supervisory Board on March 23, 2021 (amendments 3 and 4) and December 22, 2021 (amendment 5), were executed for the purpose of extending the term of the Collaboration and Research License Agreement (CCLR at first, until June 30, 2021, then until December 31, 2021, and finally until March 31, 2022. The Amendment 3, executed on March 24, 2021, and authorized by the Supervisory Board on February 25, 2020, has been executed for the purpose of extending the surface area of the premises leased by the Company to Vital Meat SAS under the Premises and Equipment Provision Agreement (CMAD).
- **Terms and conditions:** The revenue recorded for the 2021 financial year by your company, under the amendments 3, 4 and 5 to the agreement for the Collaboration and Research License Agreement (CCLR), amounted to €106 023,33 and the amount received to €94 296,33. The revenue recorded for the year 2021 by your company, under the amendment 3 to the agreement for the Contract for the Provision of Premises and Equipment (CMAD), amounted to €64 082,39 and the amount received to €57 864,38.
- **Reasons justifying the company's interest**: These Amendments are in the best interest of the Company because they enhance the benefits described for the Company under the initial agreements. In addition, the extension of the Collaboration and Research License Agreement until March 31, 2022 allows Valneva to have more time to study the best options for the grant of one or more commercial licenses for use of its EBx technology in the food sector.

Amendment 1 to the 2019-2022 Management Agreement executed between Mr. Franck Grimaud and Valneva on March 4, 2021

- **Contracting Company:** Valneva
- **Person concerned:** M. Franck Grimaud, member of the Management Board and *Directeur Général* & CBO of the Company
- **Nature and purpose:** Amendment 1 to the 2019-2022 Management Agreement, authorized by the Supervisory Board on January 15, 2021, provides in particular for additional remuneration for the corporate officer in the event of a change of control of the Company before the final grant of long-term incentive financial instruments, as well as changes to the rules governing remuneration in the event of termination of the Management Agreement or non-renewal of the corporate officer's term of office at expiry (severance package indemnities set at one year's fixed remuneration, including the notice period).
- **Terms and conditions:** The expense recognized by your Company in 2021 in relation to this agreement amounts to €0 and the amount paid to €0.
- **Reasons justifying the company's interest:** The amendment was entered into in the best interest of the Company since (a) it minimizes the Company's financial exposure if a member of the Management Board is dismissed in the course of his term of office, and (b) it ensures that any indemnity linked to a change in control of the Company is no longer conditioned on the dismissal of the corporate officer, thus potentially allowing a smooth transition in the event of a change of control.

Amendment 1 to the 2019-2022 Management Agreement executed between Mr. Frédéric Jacotot and Valneva on March 4, 2021

- **Contracting Company:** Valneva
- **Person concerned:** M. Frédéric Jacotot, member of the Management Board and General Counsel of the Company
- **Nature and purpose :** Amendment 1 to the 2019-2022 Management Agreement, authorized by the Supervisory Board on January 15, 2021, provides in particular for additional remuneration for the corporate officer in the event of a change of control of the Company before the final grant of long-term incentive financial instruments, as well as changes to the rules governing remuneration in the event of termination of the Management Agreement or non-renewal of the corporate officer's term of office at expiry (severance package indemnities set at one year's fixed remuneration, including the notice period).

- **Terms and conditions:** The expense recognized by your Company in 2021 in relation to this agreement, amounts to €0 and the amount paid to €0.
- **Reasons justifying the Company's interest:** The amendment was entered into in the best interest of the Company since (a) it minimizes the Company's financial exposure if a member of the Management Board is dismissed in the course of his term of office, and (b) it ensures that any indemnity linked to a change in control of the Company is no longer conditioned on the dismissal of the corporate officer, thus potentially allowing a smooth transition in the event of a change of control.

Agreements already approved by the Annual General Meeting

Agreements approved in prior years

Pursuant to Art. R.225-57 of the French Commercial Code (*Code de commerce*), we have been informed that the following agreements, previously approved by Shareholders' Meetings of prior years, have remained in force during the year.

Collaboration and Research License Agreement & Premises and Equipment Provision Agreement and related Amendments 1 et 2 to the Collaboration and Research License Agreement and Amendment 2 to the Premises and Equipment Provision Agreement, concluded with Vital Meat SAS

- **Contracting Company:** Valneva
- **Person concerned:**
  - Frédéric Grimaud, Chairman of the Supervisory Board and President & Chief Executive Officer of Groupe Grimaud La Corbière SAS, shareholder holding more than 10% of the Company's voting rights.
  - Executive Officer Mr. Frédéric Grimaud, is the President of its subsidiary Vital Meat SAS.
- **Nature and purpose:** Your Company entered into a research collaboration and license agreement with Vital Meat SAS, previously authorized by your Supervisory Board on September 20, 2018 (the purpose of the agreement is to assess the possibility of using the avian cell lines of the Company to produce nutritional substances similar to meat, but of non-animal origin), as well as a contract for the provision of premises and equipment. In accordance with the terms of the Research Collaboration and License Agreement and the Provision of Premises and Equipment Agreement, the Company
  - (i) granted to Vital Meat SAS a two-year non-exclusive research license to use Valneva's EBx platform (excluding EB66®) and conduct the above-mentioned assessment,
  - (ii) provides Vital Meat SAS with limited assistance for this purpose, and
  - (iii) puts few offices in its premises and certain equipment at Vital Meat SAS's disposal.

The amendments 1 and 2, authorized by the Supervisory Board on September 22, 2020 and December 9, 2020, were executed for the purpose of extending the term of the Collaboration and Research License Agreement, at first, until December 31, 2020 and then until March 31, 2021.

The amendment 2, authorized by the Supervisory Board on February 25, 2020, has been executed for the purpose of extending the surface area of the premises leased by the Company to Vital Meat SAS under the Premises and Equipment Provision Agreement.

- **Terms and conditions:** The revenue recorded for the 2021 financial year by your company, under this amendment 1 and 2 to the agreement for the Collaboration and Research License Agreement, amounted to €37 220 and the amount received to €44 180. The revenue recorded for the year 2021 by your company, under this amendment 2 to the agreement for the Contract for the Provision of Premises and Equipment (CMAD), amounted to €23 993,65 and the amount received to €36 914,64**.**
- **Reasons justifying the company's interest**: The general benefits of the CCLR and CMAD for the Company are the following:
  - an opportunity to potentially improve EB cell lines-related revenues by allowing the exploration of a new field without financial investment;
  - rationalizing the use of the Nantes premises following R&D reorganization;
  - a re-employment opportunity for an employee whose job was cut upon R&D reorganization.

  The Amendments 1 and 2 to the Collaboration and Research License Agreement and Amendment 2 to the Premises and Equipment Provision Agreement, concluded with Vital Meat SAS are in the best interest of the Company because they enhance the benefits described for the Company under the initials agreements which remained in force during the fiscal year 2021.

Management Agreement with Mr. Franck Grimaud and Valneva executed on July 9, 2018

- **Contracting Company:** Valneva
- **Person concerned:** M. Franck Grimaud, member of the management Board and *Directeur Général* & CBO of the Company
- **Nature and purpose:** The Management Agreement 2019-2022 authorized by the Supervisory Board on June 28, 2018, amended on March 23, 2021, specifies the compensation and benefits to be received by Mr. Franck Grimaud in his capacity as a Management Board member and Managing Director as from the end of the Combined General Meeting called on June 27, 2019 to approve the financial statements for the fiscal year ended December 31, 2018. It also includes certain commitments undertaken by the Company for the payment of indemnities or the provision of benefits in the event of termination or change in the functions of the Corporate Officer.

- **Terms and conditions:** The expense recognized by your Company in 2021 in relation to this agreement, amounts to €593 244,44 and the amount paid to €588 710,81.
- **Reasons justifying the Company's interest:** The Management Agreement is in the best interest of the Company because it contributes to management stability in the long term and enable the Company to be managed by recognized international leaders with diverse education, experience and skills, able to support the Company's growth, in accordance with its strategy. The Company's commitments under the agreement, which result in the payment of indemnities or the provision of benefits in the event of termination or change in the functions of the corporate officers, contribute to management stability in the long term, reflect the Company's aim to provide for equitable solutions in the event of termination or change in the functions of the corporate officers (including in the interest of ensuring equal treatment), while making it possible to: limit the costs arising from terminating the Management Agreement; improve the predictability of these costs; and reduce the risks of litigation.

Management Agreement with Mr. Frédéric Jacotot and Valneva executed on July 9, 2018

- **Contracting Company:** Valneva
- **Person concerned:** M. Frédéric Jacotot, member of the Management Board and General Counsel of the Company
- **Nature and purpose:** The Management Agreement 2019-2022, authorized by the Supervisory Board on June 28, 2018, amended on March 23, 2021, specifies the compensation and benefits to be received by Mr. Frédéric Jacotot in his capacity as a Management Board member and General Counsel as from the end of the Combined General Meeting called on June 27, 2019 to approve the financial statements for the fiscal year ended December 31, 2018. It also includes certain commitments undertaken by the Company for the payment of indemnities or the provision of benefits in the event of termination or change in the functions of the corporate officer.
- **Terms and conditions:** The expense recognized by your Company in 2021 in relation to this agreement, amounts to €452 978,36 and the amount paid to €449 448,61.
- **Reasons justifying the Company's interest:** The Management Agreement is in the best interest of the Company because it contributes to management stability in the long term and enable the Company to be managed by recognized international leaders with diverse education, experience and skills, able to support the Company's growth, in accordance with its strategy. The Company's commitments under this agreement, which result in the payment of indemnities or the provision of benefits in the event of termination or change in the functions of the corporate officers, contribute to management stability in the long term, reflect the Company's aim to provide for equitable solutions in the event of termination or change in the functions of the corporate officers (including in the interest of ensuring equal treatment), while making it possible to: limit the costs arising from terminating the Management Agreement; improve the predictability of these costs; and reduce the risks of litigation.

Neuilly-sur-Seine and Bordeaux, March 23, 2022

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit	Deloitte & Associés
Cédric Mazille	Stéphane Lemanissier

5.6.3. Related-party transactions

Please refer to the information provided pursuant to IAS 24 on related party disclosures, in the Notes to the Group's consolidated financial statements for the fiscal year 2021(1). Please refer also to the information provided in the parent entity financial statements for the fiscal year 2021(2).

5.6.4. Agreements entered into between a corporate officer or a shareholder holding more than 10% of the voting rights of the Company, and another corporation controlled by the Company within the meaning of Article L. 233-3 of the French Commercial Code

Please refer to the Section "Agreements entered into between a corporate officer or a shareholder holding more than 10% of the voting rights of the Company, and another corporation controlled by the Company within the meaning of Article L. 233-3 of the French Commercial Code" of this URD(3).

(1) See Note 34, in Section 4.1.5 of this URD.
(2) See Section 4.2.5 (b) of this URD.
(3) See Section 2.5.

5.7. Employees

5.7.1. Percentage of Company stock held by employees

At December 31, 2021, total employee stock ownership (shares in registered form) amounted to 114,898 Valneva SE shares (or 0.11%[1] of the Company's share capital), as follows:

- 101,142 ordinary shares (ISIN FR0004056851) with a par value of €0.15 each; and
- 13,756 preferred shares convertible into ordinary shares, also with a par value of €0.15 each.

For a detailed description, as of December 31, 2021, of the stock option plans and of the free share plans to which employees are beneficiaries, please refer to the Section "Options to subscribe for or purchase shares and free shares" of this URD[2]. In addition, for a description of the phantom plans to which employees are beneficiaries, please refer to the Notes to the Group's consolidated financial statements for the fiscal year 202[3]0.

(a) Options to subscribe for or purchase shares

Options to subscribe for or purchase shares granted by the Company in 2021 to employees of the Valneva Group who are not corporate officers

During the fiscal year 2021, no stock options were granted by the Company to employees of the Valneva Group who are not corporate officers.

Options to subscribe for or purchase shares of the Company exercised in 2021 by employees of the Valneva Group who are not corporate officers

During the fiscal year 2021, employees of the Valneva Group who are not corporate officers exercised a total of 790,075 stock options, resulting in the issuance of an equivalent number of new Valneva SE ordinary shares, as follows:

- Stock option plan No. 9 - Tranche 1, dated October 7, 2016 (ESOP 2016) : 363,050 ordinary shares subscribed at the unit price of €2.71 through exercise of 363,050 options ;
- Stock option plan No. 10 - Tranche 1, dated December 7, 2017 (ESOP 2017) : 427,025 ordinary shares subscribed at a unit price of €2.85 through exercise of 427,025 options.

Information on the 10 employees of the Group who are not corporate officers

Stock options granted by the Company in 2021 to the ten employees of the Group who are not corporate officers with the highest number of options so granted	**Total number of options granted**	**Weighted average price** (in euros)	**Plan 9** (ESOP 2016)	**Plan 10** (ESOP 2017)
	0	n/a	0	0
Stock options exercised in 2021 by the ten employees of the Group who are not corporate officers with the highest number of options so exercised	**Total number of options exercised**	**Weighted average price** (in euros)	**Plan 9** (ESOP 2016)	**Plan 10** (ESOP 2017)
	122,500(*)	2.79	50,000	72,500

(*) *The minimum number of options to be taken into account for each employee in the calculation of this value is 5,000.*

(1) Rate calculated in reference to a total share capital of 105,239,085 Valneva SE shares, divided into (a) 105,190,223 ordinary shares (ISIN FR0004056851) with a par value of €0.15 each, and (b) 48,862 preferred shares convertible into ordinary shares, also with a par value of €0.15 each.
(2) See Section 2.6.2.1 (c).
(3) See Note 23, in Section 4.1.5 of this URD.

(b) Valneva SE free shares (ordinary shares or preferred shares convertible into ordinary shares)

Ordinary shares

Free ordinary shares granted by the Company in 2021 to employees of the Valneva Group who are not corporate officers

During the fiscal year 2021, no free ordinary shares were granted by the Company to employees of the Valneva Group who are not employees.

Vesting and delivery, in 2021, of free ordinary shares granted by the Company to employees of the Valneva Group who are not corporate officers

During the fiscal year 2021, no free ordinary shares were fully vested in and delivered to non-officer employees of the Group in the form of new Valneva SE ordinary shares.

***

As a consequence of the foregoing, Table 9 of Appendix 2 to AMF Position-Recommendation 2021-02 is not applicable.

Preferred shares convertible into ordinary shares

Free convertible preferred shares granted by the Company in 2021 to employees of the Valneva Group who are not corporate officers

During the fiscal year 2021, no free convertible preferred shares were granted by the Company to employees of the Valneva Group who are not corporate officers.

Vesting and delivery, in 2021, of free convertible preferred shares granted by the Company to employees of the Valneva Group who are not corporate officers

During the fiscal year 2021, 9,817 free convertible preferred shares granted by the Company under the 2017-2021 Free convertible preferred share program, were vested in and delivered to employees of the Valneva Group who are not corporate officers.

These preferred shares were subsequently converted into new Valneva SE ordinary shares, since the conversion requirements under the terms and conditions applicable to the 2017-2021 Free convertible preferred share program had been met(1).

Information on the 10 employees of the Group who are not corporate officers

FCPS granted by the Company in 2021 to the ten employees of the Group who are not corporate officers with the highest number of FCPS so granted	**Total number of FCPS granted**	**Weighted average price** (in euros)
	0	n/a
FCPS vested in and delivered in 2021 to the ten employees of the Group who are not corporate officers with the highest number of FCPS so vested	**Total number of FCPS vested in and delivered**	**Weighted average price** (in euros) *Basis: value of the opening price of Valneva SE's ordinary share on the day of the vesting*
	9,817(*)	23

(*) *The FCPS were vested in and delivered to eight employees who are not corporate officers. The minimum number of FCPS vested to be taken into account for each employee in the calculation of this value is 1,157.*

(1) See Section 2.6.2.1 (c) of this URD.

5.7.2. Description of any arrangements providing for employees' participation in the share capital of the Company

No agreement providing for employees' participation in the share capital of the Company has been set up so far.

5.7.3. Agreements providing for financial compensation to the benefit of the employees, in case of resignation, dismissal without real and serious grounds or if termination is due to a public offering

There is no agreement providing for financial compensation to the benefit of non-officer employees, in case of resignation, dismissal without real and serious grounds or if termination is due to a public offering.

6

Additional information

6.1. Persons responsible for the French version of the Universal Registration Document

6.1.1. Declaration by the persons responsible for the French version of the Universal Registration Document

"We hereby declare that to the best of our knowledge, the information contained in this Universal Registration Document is in accordance with the facts and contains no omission likely to affect its import.

We hereby declare that, to the best of our knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and present a fair view of the assets, liabilities, financial position and results of the Company and all the other companies included in the scope of consolidation, and that the Annual Management Report, for which a table of cross-references is presented in Section 6.4.2 of this URD, provides a fair presentation of the business developments, results and financial position of the Company and all the other companies included in the scope of consolidation, as well as a description of the main risks and contingencies to which they might be exposed."

Thomas Lingelbach
President & CEO

Franck Grimaud
Directeur Général & CBO

6.1.2. Person responsible for financial information

Mr. Peter Bühler
CFO

Valneva SE
6 rue Alain Bombard
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6.1.3. Person responsible for account audit and fees

(a) Statutory Auditors

Principal Statutory Auditors

Deloitte & Associés

Represented by Mr. Stéphane LEMANISSIER

6, rue de la Pyramide9
2908 Paris-La Défense cedex
France

Deloitte & Associés was first appointed as principal Statutory Auditor by the Ordinary General Meeting held on January 22, 2007. This appointment was renewed a first time by the Ordinary General Meeting held on June 28, 2013 for a term of six years (*i.e.* until the end of the General Meeting called to rule on the financial statements for the fiscal year ended December 31, 2018), then a second time for a new period of six years, by the Ordinary General Meeting held on June 27, 2019 (*i.e.* until the end of the General Meeting called to rule on the financial statements for the fiscal year ending December 31, 2024).

Deloitte & Associés is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles et du Centre*.

PricewaterhouseCoopers Audit

Represented by Mr. Cédric MAZILLE

63 rue de Villiers
92200 Neuilly-sur-Seine
France

PricewaterhouseCoopers Audit was first appointed as principal Statutory Auditor by the Ordinary General Meeting held on June 28, 2013. This appointment was renewed by the Ordinary General Meeting held on June 29, 2017 for a term of six years that will expire at the close of the General Meeting called to rule on the financial statements for the fiscal year ending December 31, 2022.

PricewaterhouseCoopers Audit is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles et du Centre*.

(b) Fees paid by the Group to the Statutory Auditors and members of their networks

Please refer to the Notes to the Group's consolidated financial statements for the fiscal year 2021[1].

6.2. Third party information, statements by experts and declaration of interests

In preparing its parent company and consolidated financial statements, the Group used an independent actuarial firm to calculate provisions for retirement benefits. The Group also used the services of an Independent Third Party Auditor to verify the Valneva Corporate Social Responsibility report.

6.3. Documents publicly available

During the period of validity of this URD, the following documents may be consulted, as applicable, on the Group's website, **www.valneva.com**:

- the up-to-date Company's Articles of Association; and
- all reports, letters or other documents, valuations and statements prepared by an expert at Valneva's request, any part of which is included or referred to in this URD.

Copies of this URD are available free of charge at the Company's facilities located at 6 rue Alain Bombard, 44800 Saint-Herblain — France (Tel: +33 (0) 2 28 07 37 10), as well as on Valneva's website (**www.valneva.com**) and on the AMF's website (**www.amf-france.org**).

*

The information published on the websites referred to below and on pages 20, 34, 104 and 216 of this URD does not form part of this Document. As such, this information has not been reviewed or approved by the AMF.

- https://www.ema.europa.eu/en/human-regulatory/marketing-authorisation/conditional-marketing-authorisation
- https://www.ema.europa.eu/en/human-regulatory/marketing-authorisation/accelerated-assessment
- https://www.fda.gov/patients/fast-track-breakthrough-therapy-accelerated-approval-priority-review/fast-track
- https://ec.europa.eu/health/documents/eudralex/vol-4_en
- https://www.fda.gov/drugs/pharmaceutical-quality-resources/current-good-manufacturing-practice-cgmp-regulations
- https://www.cdc.gov/lyme/stats/humancases.html
- https://www.middlenext.com/spip.php?rubrique44
- https://ec.europa.eu

(1) See Note 6, in Section 4.1.5 of this URD.

6.4. Tables of cross-references

6.4.1. Table of cross-references with the Universal Registration Document

For the convenience of readers of this URD, this concordance table contains the information headings provided for by Appendixes I and II of the Commission Delegated Regulation (EC) 2019/980 of March, 14 2019 and refers to the Sections and pages of this URD where information relating to each of these headings is given.

REQUIRED DISCLOSURE (PURSUANT TO DELEGATED REGULATION (EC) 2019/980)		Section(s) of the Universal Registration Document	Page(s)
1. RESPONSIBLE PERSONS, THIRD PARTY INFORMATION, EXPERTS' REPORTS AND COMPETENT AUTHORITY APPROVAL			
1.1.	Persons responsible for the information provided in this URD.	6.1.1 & 6.1.2	396
1.2.	Responsibility statement.	6.1.1	396
1.3. 1.4.	Third party information, expert reports and declarations of interest.	6.2	397
1.5.	Approval by the competent authority.	n.a.	
2. STATUTORY AUDITORS			
2.1.	Names and addresses of the Statutory auditors.	6.1.3	396
2.2.	Changes of Statutory auditors.	n.a. (no change in 2021)	396
3. RISK FACTORS		1.5	88
4. INFORMATION ABOUT THE ISSUER			
4.1.	Legal and commercial name of the issuer.	5.4	378
4.2.	Place of registration of the issuer, its registration number and legal entity identifier (LEI).	5.4	378
4.3.	Date of incorporation and length of life of the issuer.	5.4	378
4.4.	Registered office (including related contact details), legal form, applicable legislation, website (and related disclaimer) of the issuer.	5.4	378
5. BUSINESS OVERVIEW			
5.1.	Principal activities:		
5.1.1.	Nature of the issuer's operations and its principal activities.	1.2.1 & 1.3.1	19 & 25
5.1.2.	Significant new products and/or services launched on the market.	1.1.2, 1.1.3 & 1.3.1	10, 17 & 25
5.2.	Principal markets.	1.3.2 (a) Notes 4.2 and 5.3 to the Group's consolidated financial statements for the fiscal year 2021, in Section 4.1.5	27 307 & 371
5.3.	Significant events in the development of the issuer's activity.	1.1.2, 1.1.3, 1.3 & 1.4.4 - upon referral by Sections 1.2.1 (b) & 5.4	10, 15, 25 & 80
5.4.	Strategy and objectives.	1.3.2 (b), 1.4.4 (a) & 1.4.4 (c)	29 & 80
5.5.	Dependence of the Group on patents, licenses, industrial, commercial or financial agreements, or on new manufacturing processes.	1.5 - upon referral by Section 1.3.3 (c)	88
5.6.	Competitive position.	1.3.2 (a)	27

REQUIRED DISCLOSURE (PURSUANT TO DELEGATED REGULATION (EC) 2019/980)		Section(s) of the Universal Registration Document	Page(s)
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5.7.1.	Material investments made by the issuer.	1.3.4 (a) & (b)	48
5.7.2.	Material investments in progress or firm commitments taken in this respect.	1.3.4 (c)	48
5.7.3.	Joint ventures and significant shareholding affecting the issuers' situation.	n.a.	
5.7.4.	Environmental issue that may affect the issuer's use of the tangible fixed assets.	3	195
6. ORGANIZATIONAL STRUCTURE			
6.1.	Summarized description of the Group.	1.2.2	21
6.2.	List of issuer's significant subsidiaries.	1.2.2 (b)	22
7. OPERATING AND FINANCIAL REVIEW			
7.1.	Financial condition:		
7.1.1.	Fair review of the development and performance of the issuer's business.	1.4.1 & 1.4.3	49 & 59
7.1.2.	Issuer's likely future development, research and development activities.	1.3.3 & 1.4.4	30 & 80
7.2.	Operating results:		
7.2.1.	Significant factors materially affecting the issuer's operating results.	1.4.1 & 1.4.3	49 & 59
7.2.2.	Explanation of material changes in the financial statements.	1.4.1 & 1.4.3	49 & 59
8. CAPITAL RESOURCES			
8.1.	Issuer's capital resources (short-term and long-term).	1.4.5	80
8.2.	Sources, amounts and description of the issuer's cash flows.	1.4.5	80
8.3.	Borrowing requirements and funding structure of the issuer.	1.4.5	80
8.4.	Restriction on the use of capital resources.	1.4.5	80
8.5.	Anticipated sources of funds needed to fulfil commitments of item 5.7.2 above.	1.4.5	80
9. REGULATORY ENVIRONMENT			
9.1.	Description of the regulatory environment and of the factors having an impact on the issuer's activities.	1.2.1 (c)	19
10. INFORMATION ON TRENDS			
10.1.	Most significant recent trends. Significant changes in the Group's financial performance since end of the last fiscal year.	1.1.3 - upon referral by Section 1.4.4 (b) Note 34 to the Group's consolidated financial statements for the fiscal year 2021, in Section 4.1.5	17 301
10.2.	Information on any known trends that may have affect the issuer's prospects, for at least the current fiscal year.	1.1.3 & 1.4.4 Note 35 to the Group's consolidated financial statements for the fiscal year 2021, in Section 4.1.5	17 & 80 301
11. PROFIT FORECAST OR ESTIMATE			
11.1.	Forecast or estimate in progress, published.	n.a.	
11.2.	Principal assumptions.	n.a.	
11.3.	Statement on published forecasts or estimates.	n.a.	

REQUIRED DISCLOSURE (PURSUANT TO DELEGATED REGULATION (EC) 2019/980)		Section(s) of the Universal Registration Document	Page(s)
12. MANAGEMENT AND SUPERVISORY BODIES, EXECUTIVE MANAGEMENT			
12.1	Information on the Management and Supervisory Board members.	2.1.1 & 2.1.2	105 & 110
12.2.	Conflicts of interest. Arrangement or agreement for selection as a member of a management or supervisory body or as a member of executive management. Details of any agreed restrictions of their holdings in the issuer's share capital.	2.1.4	125
13. COMPENSATION AND BENEFITS			
13.1.	Compensation and benefits paid or granted.	2.6.2	140
13.2.	Accruals to provide retirement or other similar benefits.	2.6.2.1 (b) & (d)	141 & 156
14. FUNCTIONING OF THE MANAGEMENT AND SUPERVISORY BODIES			
14.1.	Date of expiration of current terms of office.	2.1	105
14.2.	Service agreements.	2.1.3 (c)	125
14.3.	Information about the issuer's special Committees.	2.2.5	129
14.4.	Compliance with the applicable incorporation corporate governance regime.	2 (Preliminary statements) & 2.9	104 & 192
14.5.	Potential significant impacts and future changes on corporate governance.	n.a.	
15. EMPLOYEES			
15.1.	Breakdown of employees.	1.2.2 (b) & 1.4.1 (b)	22 & 51
15.2.	Shareholdings and stock options.	2.6.2.1 (c) & 5.7.1	145 & 390
15.3.	Arrangement involving the employees in the capital of the issuer.	5.7.2	392
16. MAJOR SHAREHOLDERS			
16.1.	Shareholdings declared in accordance with Articles L. 233-7 and L. 233-12 of the French Commercial Code.	2.7.3 - upon referral by Section 5.2.2	181
16.2.	Principal shareholders of the issuer with different voting rights.	5.2.1	369
16.3.	Direct or indirect ownership or control of the issuer.	5.2.5	370
16.4.	Arrangements which could result in a change of control of the issuer.	2.7.9 - upon referral by Sections 5.2.6 & 5.3.6	190
17. RELATED PARTY TRANSACTIONS		Note 4.14 (b) of the parent entity financial statements for the fiscal year 2021, in Section 4.2.4	343
		Note 34 to the Group's consolidated financial statements for the fiscal year 2021, in Section 4.1.5 - upon referral by Section 5.6.3	301

REQUIRED DISCLOSURE (PURSUANT TO DELEGATED REGULATION (EC) 2019/980)		Section(s) of the Universal Registration Document	Page(s)
18. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES			
18.1.	Historical financial information:		
18.1.1.	Audited historical financial information.	4.1 & 4.2 Incorporation by reference of information with respect to the fiscal years 2020 and 2021	240 & 307
18.1.2.	Change of accounting reference date.	n.a. (none)	
18.1.3.	Accounting standards.	4.1 & 4.2	240 & 307
18.1.4.	Change of accounting framework.	n.a. (none)	
18.1.5.	Parent entity financial statements.	4.2	307
18.1.6.	Consolidated financial statements.	4.1	240
18.1.7.	Latest financial information.	4.1 & 4.2	240 & 307
18.2.	Interim and other financial information.	n.a.	
18.3.	Audit of historical annual financial information:		
18.3.1.	Independent audit of historical annual financial information.	4.1.6 & 4.2.5	302 & 350
18.3.2.	Other audits conducted on this URD.	3.13 (Independant Third Party Auditor's report on the CSR report)	233
18.3.3	Unaudited financial information.	1.3.4 (a) & 1.4.1 (a)	48 & 49
18.4.	Pro forma financial information.	n.a.	
18.5.	Policy on dividend:		
18.5.1.	Applicable policy and restrictions.	n.a. (See Section 1.4.9)	87
18.5.2.	Amount of dividend per share.	n.a. (See Section 1.4.9)	87
18.6.	Judicial and arbitration proceedings.	1.5.3	94
18.7	Significant change in the Group's financial position which has occurred since the end of the last financial period for which either audited financial statements or interim financial information have been published.	1.1.3 - upon referral by Section 1.4.4 (b) Note 35 to the Group's consolidated statements for the fiscal year 2021, in Section 4.1.5 Note 4.14 (f) of the parent entity financial statements for the fiscal year 2021, in Section 4.2.4	17 301 349

REQUIRED DISCLOSURE (PURSUANT TO DELEGATED REGULATION (EC) 2019/980)		Section(s) of the Universal Registration Document	Page(s)
19. ADDITIONAL INFORMATION			
19.1.	Share capital:		
19.1.1.	Information of the amount of issued capital.	2.7.1 & 5.1.1	177 & 356
		Note 22 to the Group's consolidated statements for the fiscal year 2021, in Section 4.1.5	284
19.1.2.	Non-equity shares.	5.1.2	356
19.1.3.	Treasury stock.	5.1.3	356
19.1.4.	Convertible securities, exchangeable securities or securities with warrants.	2.6.2.1 (c) & 2.6.2.2 (b) - upon referral by Section 5.1.4	145 & 173
19.1.5.	Terms and conditions governing any acquisition rights and/or obligations attached to the subscribed but not fully paid-up capital, or any undertaking to increase the capital.	2.6.2.1 (c) - upon referral by Section 5.1.4	145
		2.7.8.1 & 2.7.8.3 - upon referral by Section 5.1.5	185 & 187
19.1.6.	Information about any capital of any member of the Group which is under option or agreed to be put under option.	2.6.2.1 (c) - upon referral by Section 5.1.4 (a)	145
19.1.7.	Share capital history.	5.1.6	364
19.2.	Memorandum and Articles of Association:		
19.2.1.	Issuer's corporate purpose.	5.3.1	371
19.2.2.	Rights, preferences and restrictions attached to each category of shares.	5.3.3	371
19.2.3.	Any provision of the issuer's articles of association that would have an effect of delaying, deferring or preventing a change in control of the issuer.	5.3.6	377
20. MATERIAL AGREEMENTS		1.4.2	53
21. AVAILABLE DOCUMENTS		6.3	397

6.4.2. Table of cross-references with the Annual Financial Report and the Management Board Report issued in accordance with the French Commercial Code

For the convenience of readers of the Annual Financial Report (AFR) and the Management Report issued pursuant to the French Commercial Code, the following table identifies the main statutory information covered in this Universal Registration Document.

HEADINGS	Information for	Section(s) of the Universal Registration Document	Page(s)
1. Parent entity financial statements	AFR	4.2	307
2. Consolidated financial statements	AFR	4.1	240
3. Management Board Report			
3.1. Group's business activities and situation			
▪ Situation during the year ended and an objective and exhaustive analysis of the development of the business, results and financial position of the Company and the Group, including its debt position, in relation to the volume and complexity of business. *Articles L. 225-100-1, I., 1°, L. 232-1, II., L. 233-6 and L. 233-26 of the French Commercial Code (applicable until December 31, 2020)* *Articles L. 225-100-1, I., 1°, L. 232–1, II, L. 233-6 and L. 233-26 of the French Commercial Code (applicable as of January 1, 2021)*		1.4.1 & 1.4.3	49 & 59
▪ Key financial performance indicators of the Company and Group. *Article L. 225-100-1 I., 2° of the French Commercial Code (applicable until December 31, 2020)* *Article L. 225-100-1, I., 2° (applicable as of January 1, 2021)*	AFR	1.1.1, 1.4.1, 1.4.3	8, 49 & 59
▪ Key non-financial performance indicators relating to the specific business of the Company and the Group, including information on environmental and employee matters. *Article L. 225-100-1 I., 2° of the French Commercial Code (applicable until December 31, 2020)* *Article L. 225-100-1, I., 2° French Commercial Code (applicable as of January 1, 2021)*	AFR	3	195
▪ Significant events occurring between the year-end closing date and the date on which the Annual Management Report was prepared. *Articles L. 232-1-II and L. 233-26 of the French Commercial Code*		1.1.3 - upon referral by Section 1.4.4 (b)	17
		Note 35 to the Group's consolidated financial statements for the fiscal year 2021, in Section 4.1.5	301
		Note 4.14 (f) to the parent entity financial statements for the fiscal year 2021, in Section 4.2.4	349
▪ Identity of the main shareholders and holders of voting rights at General Meetings, and changes made during the fiscal year. *Article L. 233-13 of the French Commercial Code*		2.7.1 - upon referral by Sections 5.2.1 & 5.2.3	177
		5.2.1	369
▪ Existing branches. Article L 232-1, II of the French Commercial Code		n.a. (none)	

HEADINGS	Information for	Section(s) of the Universal Registration Document	Page(s)
▪ Significant holdings in companies having their registered office in France. *Article L. 233-6, subsection 1 of the French Commercial Code*		1.2.2	21
▪ Transfer of cross-holdings. *Articles L. 233-29, L. 233-30 and R. 233-19 of the French Commercial Code*		n.a.	
▪ Foreseeable development of the Company and the Group and outlook. *Article L. 232-1, R. 225-102 and L. 233-26 of the French Commercial Code*		1.4.4	80
▪ Research and development activities. *Articles L. 232-1, II and L. 233-26 of the French Commercial Code*		1.3.3	30
▪ Table showing the Company's results for each of the last five fiscal years. *Article R. 225-102 of the French Commercial Code*	AFR	1.4.1 (b)	51
▪ Payment period of suppliers' and customers' debts. *Article D. 441-4 of the French Commercial Code*		1.4.8	86
▪ Amounts of inter-company loans granted and auditor's statement. *Articles L. 511-6 and R. 511-2-1-3 of the French Monetary and Financial Code*		n.a.	
3.2. Internal control and risk management			
▪ Main risks and uncertainties facing the Company and Group. *Article L. 225-100-1, I., 3° of the French Commercial Code (applicable until December 31, 2020)* *Article L. 225-100-1, I., 3° of the French Commercial Code (applicable as of January 1, 2021)*	AFR	1.5.1 & 1.5.2 3.4.1	88 & 92 200
▪ Information on the financial risks related to the effects of climate change and the measures the Company is taking to reduce them by implementinga low-carbon strategy in all aspects of its business activities. *Article L. 225-100-1, I., 4° of the French Commercial Code (applicable until December 31, 2020)* *Article L. 22-10-35, 1° of the French Commercial Code (applicable as of January 1, 2021)*		3.8.1	219
▪ Main characteristic of the internal control and risk management procedures implemented by the Company and the Group for the preparation and processing of accounting and financial information. *Article L. 225-100-1, I., 5° and II., final paragraph of the French Commercial Code (applicable until December 31, 2020)* *Article L. 22-10-35, 2° of the French Commercial Code (applicable as of January 1, 2021)*		1.5.5	96
▪ Information on the objectives and policy for hedging main category of transactions and on exposure to price, credit, liquidity and cash flow risks, including the use of financial instruments. *Article L. 225-100-1, I., 6° of the French Commercial Code (applicable until December 31, 2020)* *Article L. 225-100-1., 4° of the French Commercial Code (applicable as of January 1, 2021)*		1.5.5 (c) Note 2.5 to the Group's consolidated financial statements for the fiscal year 2021, in Section 4.1.5 Section 4.14 (e) to the parent entity financial statements for the fiscal year 2021, in Section 4.2.4	97 314 349
▪ Anti-bribery system. *French Law n°2016-1691 of December 9, 2016 known as « Sapin 2 »*		3.6	207
▪ Monitoring plan and report on its effective implementation. *Article L. 225-102-4 of the French Commercial Code*		n.a.	

HEADINGS	Information for	Section(s) of the Universal Registration Document	Page(s)
3.3. Report by the Supervisory Board on the Corporate Governance	AFR		
3.3.1. Information on compensation			
■ Compensation policy for corporate officers. *Article L. 225-37-2, I., subsection 2 of the French Commercial Code (applicable until December 31, 2020)* *Article L. 22-10-8, I., subsection 2 of the French Commercial Code (applicable as of January 1, 2021)*		2.6.1	134
■ Compensation and benefits of any kind paid during the fiscal year or granted in respect of the fiscal year to each corporate officer. *Article L. 225-37-3, I., 1° of the French Commercial Code (applicable until December 31, 2020)* *Article L. 22-10-9, I., 1° of the French Commercial Code (applicable as of January 1, 2021)*		2.6.2	140
■ Ratio of fixed and variable compensation. *Article L. 225-37-3, I., 2° of the French Commercial Code (applicable until December 31, 2020)* *Article L. 22-10-9, I., 2° of the French Commercial Code (applicable as of January 1, 2021)*		2.6.2.1 (a)	140
■ Use of the possibility to ask for the restitution of a variable compensation. *Article L. 225-37-3, I., 3° of the French Commercial Code (applicable until December 31, 2020)* *Article L. 22-10-9, I., 3° of the French Commercial Code (applicable as of January 1, 2021)*		n.a. (no use)	
■ Commitments of any kind provided to the Company's corporate officers, corresponding to compensation, indemnities or benefits due or likely to be due as a result of the assumption, termination or change in their duties or after the exercise of their duties. *Article L. 225-37-3, I., 4° of the French Commercial Code (applicable until December 31, 2020)* *Article L. 22-10-9, I., 4° of the French Commercial Code (applicable as of January 1, 2021)*		2.6.2.1 (d) - upon referral by Section 2.7.10	156
■ Compensation paid or granted by a company included in the scope of consolidation within the meaning of Article L. 233-16 of the French Commercial Code. *Article L. 225-37-3, I., 5° of the French Commercial Code (applicable until December 31, 2020)* *Article L. 22-10-9, I., 5° of the French Commercial Code (applicable as of January 1, 2021)*		2.6.2.1	140
■ Ratios between the level of compensation of each corporate officer and the average and median compensation of the Company's employees. *Article L. 225-37-3, I., 6° of the French Commercial Code (applicable until December 31, 2020)* *Article L. 22-10-9, I., 6° of the French Commercial Code (applicable as of January 1, 2021)*		2.6.3	174
■ Annual changes in compensation, Company's performance, average compensation of Company's employees and the above ratios over the five most recent fiscal years. *Article L. 225-37-3, I., 7° of the French Commercial Code (applicable until December 31, 2020)* *Article L. 22-10-9, I., 7° of the French Commercial Code (applicable as of January 1, 2021)*		2.6.3	174
■ Explanation of how the total compensation complies with the adopted compensation policy, including how it contributes to the long-term performance of the Company and how the performance criteria have been applied. *Article L. 225-37-3, I., 8° of the French Commercial Code (applicable until December 31, 2020)* *Article L. 22-10-9, I., 8° of the French Commercial Code (applicable as of January 1, 2021)*		2.6.1	134

HEADINGS	Information for	Section(s) of the Universal Registration Document	Page(s)
■ Manner by which the vote of the last Ordinary General Meeting provided for in II of Article L. 225-100 (until December 31, 2020) then in I of Art L. 22-10-34 (as of January 1, 2021) of the French Commercial Code was taken into account. *Article L. 225-37-3, 95* ■ I., 9° of the French Commercial Code (applicable until December 31, 2020) Article L. 22-10-9, I., 9° of the French Commercial Code (applicable as of January 1, 2021)		2.6.1	134
■ Deviation from the procedure for the implementation of the compensation policy and any derogation. *Article L. 225-37-3, I., 10° of the French Commercial Code (applicable until December 31, 2020)* *Article L. 22-10-9, I., 10° of the French Commercial Code (applicable as of January 1, 2021)*		n.a. (none)	
■ Application of the provisions of the second paragraph of Article L. 225-45 of the French Commercial Code (suspension of payment of corporate officers' compensation in the event of failure to comply with the gender mix of the Management Board). *Article L. 225-37-3, I., 11° of the French Commercial Code (applicable until December 31, 2020)* *Article L. 22-10-9, I., 11° of the French Commercial Code (applicable as of January 1, 2021)*		n.a. (none)	
■ Stock option granting and retention by corporate officers. *Article L. 225-185 of the French Commercial Code (applicable until December 31, 2020)* *Article L. 225-185 of the French Commercial Code (applicable as of January 1, 2021)*		2.6.2.1 (c)	145
■ Free shares granting and retention by executive directors. *Article L. 225-197-1 of the French Commercial Code (applicable until December 31, 2020)* *Articles L. 225-197-1 and L. 22-10-59 of the French Commercial Code (applicable as of January 1, 2021)*		2.6.2.1 (c)	145
3.3.2. Governance information			
■ List of all duties and positions held in any company by each of the corporate officers during the fiscal year. *Article L. 225-37-4, 1° of the French Commercial Code (applicable until December 31, 2020)* *Article L. 225-37-4, 1° of the French Commercial Code (applicable as of January 1, 2021)*		2.1.1 & 2.1.2	105 & 110
■ Agreements entered into between a corporate officer or a significant shareholder and a subsidiary. *Article L. 225-37-4, 2° of the French Commercial Code (applicable until December 31, 2020)* *Article L. 225-37-4, 2° of the French Commercial Code (applicable as of January 1, 2021)*		2.5	133
■ Summary table of the current delegations of authority granted by the General Meeting in respect of capital increases. *Article L. 225-37-4, 3° of the French Commercial Code (applicable until December 31, 2020)* *Article L. 225-37-4, 3° of the French Commercial Code (applicable as of January 1, 2021)*		2.7.8 - upon referral by Section 2.3	185
■ Choice of one of the two methods of exercising general management, in case of modification. *Article L. 225-37-4, 4° of the French Commercial Code (applicable until December 31, 2020)* *Article L. 225-37-4, 4° of the French Commercial Code (applicable as of January 1, 2021)*		n.a. (no change)	

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