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Valneva

Société Européenne

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70, rue Saint-Jean de Dieu
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Statutory Auditors' special report on related-party agreements and commitments

Annual General Meeting for the approval of the financial statements for the year ended December 31, 2015

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Annual General Meeting for the approval of the financial statements for the year ended December 31, 2015

This is a free translation into English of the Statutory Auditors' special report on related party agreements and commitments 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 auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of Valneva, we hereby report to you on related-party agreements and commitments.

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 and commitments 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 or commitments. 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 and commitments 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 in relation to the implementation during the year of agreements and commitments already approved by the Annual General Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

Agreements and commitments to be submitted for the approval of the Annual General Meeting

Agreements and commitments authorised during the year

In accordance with Article L. 225-88 of the French Commercial Code, we have been informed of the following agreements and commitments previously authorized by the Supervisory Board.

Agreement with Franck Grimaud, member of the Management Board and Deputy Chief Executive Officer

- Nature and purpose: the Management Agreement, authorized by the Supervisory Board on 25 June 2015, specifies the compensation and benefits to be received by Mr. Franck Grimaud from the end of the Annual General Meeting called in 2016, for the purpose of approving the financial statements for the year ended 31 December 2015.

- Terms and conditions: the expense recognized in 2015 by your company in relation to this agreement amounts to €0 and the amount paid to €0.

- Reason provided by the Company: this agreement will help to ensure the long-term stability of the company's Management Board while keeping costs under control.

Commitments authorized in relation to Franck Grimaud, member of the Management Board and Deputy Chief Executive Officer, regarding compensation and benefits to be paid by Valneva SE in the event of termination of his contract or change of position

- Nature and purpose: the Management Agreement, authorized by the Supervisory Board on 25 June 2015, specifies the compensation and benefits to be received by Mr. Franck Grimaud from the end of the Annual General Meeting called in 2016, for the purpose of approving the financial statements for the year ended 31 December 2015.

- Terms and conditions:

    1. In the event of Mr. Grimaud's incapacity to work due to illness or accident, Valneva SE must pay an amount of compensation which, when added to national health insurance benefits, would enable Mr. Grimaud to receive the equivalent of 100% of the compensation outlined in Section 6.1 of the Management Agreement (i.e. €245,792.40 gross annual salary as of 1 January 2016) for a period of three months, and 49% thereafter for an additional maximum three-month period. 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. All payments would cease upon termination of the Management Agreement.

    2. In the event of termination of the Management Agreement by means other than (i) removal by Valneva SE of Mr. Grimaud on reasonable grounds, or (ii) at Mr. Grimaud's initiative (excluding in circumstances leading to an effective reduction in responsibilities assigned to Mr. Grimaud in relation to one of his management roles) and in accordance with non-competition obligations (Section 10.1 of the Management Agreement), Valneva SE will pay full compensation for the duration of these obligations (i.e. one year from termination of the Management Agreement).

    3. In the event of removal of Mr. Grimaud from his position as member of the Management Board and termination of the Management Agreement (after a two-month notice period ending on the last day of the current month), Valneva SE will pay compensation as outlined in Section 6.1 of the Management Agreement up to the expiry date of said Management Agreement (i.e. on the earlier of (i) the date of the Annual General Meeting of Valneva SE held to approve the 2018 financial statements, and (ii) 30 June 2019), provided that Mr. Grimaud meets, where applicable, the targets set by the Supervisory Board in accordance with Article L. 225-90-1 of the French Commercial Code. Up to the end of the notice period, Valneva SE will (i) pay a bonus as outlined in Section 6.3 of the Management Agreement on a pro rata basis (the bonus may not exceed 50% of the gross annual compensation stipulated in Section 6.1 of the Management Agreement), (ii) pay insurance premiums as outlined in Section 6.5 of the Management Agreement (Executive Insurance Policy), (iii) reimburse expenses as outlined in Section 7 of the Management Agreement (including out-of-pocket expenses) and (iv) provide benefits-in-kind as outlined in Section 8 of the Management Agreement (including the rental of a company car for up to €1,000 a month, car insurance and company car tax).

    4. In the event of Mr. Grimaud's resignation and termination of the Management Agreement (after a two-month notice period ending on the last day of the

current month), and if Valneva SE fails to give notice of its decision to waive application of the non-competition obligations outlined in Section 10.1 of the Management Agreement, Valneva SE will pay Mr. Grimaud compensation as outlined in Section 6.1 of said Management Agreement and a bonus as outlined in Section 6.3 of said Management Agreement on a pro rata basis. In any event, these payments will be due for the duration of the non-competition obligations in accordance with Section 10.1 of the Management Agreement, provided that Mr. Grimaud meets, where applicable, the targets set by the Supervisory Board in accordance with Article L. 225-90-1 of the French Commercial Code. If Valneva SE waives its rights relating to the non-competition clause (Section 10.1 of the Management Agreement) or does not state that it will offer full compensation for the duration of these obligations, Mr. Grimaud will not be entitled to any further compensation upon expiry of the notice period.

5. If one of Mr. Grimaud's management positions within the Valneva Group ("Valneva SE management positions") is terminated by Mr. Grimaud himself or by the relevant Company before expiry of the Management Agreement due to circumstances leading to an effective reduction in the responsibilities assigned to Mr. Grimaud in relation to such position (including for legal reasons or as a result of the Group's operating structure), and subject to the provisions set out in paragraph 3 above, Mr. Grimaud may resign from the Management Board of Valneva SE and receive compensation as outlined in Section 6.1 of the Management Agreement as well as a bonus as outlined in Section 6.3 of the Management Agreement on a pro rata basis. These payments would be made up to expiry of the Management Agreement, provided that Mr. Grimaud, where applicable, meets the targets set by the Supervisory Board in accordance with Article L. 225-90-1 of the French Commercial Code. Total allowances received by Mr. Grimaud under the Executive Insurance Policy must be deducted for the period during which compensation is paid (payments in 2016 by the company under this Policy totalled €7,514).

- Reason provided by the Company: the aforementioned rules on compensation have been drawn up to ensure that all company officers are treated fairly and equally upon termination of their term of office. They are also designed to limit the cost of terminating the Management Agreement, make it easier to forecast costs and limit the risk of legal disputes.

Commitments authorized in relation to Thomas Lingelbach, Chairman of the Management Board, regarding compensation and benefits to be paid by Valneva Austria GmbH in the event of termination of his contract or change of position

- Nature and purpose: the Management Agreement, authorized by the Supervisory Board on 25 June 2015 and signed by Valneva Austria GmbH, specifies the compensation and benefits to be received by Mr. Thomas Lingelbach.

- Terms and conditions:
    1. In the event of Mr. Lingelbach's incapacity to work due to illness or accident, Valneva Austria GmbH must pay an amount of compensation equivalent to 100% of the compensation outlined in Section 6.1 of the Management Agreement (i.e. €327,723.20 gross annual salary as of 1 January 2016) for a period of three months, and 49% thereafter for an additional maximum three-month period. 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. All payments would cease upon termination of the Management Agreement.

    2. If Valneva Austria GmbH states that it will comply with the provisions relating to non-competition obligations (Section 10.2 of the Management Agreement), and after it sends prior written notice of termination, Valneva Austria GmbH must pay full compensation to Mr. Lingelbach for the duration of the aforementioned obligations (i.e. one year upon termination of the Management Agreement).

    3. In the event of termination by Mr. Lingelbach of the Management Agreement for justified reasons, and in compliance with Section 26 of the Austrian White Collar Workers Act (subject to Mr. Lingelbach's resignation as legal manager of Valneva Austria GmbH and as a member of the Valneva SE Management Board within a reasonable time limit), the company will pay Mr. Lingelbach compensation as outlined in Section 6.1 of the Management Agreement and a bonus as outlined in Section 6.3 of the Management Agreement on a pro rata basis (the bonus may not exceed 60% of the gross annual salary outlined in Section 6.1 of the Management Agreement). These payments would be made up to expiry of the Management Agreement (i.e. on the earlier of (i) the date of the Annual General Meeting of Valneva SE held to approve the 2018 financial statements, and (ii) 30 June 2019) and after deduction of the amount saved by Mr. Lingelbach as a result of services not rendered or any amounts earned for any other type of work performed, or intentional loss of earnings (Section 29 of the Austrian White Collar Workers Act).

    4. In the event of removal by Valneva Austria GmbH of Mr. Lingelbach as legal manager and termination of the Management Agreement following prior notice as stipulated in Section 20 of the Austrian White Collar Workers Act (notice period ending on the last day of the current month), the company will pay Mr. Lingelbach compensation as outlined in Section 6.1 of the Management Agreement up to expiry of the Management Agreement and up to expiry of the notice period, as well as i) a bonus as outlined in Section 6.3 of the Management Agreement on a pro rata basis, ii) insurance premiums as outlined

in Section 6.5 of the Management Agreement (life/death insurance – current premium of €1,000 a month), iii) reimbursement of expenses as provided for in Section 7 of the Management Agreement (including out-of-pocket expenses and travel expenses) and iv) benefits-in-kind as outlined in Section 8 of the Management Agreement (including the rental of a company car for up to €1,000 a month, car insurance and other related expenses).

5. In the event of termination by Mr. Lingelbach of the Management Agreement subject to a notice period in line with that required by Valneva Austria GmbH in compliance with Section 20 of the Austrian White Collar Workers Act (notice period ending on the last day of the current month), the company will pay Mr. Lingelbach compensation as outlined in Section 6.1 of the Management Agreement and a bonus as outlined in Section 6.3 of the Management Agreement on a pro rata basis. These payments would be made for the duration of the non-competition obligations as outlined in Section 10.2 of the Management Agreement, i.e. one year upon termination of the Management Agreement. The aforementioned does not apply if Valneva Austria GmbH gives notice of its decision to waive application of the non-competition obligations during the notice period. In this event, Mr. Lingelbach may not lay claim to any further compensation upon expiry of the notice period.

6. If one of Mr. Lingelbach's Valneva SE management positions is terminated by Mr. Lingelbach himself or by the relevant Company before expiry of the Management Agreement due to circumstances leading to an effective reduction in the responsibilities assigned to Mr. Lingelbach in relation to such management position (including for legal reasons or as a result of the Group's operating structure), Mr. Lingelbach may resign as legal manager of Valneva Austria GmbH and receive compensation as outlined in Section 6.1 of the Management Agreement as well as a bonus as outlined in Section 6.3 of the Management Agreement on a pro rata basis. These payments would be made up to expiry of the Management Agreement.

- <u>Reason provided by the Company:</u> the aforementioned rules on compensation have been drawn up to ensure that all company officers are treated fairly and equally upon termination of their term of office. They are also designed to limit the cost of terminating the Management Agreement, make it easier to forecast costs and limit the risk of legal disputes.

Commitments authorized in relation to Mr. Reinhard Kandera, member of the Management Board, regarding compensation and benefits to be paid by Valneva Austria GmbH in the event of termination of his contract or change of position

- Nature and purpose: the Management Agreement, authorized by the Supervisory Board on 25 June 2015 and signed by Valneva Austria GmbH, specifies the compensation and benefits to be received by Mr. Reinhard Kandera.

- Terms and conditions:

  1. In the event of Mr. Kandera's incapacity to work due to illness or accident, Valneva Austria GmbH must pay an amount of compensation equivalent to 100% of the compensation outlined in Section 6.1 of the Management Agreement (i.e. €245,792.40 gross annual salary as of 1 January 2016), and 49% thereafter for an additional maximum three-month period. 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. All payments would cease upon termination of the Management Agreement.

  2. If Valneva Austria GmbH states that it will comply with the provisions relating to the non-competition obligations (Section 10.2 of the Management Agreement), and after it sends prior written notice of termination, Valneva Austria GmbH must pay Mr. Kandera full compensation for the duration of the aforementioned obligations (i.e. one year upon termination of the Management Agreement).

  3. In the event of termination by Mr. Kandera of the Management Agreement for justified reasons, and in compliance with Section 26 of the Austrian White Collar Workers Act (subject to Mr. Kandera's resignation as legal manager of Valneva Austria GmbH and as a member of the Valneva SE Management Board within a reasonable time limit), the company will pay Mr. Kandera compensation as outlined in Section 6.1 of the Management Agreement and a bonus as outlined in Section 6.3 of the Management Agreement on a pro rata basis (the bonus may not exceed 60% of the gross annual salary stipulated in Section 6.1 of the Management Agreement, or 50% from 1 January 2016 onwards). These payments would be made i) up to expiry of the Management Agreement (i.e. on the earlier of (i) the date of the Annual General Meeting of Valneva SE held to approve the 2018 financial statements, and (ii) 30 June 2019) and ii) after deduction of the amount saved by Mr. Kandera as a result of services not rendered or any amounts earned for any other type of work performed, or intentional loss of earnings (Section 29 of the Austrian White Collar Workers Act).

  4. In the event of removal by Valneva Austria GmbH of Mr. Kandera as legal manager and termination of the Management Agreement following prior notice as stipulated in Section 20 of the Austrian White Collar Workers Act (notice period ending on the last day of the current month), the company will pay

Mr. Kandera compensation as outlined in Section 6.1 of the Management Agreement up to expiry of the Management Agreement and the notice period, as well as i) a bonus as outlined in Section 6.3 of the Management Agreement on a pro rata basis, ii) insurance premiums as outlined in Section 6.5 of the Management Agreement (life/death insurance – current premium of €1,000 a month), iii) reimbursement of expenses as provided for in Section 7 of the Management Agreement (including out-of-pocket expenses) and iv) benefits-in-kind as outlined in Section 8 of the Management Agreement (including the rental of a company car for up to €1,000 a month, car insurance and other related expenses).

5. In the event of termination by Mr. Kandera of the Management Agreement subject to a notice period in line with that required by Valneva Austria GmbH in compliance with Section 20 of the Austrian White Collar Workers Act (notice period ending on the last day of the current month), the company will pay Mr. Kandera compensation as outlined in Section 6.1 of the Management Agreement and a bonus as outlined in Section 6.3 of the Management Agreement on a pro rata basis. These payments would be made for the duration of the non-competition obligations as outlined in Section 10.2 of the Management Agreement, i.e. one year upon termination of the Management Agreement. The aforementioned does not apply if Valneva Austria GmbH gives notice of its decision to waive application of the non-competition obligations during the notice period. In this event, Mr. Kandera may not lay claim to any further compensation upon expiry of the notice period.

6. If Mr. Kandera or Valneva SE terminates one of his management positions before expiry of the Management Agreement due to circumstances leading to an effective reduction in the responsibilities assigned to Mr. Kandera in relation to his role on the Management Board (including for legal reasons or as a result of the Group's operating structure), Mr. Kandera may resign as legal manager of Valneva Austria GmbH and receive i) compensation as outlined in Section 6.1 of the Management Agreement and ii) a bonus as outlined in Section 6.3 of the Management Agreement on a pro rata basis. In any event, these payments must be made up to expiry of the Management Agreement.

- Reason provided by the Company: the aforementioned rules on compensation have been drawn up to ensure that all company officers are treated fairly and equally upon termination of their term of office. They are also designed to limit the cost of terminating the Management Agreement, make it easier to forecast costs and limit the risk of legal disputes.

Agreements and commitments approved in previous years

In accordance with article R.225-57 of the French Commercial Code, we were informed that the following agreements and commitments, approved by the Annual General Meeting in previous years, remained in force during the year ended 31 December 2015.

Agreement with Franck Grimaud, member of the Management Board and Deputy Chief Executive Officer

- Nature and purpose: the Management Agreement, previously authorized by the Supervisory Board on 31 May 2013 and approved by the Annual General Meeting on 26 June 2014, specifies the compensation and benefits to be received by Mr. Franck GRIMAUD from 28 May 2013, the date of Valneva's registration in the Lyon Trade and Companies Register as a European company.
- Terms and conditions: the expense recognized in 2015 by your company in relation to this agreement amounts to €559,201.24 and the amount paid to €624,323.57.

Agreements with Groupe Grimaud La Corbière SA, a shareholder with more than 10% of the voting rights

- Person concerned: Franck Grimaud, member of the Management Board and Deputy Chief Executive Officer of Valneva, and Chairman of the Management Board of Groupe Grimaud La Corbière SA

- Terms and conditions:

    1. The guarantee provided by Groupe Grimaud La Corbière for the loan taken out by your company for a total of €500,000 with Caisse d'Epargne Pays de Loire remains in force. The expense recognized in 2015 by your company with respect to this guarantee totalled €1,759.33 and the amount paid €1,759.33.

    2. The guarantee provided by Groupe Grimaud La Corbière for the loans taken out by your company for a total of €1,500,000 with Crédit Mutuel and LCL remains in force. The rate of remuneration for the guarantee provided by Groupe Grimaud La Corbière is 0.75% of outstanding amounts. The expense recognized in 2015 by your company with respect to this guarantee is €3,382.18 and the amount paid €3,382.18.

    3. The guarantee provided by Groupe Grimaud La Corbière for the loan taken out by your company for a total of €1,200,000 with Crédit Mutuel remains in force. The rate of remuneration for the guarantee provided by Groupe Grimaud La Corbière is 0.75% of the outstanding amounts guaranteed. The expense recognized in 2015 by your company with respect to this guarantee is €407.03 and the amount paid €407.03.

In accordance with French law, we inform you that the Supervisory Board did not perform an annual review of these agreements entered into and approved during previous years with Groupe Grimaud La Corbière SA and which remained in force during the year, as required by Article L.225-88-1 of the French Commercial Code.

Neuilly-sur-Seine and Marseille, 18 March 2016

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Thierry Charron	Vincent Gros