VALNEVA

A European company (*Societas Europaea* or SE) with a Management and a Supervisory Board
With a share capital of € 11,383,243.14
Registered office: 70, rue Saint Jean de Dieu, 69007 Lyon
R.C.S. Lyon 422 497 560

SPECIAL REPORT OF THE MANAGEMENT BOARD TO THE ANNUAL ORDINARY GENERAL MEETING TO BE HELD ON JUNE 30, 2016 ON TRANSACTIONS UNDERTAKEN IN THE FISCAL YEAR ENDED DECEMBER 31, 2015 (ARTICLES L. 225-197-1 TO L. 225-197-3 OF THE FRENCH COMMERCIAL CODE)

To the shareholders,

In compliance with the provisions of article L. 225-197-4, subsection 1 of the French Commercial code, we hereby report to you on transactions undertaken by virtue of articles L. 225-197-1 to L. 225-197-3 of said code, relating to the grant of free shares in the fiscal year ended December 31, 2015.

Preliminary remarks:

+ Valneva SE is referred to hereafter as *"**the Company**"*.
+ *"**Valneva Group**"* refers to Valneva SE and its subsidiaries.

1. Information concerning corporate officers

1.1 Presentation of the corporate officers

Name – Office	Term of office
Thomas Lingelbach ***Chairman of the Management Board – President & CEO of Valneva SE*** 	Appointed on 10 May 2013. End of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2018.
Franck Grimaud ***Management Board member & Deputy CEO of Valneva SE*** 	Appointed on 10 May 2013. End of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2018.
Reinhard Kandera ***Management Board member & CFO of Valneva SE*** 	Appointed on 10 May 2013. End of term of office at the General Meeting called to rule on the accounts for the fiscal year ending December 31, 2018.

1.2 Free shares granted to the corporate officers

1.2.1 Free Valneva's ordinary shares

Free Valneva's ordinary shares granted in 2015 to the Management Board members

We hereby inform that no Valneva's ordinary share was granted for free in 2015 to the Management Board members referred to above by virtue of their offices and functions exercised in Valneva SE, either by the Company or by companies affiliated thereto, in accordance with the provisions provided for under article L.225-197-2 of the French Commercial code.

Similarly, no Valneva's ordinary share was granted for free in 2015 to the above-mentioned Management Board members, by companies controlled by Valneva SE within the meaning of article L. 233-16 of the French Commercial code, for offices and functions exercised by the officers in these latter companies.

Free Valneva's ordinary shares fully vested in and delivered to the Management Board members

No free Valneva's ordinary share has been fully vested in and delivered to the Management Board members referred to above, during the fiscal year 2015.

1.2.2 Free preferred shares convertible into Valneva's ordinary shares

Free preferred shares convertible into Valneva's ordinary shares granted by the Company in 2015, to the Management Board members

On June 25, 2015, the General Meeting of Valneva SE decided to create convertible preferred shares in accordance with the terms and conditions set out in its resolution No. 17, and to grant to the Management Board of the Company all powers necessary to decide the granting and issuance of free convertible preferred shares ("**FCPS**") for the benefit of the Management Board members, but also for the benefit of key employees, members of the Executive Committee.

Consequently, on July 28, 2015, the Management Board implemented the free convertible preferred share plan 2015-2019 (the "**Program**"), a long-term incentive program for the Company's executive management.

Personal investment

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 subscribing for payable convertible preferred shares ("**SPS**"), at a price of €161 per SPS. Minimum and maximum investment amounts were defined for each participant.

The maximum number of SPS to be granted by the Management Board was set at 2,000 SPS by the General Meeting of the Company held on June 25, 2015 (resolution No. 18)[1].

The Management Board, during its meeting held on July 17, 2015, granted 1,280 SPS, as follows:

[1] It being understood that in any case, the total number of issued convertible preferred shares (SPS and FCPS) cannot at any time represent together more than 6% of the share capital of the Company.

Beneficiaries	Position	Number of payable convertible preferred shares granted by the Management Board to the participants	Maximum investment (in euros)
Thomas Lingelbach	Chairman of the Management Board - President & CEO	308	49,588
Franck Grimaud	Member of the Management Board - Deputy CEO	218	35,098
Reinhard Kandera	Member of the Management Board - CFO	218	35,098
Other Executive Committee members (in total)		536	86,296
TOTAL		**1,280**	**206,080**

SPS minimum and maximum subscription

- Management Board members:
  - CEO: the CEO was granted the possibility to subscribe for 154 SPS to 308 SPS;
  - Management Board members other than the CEO were granted the possibility to subscribe for 109 SPS to 218 SPS.
- Executive Committee members (excluding Management Board members) were granted the possibility to subscribe for 33 SPS to 67 SPS.

On July 28, 2015, the Management Board of the Company recorded the subscription of 1,074 SPS, and waivers for the remainder, i.e. 206 SPS:

Beneficiaries	Position	Number of payable convertible preferred shares granted by the Management Board to the participants, on July 17, 2015	Number of payable convertible preferred shares subscribed for by the beneficiaries	Subscription amount (in euros)
Thomas Lingelbach	Chairman of the Management Board - President & CEO	308	308	49,588
Franck Grimaud	Member of the Management Board - Deputy CEO	218	218	35,098
Reinhard Kandera	Member of the Management Board - CFO	218	218	35,098
Other Executive Committee members (in total)		536	330	53,130
TOTAL		**1,280**	**1,074**	**172,914**

FCPS granting

The maximum number of FCPS that could be allotted by the Management Board was capped, by the General Meeting of the Company held on June 25, 2015 (resolution No. 20), at 5.5% of the share capital of the Company as at the date of the Management Board's allotment decision[2].

Following the subscription of SPS, the Management Board, in its meeting held on July 28, 2015, conditionally granted the Program beneficiaries a number of FCPS corresponding to a ratio of 25 FCPS to 1 SPS.

	Reference and date of the plan	Number of FCPS granted during the fiscal year	Value of the share on the grant date (in euros)
Thomas Lingelbach	Free convertible preferred share plan 2015-2019, dated July 28, 2015	7,700	3.97
Franck Grimaud		5,450	
Reinhard Kandera		5,450	
Other Executive Committee members (in total)		8,250	

The FCPS granted to the beneficiaries will be vested in and delivered to that beneficiary ("*seront définitivement attribuées*") upon expiration of a period of 4 years from July 28, 2015.

Conversion of convertible preferred shares (FCPS and SPS) into ordinary shares of the Company

SPS and FCPS will be convertible into Valneva's ordinary shares 4 years after their issuance (with respect to the SPS) or their initial granting (with respect to the FCPS), if the conversion conditions set out below are met. Subject to such conditions, if the beneficiary does not request conversion of his/her convertible preferred shares within a period of 3 months after expiration of that 4-year period, SPS and FCPS will automatically convert into Valneva's ordinary shares at the end of that 3-month period.

Upon expiration of the above-mentioned 4-year period (the "**Conversion Date**"), the Management Board will determine the conversion ratio, on the basis of (a) the Final Share Price (as hereinafter defined) and (b) the conversion table below.

The "**Final Share Price**" will be the volume-weighted average stock market price of the Company's ordinary shares over a period of 6 months immediately preceding the Conversion Date, as rounded to the second decimal place (e.g. 6.2450 to be rounded to 6.25).

No conversion will occur if the Final Share Price is lower than €4.05. If the Final Share Price is higher than €10, the conversion ratio will be such that the beneficiaries' gross gain will not exceed the gross gain they would have realized if the Final Share Price was €10.

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 will receive the next lower whole number of ordinary shares. The fraction of ordinary shares forming a fractional lot shall be paid in cash.

[2] It being reminded that in any case, the total number of issued convertible preferred shares (SPS and FCPS) cannot at any time represent together more than 6% of the share capital of the Company.

Conversion Table

Final Share price	Share price increase	Conversion ratio (number of ordinary shares for 1 convertible preferred share)
4.05	1%	**0.83**
4.10	2%	**1.67**
4.25	6%	**4.17**
4.50	13%	**8.33**
4.75	19%	**12.5**
5.00	25%	**16.67**
5.25	31%	**20.83**
5.50	38%	**25**
5.75	44%	**29.17**
6.00	50%	**33.33**
6.25	56%	**37.50**
6.50	63%	**41.67**
6.75	69%	**45.83**
7.00	75%	**50**
7.25	81%	**54.17**
7.50	88%	**58.33**
7.75	94%	**62.5**
8.00	100%	**66.67**
8.25	106%	**70.83**
8.50	113%	**75**
8.75	119%	**79.17**
9.00	125%	**83.33**
9.25	131%	**87.50**
9.50	138%	**91.67**
9.75	144%	**95.83**
10.00	150%	**100**
10.25	156%	**97.56**
10.50	163%	**95.24**
10.75	169%	**93.02**
11.00	175%	**90.91**
12.00	200%	**83.33**
12.25	206%	**81.63**
12.50	213%	**80**
12.75	219%	**78.43**
13.00	225%	**76.92**
13.25	231%	**75.47**
13.50	238%	**74.07**
13.75	244%	**72.73**
14.00	250%	**71.43**

Note: if the Final Share Price is between two of the numbers set forth above, the number of ordinary shares to be received for one convertible preferred share will be calculated on a linear basis and rounded down to the nearest number with 2 decimal digits.

In any case, all SPS cannot give rights to more than 200,000 ordinary shares of the Company and all FCPS cannot give rights to more than 4,000,000 ordinary shares of the Company.

If any of the transactions listed in of article 13.3, subparagraph 3, (iii) of the Articles of Association of the Company, including but not limited to any share capital increase by public offering with preferential subscription rights, takes place, the Management Board will adjust the conversion ratio and the conversion table provided above in the manner set forth in the Articles of Association so as to protect the rights of the Program beneficiaries.

FCPS fully vested in and delivered to the Management Board members

No FCPS has been fully vested in 2015 by the Management Board members as referred to above.

2. Information concerning non-officer employees of the Valneva Group

2.1 Free Valneva's ordinary shares

2.1.1 Free Valneva's ordinary shares granted in 2015 to the non-officer employees

We hereby inform that no free Valneva's ordinary share was granted in 2015 to the non-officer employees of Valneva Group, either by the Company or by companies affiliated thereto, in accordance with the provisions provided for under article L. 225-197-2 of the French Commercial code.

2.1.2 Free Valneva's ordinary shares fully vested in and delivered to the non-officer employees

In fiscal year 2015, 35,000 free shares were transferred to the beneficiaries of the free share plans of September 6, 2011 and July 24, 2013, in the form of new Valneva's ordinary shares.

Reference and date of the plan	Date on which the shares were fully vested	Number of fully-vested shares	Value of the share on the date the shares were fully vested (in euros)
Plan No. 2 – Tranche 6, dated September 6, 2011	By decision of the Management Board on September 7, 2015	4,500	3.57
Plan No. 3 – Tranche 2, dated July 24, 2013	By decision of the Management Board on July 24, 2015	30,500	4.09
TOTAL		**35,000**	

2.1.3 Free Valneva's ordinary shares fully vested in and delivered to the 10 non-officer employees of the Group having the largest number of fully vested shares, in 2015

Number of shares fully vested in and delivered to the 10 non-officer employees of the Group having the largest number of fully vested shares, in 2015[3]&[4]	Average weighted price (in euros)
30,000	4.02

2.2 Free preferred shares convertible into Valneva's ordinary shares

2.2.1 FCPS granted by the Company in 2015, to the non-officer employees

	Reference and date of the plan	Number of FCPS granted during the fiscal year	Value of the share on the grant date (in euros)
Executive Committee members, non-officer employees (in total)	Free convertible preferred share plan 2015-2019, dated July 28, 2015	8,250	3,97

Please, refer to Section 1.2.2 above for a detailed description of the free convertible preferred share plan 2015-2019.

[3] Ten employees having been granted 500 free shares each for no consideration in 2015 are not included in this value.

[4] The minimum number of restricted shares to be taken into account for each employee for calculating this value is 500.

2.2.2 FCPS fully vested in and delivered to the non-officer employees

No FCPS has been fully vested in 2015 by the non-officer employees.

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We remain at your disposal to provide you with any further explanations and additional information.

Vienna, March 17, 2016

THE MANAGEMENT BOARD