

VALNEVA
A European company with a Management Board and a Supervisory Board
with a share capital of 8,390,317.14 Euros
Registered office: 70, Rue Saint Jean de Dieu, 69007 Lyon
Identification N° 422 497 560 RCS LYON

**SUPPLEMENTARY REPORT OF THE MANAGEMENT
BOARD TO THE GENERAL ASSEMBLY**

ARTICLE L. 225-129-5 of the French Commercial code

This report is drafted in compliance with the provisions of Articles L. 225-129-5 and R. 225-116 of the French commercial code.

1. LEGAL CONTEXT OF THE CAPITAL INCREASE

We remind you that the Combined Shareholders Meeting of the Company VALNEVA SE above-mentioned (the “**Company**”) in its meeting of June 28, 2013, has, in its twenty-first and twenty-third resolutions, in compliance with the provisions of Articles L. 225-129-2 and L. 228-92 of the French commercial code, granted authority to the Management Board, with a capacity of sub delegate under the conditions determined by law, until August 28, 2015 (inclusive), the power to decide to carry out increases in capital immediately or by issuing ordinary shares or any securities giving access by any means, immediately and/or over time, to the share capital of the Company, while maintaining the preferential subscription right, in the maximum nominal amount of EUR 3,000,000.00, excluding share premium.

In compliance with the authorization granted to it by the Supervisory Board on May 7, 2014, the Management Board, during its meeting held on May 12, 2014, decided to use the grant of authority given by the Combined meeting of Shareholders in view of issuing 5,474,633 equity warrants, while cancelling the preferential subscription rights of the shareholders, through private placement (**BEA**), and granted all powers to the Chairman of the Management Board and to the Managing Director of the Company, with the ability to act together or independently, in order to (i) acknowledge the subscription to the Warrants, (ii) carry out all the formalities related to the issuance of the Warrants, (iii) carry out the drawing of the Warrants at the times and for the quantities they see fit, pursuant to the provisions of the Issuance Agreement, (iv) acknowledge the issuance of the new ordinary shares following each drawing, (v) carry out all the formalities related to the issuance of the new ordinary shares, and in particular their admission to trading on Euronext Paris and on the VSE and the amendment to the articles of association of the Company and (vi) decide, if necessary, the repurchase and the cancellation of the Warrants, at the times and for the quantities which they see fit.

2. MAIN MODALITIES OF THE CAPITAL INCREASE

The main modalities of issuance of the equity warrants (BEA) are the followings:

Unit subscription price of the BEA:

The unit price for the subscription of one BEA is EUR 0.0001.

Characteristics of the BEA:

Each equity warrant shall give the right to subscribe to one (1) new ordinary share of the Company, subject to potential adjustments as required to protect the interests of the bearers of the equity warrants.

The equity warrants may be exercised at any time for a period of twenty-four (24) months from the date of their issuance, at the Company's sole request, notified according to the provisions of the Issuance Agreement.

Exercise of BEA :

The price at which the equity warrants are exercised shall be determined at the moment they are exercised pursuant to the provisions of the Issuance Agreement and that such price shall not be below the minimum price as provided by the applicable legal and regulatory framework, *i.e.* the weighted average of the stock price of the Company on the Euronext market in Paris (Euronext Paris) over the three trading days immediately preceding the determination of the exercise price with a 5% discount.

Payment of the price to subscribe to BEAs :

Payment of the price to subscribe to BEAs and to the new shares resulting from the exercise of such BEAs shall be made in cash.

Nominal amount of the capital increase resulting from the exercise of BEAs:

The nominal amount of the capital increase resulting from the exercise of BEAs shall not exceed EUR 821,194.95, through issuance of a maximum of 5,474,633 ordinary shares with a nominal value of EUR 0.15 per share.

Issuance of new shares:

New shares issued as a result of the equity warrants (BEA) being exercised shall be ordinary shares of the same category as existing ordinary shares of the Company. They shall take effect from the time of their issuance, and with immediate entitlement, as from their issuance, to all dividend distributions decided by the Company.

Listing of the new shares:

The new shares shall be admitted to trading on the regulated market of NYSE Euronext in Paris (Euronext Paris) and on the Vienna Stock Exchange (VSE) as from their issuance consistently with the provisions of the Issuance Agreement. The new shares shall be immediately assimilated to ordinary existing shares of the Company, already traded on Euronext Paris and on the VSE and open to trading, from this date onwards, on the same listing line as the existing ordinary shares of the Company ISIN FR0004056851.

3. IMPACTS ON THE HOLDERS OF SHARE CAPITAL AND OR ANY SECURITIES GIVING ACCESS TO THE CAPITAL

3.1. Impact of the capital increase on the shareholders' equity

For information purpose, the impact of the issuance on the shareholders' equity per share of the group (calculated on the basis of the equity of the Group as indicated in the financial statement of December 31, 2014 and of the number of shares comprising the share capital of the Company on May 12, 2014 after deduction of the treasury shares) would be as follows:

	Shareholders' equity per shares (in EUR)	
	Non-diluted basis	Diluted basis*
Before issuance of new shares resulting from the capital increase	2.58	2.24
After issuance of 5,474,633 new shares resulting from capital increase	2.35	2.06

* In case of exercising the totality of the 1,002,440 exercisable stock options and 11,250 exercisable equity warrants (BSA), and of the final allocation of 59,500 free shares as well as of the conversion of 17,836,719 preferred shares.

3.2. Impact of the capital increase on the shareholder's situation

For information purpose, the impact of the issuance on the capital interest of a shareholder holding 1% of the share capital of the Company, prior to the issuance, such shareholder not subscribing thereto (calculated on the basis of the number of shares comprising the share capital of the Company on May 12, 2014 after deduction of the treasury shares) would be as follows:

	Capital interest of the shareholder (%)	
	Non-diluted basis	Diluted basis*
Before issuance of new shares resulting from the capital increase	1	0.85
After issuance of 5,474,633 new shares resulting from capital increase	0.91	0.78

* In case of exercising the totality of the 1,002,440 exercisable stock options and 11,250 exercisable equity warrants (BSA), and of the final allocation of 59,500 free shares as well as of the conversion of 17,836,719 preferred shares.

4. THEORETICAL IMPACT OF THE ISSUANCE OF THE NEW SHARES ON THE CURRENT SHARE MARKET VALUE OF THE COMPANY'S SHARE

The theoretical impact on the current share market value of the Company's share of the issuance of the new shares, as resulting from the average closing price during the twenty trading days preceding May 12, 2014 (calculated on the basis of the number of shares comprising the share capital of the Company on May 12, 2014 after deduction of the treasury shares) would be as follows:

	Impact on the share market value (in euros)*	
	Non-diluted basis	Diluted basis**
Before issuance of new shares resulting from the capital increase	5.96	5.07
After issuance of 5,474,633 new shares resulting from capital increase	5.93	5.12

* in accordance with the Issuance Agreement, the exercise price of the BEAs has been set by reference to the weighted average of the stock price of the Company on the Euronext market in Paris (Euronext Paris) over the three trading days preceding the Management Board meeting of the Company held on May 12, 2015, with a 5% discount.

** In case of exercising the totality of the 1,002,440 exercisable stock options and 11,250 exercisable equity warrants (BSA), and of the final allocation of 59,500 free shares as well as of the conversion of 17,836,719 preferred shares.

In accordance with the law, this supplementary report is available at the registered office, and will be directly bring to your attention at the next shareholders' meeting.

We remain at your disposal should you need further information or explanation.

THE MANAGEMENT BOARD