

Grant Thornton
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VALNEVA

A European company (*Societas Europaea* or SE) with a Management and a Supervisory Board

Share capital: EUR 11,377,832.04

Registered office: 70, rue Saint Jean de Dieu, 69007 Lyon - FRANCE

Lyon Companies Register (RCS) No. 422 497 560

Report of contribution in kind auditor (*commissaire aux apports*) tasked with assessing the special
benefits

Annual General Meeting of June 25, 2015

To the shareholders,

In accordance with the terms of the engagement entrusted to us by unanimous decision of your partners, and in accordance with the provisions of articles L. 228-15, L. 225-147 et R. 225-136 of the French commercial code, we hereby present to you our report on the assessment of the special benefits resulting from the issuance of preferred shares, for the benefit of named beneficiaries, pursuant to a capital increase, the grant of restricted shares units to employees and executive officers of VALNEVA (hereafter the Company) in accordance with the provisions of article L. 225-197-1 et seq. of the French commercial code.

The proposed transaction is presented in the report of the Management Board and the draft resolutions (No. 17, 18, 19 as 20) of your company.

It is our role to assess the special benefits attaching to the preferred share for which issuance is proposed to the combined meeting (ordinary and extraordinary) of the shareholders of your company to be held on June 25, 2015 (hereafter the "Annual General Meeting"). It is not our role in contrast to assess the merits of granting special benefits as authorized by the shareholders.

We conducted our procedures in accordance with the professional guidelines of the French National Association of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These procedures which represent neither an audit or a limited review are destined to describe and assess each of the special rights attaching to preferred shares.

Our engagement ends when our report has been filed. As such, it is not our role to update this report in order to take into account facts and circumstances occurring after it has been signed.

The outline of this report is as follows:

1. Presentation of the proposed transaction
2. Description of the special rights
3. Procedures performed and assessment of the right
4. Conclusion

1. Presentation of the proposed transaction

1.1. Company concerned

Valneva is a European company with a share capital of EUR 11,377,832.04 having its registered office at 70, rue Saint Jean de Dieu 69007 Lyon and registered in Lyon (RCS No. 422 497 560).

The share capital of the company consists of:

- 74,663,099 ordinary shares with a par value of EUR 0.15 per share, fully paid up.
- 17,836,719 preferred shares with a par value of EUR 0.01 per share, fully paid up.

The preferred shares confer a right to 0.5246 ordinary Valneva shares subject to compliance with the Condition defined in article 13.3 of the Company's articles of association.

1.2. Background, objectives and procedures of the proposed transaction

In connection with the objectives having been set to reward performance, promote a sense of belonging to the Company and improve competitiveness in terms of compensation, the creation of a new class of shares is being considered, and namely preferred shares convertible into ordinary shares, in connection with:

- a capital increase canceling the preferential subscription right for the benefit of persons belonging to the category of members of the Company's Management Board or Executive Committee;
- and/or a grant of restricted shares (bonus shares) for the benefit of employees and/or executive officers of the Company and/or companies or groups of companies affiliated therewith.

These transactions will be submitted to the Annual General Meeting to be held on June 25 at which the shareholders will be asked to vote on the following:

- Resolution seventeen: Creation of a new class of preferred shares convertible into ordinary shares following a period of 4 years;
- Resolution eighteen: Grant of authority to the Management Board in order to increase the share capital by issuing preferred shares convertible into ordinary shares canceling the preferential subscription rights for the benefit of a defined category of persons;
- Resolution nineteen: Cancellation of preferential subscription rights for the benefit of selected categories of persons
- Resolution twenty: Authorization to the Management Board to freely award preferred shares of the Company for the benefit of employees and/or corporate officers of the Company and its subsidiaries, entailing waiver by shareholders of their preferential subscription right.

2. Description of the special benefits

The preferred shares will be entitled to special benefits which are summarized below:

For information, the description of special rights here provided represents a simplified summary focusing on the general characteristics of these special rights and does not replace the exhaustive description of these rights provided in the Management Board's report, the draft resolutions and the draft articles of association.

A proposition is hereby submitted for your approval, subject to implementation by the Management Board of the delegation of powers provided for under the terms of the eighteenth or twentieth resolutions, to introduce into the articles of association of the Company the possibility to create a new class of shares, and namely preferred shares convertible into ordinary shares ("**Convertible Preferred Shares**") governed by articles L.228-11 *et seq.* of the French commercial code and for which the characteristics and procedures for the conversion have been established as indicated below:

- Admission of the Convertible Preferred Shares for trading on the regulated market of Euronext Paris will not be requested;
- The Convertible Preferred Shares will have a nominal value equal to that of the Company's ordinary shares, i.e. a nominal value per share of EUR 0.15;

- At the end of a period of four years (i) following their issuance based on the delegation of powers granted to the Management Board in accordance with resolution eighteenth submitted for your approval (the "**Conversion Date**") or (ii) the initial date of the decision to grant the Convertible Preferred Shares based on the authorization granted to the Management Board in accordance with resolution twenty submitted for your approval, the Convertible Preferred Shares will be converted into ordinary shares according to the conversion ratio determined in accordance with the conditions described below;
- The Convertible Preferred Shares will not carry any voting rights. However, holders of Convertible Preferred Shares will have the right to participate in a special meeting in accordance with the conditions provided for by article L.225-99 of the French commercial code and the company's articles of association if the rights attached to this class of shares are modified;
- The Convertible Preferred Shares will not be entitled to the distribution of dividends;
- The Convertible Preferred Shares will 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. However, the Conversion Ratio (as defined below) will be adjusted to preserve the rights of the holders;
- The Convertible Preferred Shares may be converted into ordinary shares under the following conditions (the "**Conditions of Convertible Preferred Shares**"):
 - o 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 to be defined by the Management Board (**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 EUR 4;
 - The target price on the Conversion Date above which the Ordinary Shares issued from the conversion will not increase (the "**Ceiling Price**").
 - o 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.

It is furthermore proposed that you:

- Resolve that the Management Board will note for the record, as applicable, the number of new shares resulting from the conversion of Convertible Preferred Shares occurring on the conversion date and will make the necessary corresponding changes to the articles of association;
- Resolve that the Convertible Preferred Shares will be converted into new ordinary shares or existing ordinary shares held within the share buyback program and note for the record that the conversion of Convertible Preferred Shares into new ordinary shares will constitute waiver by the shareholders of preferential subscription rights to new ordinary shares resulting from the conversion;
- Resolve that as from the issuance of Convertible Preferred Shares, the Company's share capital will be divided into three classes of shares: ordinary shares, preferred shares and Convertible Preferred Shares;
- Resolve, subject to the issuance of Convertible Preferred Shares, that the necessary modifications must be made to the Company's articles of association upon the decision to proceed with their issuance.

Subject to your approval of resolution seventeen, these preferred shares may be created only within the framework of resolutions eighteen, nineteen and twenty, also submitted for your approval, i.e.:

- One or more capital increases, reserved for Management Board or Executive Committee members of the company by issuing these Convertible Preferred Shares for an issue price of EUR 161 per said share (with a par value of EUR 0.15 and share premium of EUR 160.85), representing the cost for the company in accordance with IFRS for a bonus grant of said share if the volume weighted average price for the Valneva ordinary share for the 20 trading sessions preceding the grant was 4 euros, in connection with the grant of power to the Management Board, , that it may further delegate under the conditions provided for by law, for a maximum period of 18 months from the date of this Meeting. The maximum number of Convertible Preferred Shares that may be issued based on this delegation of power is 2,000 Convertible Preferred Shares and the maximum number of ordinary shares that may be created if the Convertible Preferred Shares are converted is 200,000 ordinary shares, or a maximum capital increase of EUR 30,000, whereby these limits are set without taking into account the legal, regulatory or contractual adjustments required to preserve the rights of beneficiaries of Convertible Preferred Shares;
- One or more grants of restricted shares units (bonus shares) decided by the Management Board for the benefit of employees and/or executive officers of the Company and its subsidiaries, which may not represent more than 5.5% of the Company's share capital on the date of the decision to grant said shares, with a number of ordinary shares created in the event of the conversion of these Convertible Preferred Shares which may not exceed four million, or an increase in capital of EUR 600,000, whereby these limits are set without taking into account the legal, regulatory or contractual adjustments required to preserve the rights of beneficiaries of Convertible Preferred Shares. The Convertible Preferred Shares will be granted on a single occasion to each participant of the program (Management Board or

Executive Committee member) for conversion four years after the initial grant date, if the conditions of conversion established by the Executive Board on the Supervisory Board's authorization have been met. The maximum conversion ratio (100 ordinary shares for one Convertible Preferred Share) was set by taking into account the maximum number of new ordinary shares that would be issued pursuant to the conversion of Convertible Preferred Shares granted without consideration (or 4 million ordinary shares), and allowing sufficient flexibility to provide for intermediate conversion ratios. The allocation of these Convertible Preferred Shares to their grantees shall become final at the end of a vesting period whose duration will be determined by the Management Board, it being specified that such vesting period shall not be less than two (2) years; and the grantees shall retain said Convertible Preferred Shares during a holding period as defined by the Management Board. This holding period shall not be less than two (2) years from the final allocation of said shares. However, where the vesting period is set for a minimum period of four (4) years, the Shareholders authorize the Management Board not to impose a holding period.

3. Procedures performed and assessment of special rights

3.1 Procedures performed

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (*Compagnie Nationale des Commissaires aux Comptes*) for this type of engagement.

Such procedures consisted in:

- Meeting with Valneva's management and advisors to acquire an understanding with regards to the background, legal and financial characteristics of the proposed issue and the objectives and procedures for its execution;
- Examining the information relating to the preferred shares and special benefits attaching thereto presented in the Management Board's report, the draft articles of association and the resolutions submitted to the annual general meeting of June 25, 2015;
- Performing the verifications and analysis we have considered necessary to evaluate the consistency of the special benefits granted and their impact on the situation of existing shareholders;
- Verifying that the benefits are not prohibited by law;
- Obtaining from Valneva's management a letter of representation reproducing the main representations having been made to us.

We specify for the record that the statutory mission of the auditor charged with issuing an opinion on special benefits it is not equivalent to a mission of performing due diligence verifications nor an independent appraisal of the special benefits. Our mission is limited solely to providing shareholders information about the special rights attaching to the preferred shares whose issuance is being considered and verifying that these rights are not prohibited by law.

3.2 Assessment of special rights

The special rights attaching to the preferred shares, are both non-pecuniary (*droits politiques*) and pecuniary (*droits financiers*) in nature.

The non-pecuniary (corporate) rights are those relating to the non-transferability of the Convertible Preferred Shares as well as the absence of voting rights at general meetings of the shareholders. In accordance with the provisions of article L.225-99 of the French commercial code by statute and article 32 of the Company's articles of association, preferred shares confer a right to participate and vote in special shareholders meetings for holders of Convertible Preferred Shares.

Pecuniary rights, or their absence, attaching to preferred shares are as follows:

- Absence of a right to the distribution of dividends;
- Deprivation of preferential subscription rights of ordinary shares: the Convertible Preferred Shares do not carry a right to capital increases with preferential subscription rights to new 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.
- Right to the conversion into ordinary shares subject to conditions: the procedures for conversion of preferred shares will be set by the Management Board if it makes use of the authorization submitted for your approval in resolution eighteen. The Conversion Ratio must be set in relation to meeting share price objectives according to procedures defined in resolution seventeen submitted for your approval (see above section 2).

The right to conversion into ordinary shares subject to conditions, reserved for certain categories of persons (Management Board or Executive Committee members), and which would have a dilutive effect if the conversion trigger threshold has been reached, represents a special benefit. This special benefit is diminished by rights not granted to Convertible Preferred Shares holders: voting in general meetings of the shareholders, dividend distributions, subscription for ordinary shares, transferability. Taken as a whole, the purpose of the proposed transaction is to motivate management, allow them to participate in and reward them for performance, and is carried out in the interest of the Company, and in consequence, that of the shareholders.

4. Conclusion

Pursuant to the procedures, we have no comments to make regarding the special benefits attaching to the preferred shares.

Saint-Herblain, June 4, 2015

The contribution in kind auditors(*commissaire aux apports*) tasked with assessing the special benefits

[*French Original Signed by:*]

Grant Thornton

French member of Grant Thornton International

Alban Audrain

Partner