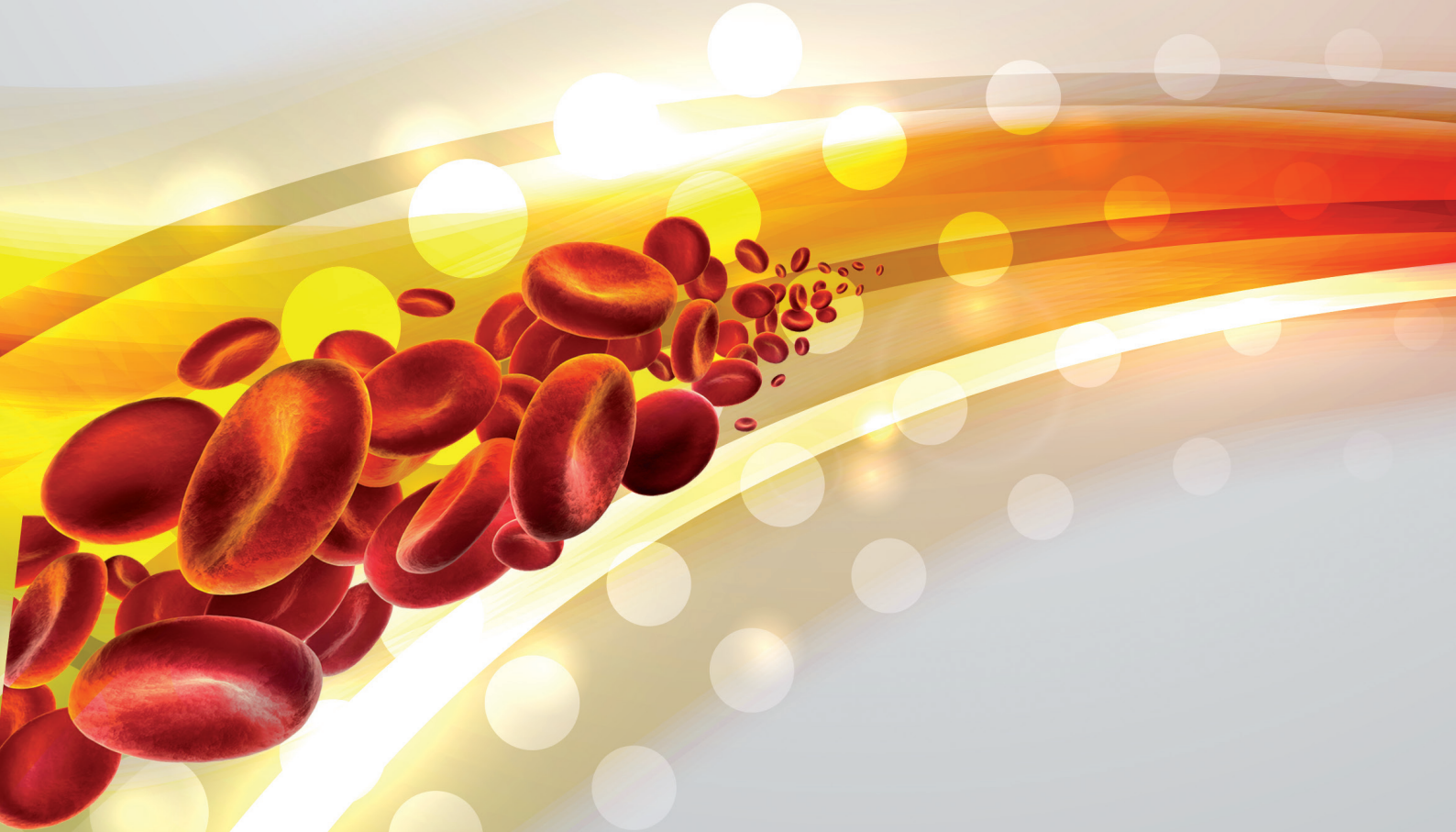
ERYTECH Pharma

2013 REFERENCE DOCUMENT

Containing the Annual Financial Report
and the Management Report



www.erytech.com

A Société Anonyme (French corporation) with a share capital of 556,657.20 euros
Headquarters: Bâtiment Adénine– 60 Avenue Rockefeller
69008 LYON
Companies and Trades Registry 479 560 013

2013 REFERENCE DOCUMENT

CONTAINING THE

ANNUAL FINANCIAL REPORT

AND THE MANAGEMENT REPORT

AUTORITÉ DES MARCHÉS FINANCIERS

In particular application of article 212-13 of its General Rules, the French financial market regulator (*Autorité des Marchés Financiers* - the **"AMF**") has assigned the French-language version of this reference document the identification no. R.14-038 dated June 4, 2014. This document may only be used in support of a financial transaction if it is completed by a transaction note signed by the AMF. This reference document was written by the issuer and incurs the liability of its signers.
Registration, pursuant to the provisions of article *L*.621-8-1-I of the Monetary and Financial Code was awarded after the AMF checked to see that "the document is complete and comprehensible, and that the information contained therein is consistent." This implies neither approval of the opportuneness of the transaction nor authentication of the accounting and financial documents presented.

Copies of this reference document are available at no cost at the headquarters of ERYTECH Pharma, Bâtiment Adénine, 60, Avenue Rockefeller 69008 in LYON as well as electronically on ERYTECH Pharma's website (www.erytech.com) and that of the AMF (www.amf-france.org).

This unapproved English translation of the Registration Document is a free translation of the original which was prepared in French, submitted to and registered with the Autorité des marchés financiers (AMF) on June 4, 2014 in accordance with Article 212-13 of the AMF General Regulations. It is not a binding document. In the event of any ambiguity or conflict between corresponding statements or items contained in this English translation and the original French version, the relevant statements or items of the French version shall prevail. The auditor's reports apply to the French version of the Management Report and the financial statements.

TABLE OF CONTENTS

CONCORDANCE TABLE

The concordance table below makes it possible to identify in this reference document:

- the information which forms the annual financial report (article L.451-1-2 of the Monetary and Financial Code and article 222-3 of the General Rules of the AMF), and
- the information which forms the annual management report (article L.225-100 et seq. of the Commercial Code).

Annual financial report	Reference document
1. Certification by the responsible party	section 1.2
2. Company annual financial statements – French standards	See section 20.4
3. Company annual financial statements – International Financial Reporting Standards (IFRS)	See section 20.1
4. Management report	See index below
5. Chairman's report on internal audit	See chapter 16
6. Annual information document	See section 5.1.6
7. Statement pertaining to the statutory auditor's fees	See section 2.3
8. Statutory auditor's report on the annual financial statements according to French standards and IFRS standards	See sections 20.2 and 20.5
9. Report by the statutory auditor about the Chairman's report	See appendix 1

Annual management report	Reference document
1. Condition of the Company and activity during the past fiscal year	See chapters 6
2. Examination of the financial statements and earnings – Allocation of earnings – Review of dividends distributed – Expenses that are not tax-deductible	See chapter 20
3. Information about supplier payment deadlines	See chapter 20
4. Progress made or difficulties encountered	See chapter 6
5. Primary risks and uncertainties faced by the Company – Use of financial instruments by the Company	See chapter 4
6. Research and development activities	See chapters 6 and 11
7. Forecast and outlooks	See chapters 6 and 12
8. Significant events that have occurred since the end of the fiscal year	See chapter 20
9. Employee investment in share capital	See chapter 17
10. The Company's Senior Management	See chapters 14, 15 and 16
11. Information about officers and directors	See chapters 14, 15 and 16
12. Acquisition of significant stakes in companies that have their headquarters in France, or acquisition of control over such companies; sales of such stakes	See chapters 7 and 25
13. Activities of subsidiaries and controlled companies	See chapters 7 and 25
14. Information pertaining to the distribution of capital and cross-holding – Share repurchase program	See sections 18.1 and 21.2
15. Changes that occurred during the fiscal year in the makeup of the share capital	See sections 18.1 and 21.7
16. Changes in the security – Risk of variation in price	See sections 4.7 and 21.8

17. Summary statement of transactions by the executive officers and persons mentioned in article L.621-18-2 of the monetary and financial code involving shares of the Company conducted during the past fiscal year	See section 15.4
18. Information required by article L.225-100-3 of the Commercial code	See section 16.6
19. Social and environmental information	See section 6.12 and chapter 17
20. Table of earnings for the last five fiscal years	See section 20.7
21. Delegations respecting increases in capital	See section 21.3

NOTE

In this reference document ("the Reference Document"), the terms "ERYTECH" or the "Company" refer to the ERYTECH Pharma company, a French corporation having headquarters located at 60 Avenue Rockefeller, Bâtiment Adénine, 69008 Lyon, France, registered with the trades and companies registry of Lyon under number 479 560 013.

The Reference Document presents particularly the annual financial statements for the Company determined following the accounting standards applicable in France (the "Financial Statements") for the fiscal year December 31, 2013, as well as a set of financial statements for the same year following the IFRS accounting standards adopted by the European Union. In application of article 28 of regulation (EC) no. 809/2004 of the Commission, the following are included as references in this Reference Document:

- the annual financial statements established pursuant to the accounting standards applicable in France for the fiscal year ending December 31, 2012 as well as the corresponding audit report from the statutory auditors found in Section 20 of the Base Document, recorded on April 17, 2013 by the AMF under no. 13-166;
- the annual financial statements established pursuant to the accounting standards applicable in France for the fiscal year ending December 31, 2011 as well as the corresponding audit report from the statutory auditors found in Section 20 of the Base Document, recorded on April 17, 2013 by the AMF under no. 13-166;
- the annual financial statements restated following IFRS for the fiscal years ending December 31, 2010, 2011, and 2012 as well as the corresponding audit reports from the statutory auditors found in Section 20 of the Base Document, recorded on April 17, 2013 by the AMF under no. 13-166;
- the key financial information and examination of the financial condition and earnings of the Company shown in Sections 3, 9 , and 10 of the Base document recorded on April 17, 2013 by the AMF under no. 13-166

The Base Document may be consulted on ERYTECH Pharma's website (www.erytech.com) and that of the AMF (www.amf-france.org).

Unless stated otherwise, the financial information pertaining to the Company mentioned in the Reference Document is taken from the IFRS statements. Additionally, the Reference Document contains statements about the Company's objectives as well as its directions for development. These statements are at times identified by the use of the future tense, the conditional tense, and forward-looking terms such as "consider," "plan," "think," "has as its objective," "expects to," "understand," "must," "strive," "believe," "estimate," "wish," "be able to," or, as applicable, the negative form of these same terms, or even, any other variation or similar terminology. The reader's attention is directed to the fact that these objectives and these directions for development depend on circumstances or facts for which the occurrence or completion is uncertain.

A glossary defining certain technical terms referenced in the Reference Document as well as an index of abbreviations used is found in chapter 26.

WARNING

The goals and directions for development presented are not historical data and must not be interpreted as being guarantees that the facts and data stated shall occur, that the scenarios have been verified, or that the objectives shall be reached. Inherently, these objectives may not be reached and the statements or information found in the Reference Document could turn out to be erroneous, and the Company shall not be under any obligation in any way whatsoever to provide an update, except as required by applicable regulations and particularly the General Rules of the Autorité des Marchés Financiers ("AMF").

The Reference Document furthermore contains information pertaining to the Company's activity as well as the market and industry in which it operates. Some of this information comes from sources external to the company which it has not verified independently.

Investors are invited to carefully weigh the risk factors described in chapter 4 -"Risk factors" - of this Reference Document before making their investment decision. The occurrence of all or part of these risks may have a negative impact on the Company's activities, circumstances, financial results or the achievement of its objectives. Additionally, other risks which have not yet been identified or considered to be significant by the Company could have the same negative effect and investors could lose all or part of their investment.

1. RESPONSIBLE PARTIES

1.1. PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

Mr.Gil Beyen
Chairman and Chief Executive Officer

1.2. DECLARATION BY THE RESPONSIBLE PARTIES

"I hereby declare, after having taken all reasonable measures to this effect, that, to my knowledge, the information contained in this Reference Document conforms to reality and does not contain any omissions such as may alter its nature or intent.

We have obtained a certification letter from the statutory auditors, in which they declare that they have performed an audit of the information in the financial statement and the accounts reported in this Reference Document, and have read the entire Reference Document.

The historical financial information presented in this Reference Document is reported in the statutory auditors' reports provided in chapters 19 and 20."

On June 4, 2014

Mr.Gil Beyen

1.3. PERSONS RESPONSIBLE FOR THE FINANCIAL INFORMATION

Mr. Gil Beyen
Chairman and Chief Executive Officer

Mr. Pierre-Olivier Goineau
Vice President and Chief Operating Officer

Tel.: +33 4 78 74 44 38
Fax: +33 4 78 75 56 29
e-mail: investors@erytech.com

2. STATUTORY AUDITORS

2.1. LEAD STATUTORY AUDITOR

KPMG Audit Rhône Alpes Auvergne, a simplified limited company, Lyon Trade and Companies Register 512802828, 51, rue de Saint Cyr - 69338 Lyon Cedex 9.

Date of first appointment: June 11, 2010

Expiration date for term of office: the general meeting voting on the financial statements for the fiscal year ending December 31, 2015.

KPMG SA was the statutory auditor for the period from initial establishment of the Company and up to its replacement by KPMG Audit Rhône Alpes Auvergne on June 11, 2010, upon expiry of its term.

2.2. DEPUTY STATUTORY AUDITOR

KPMG Audit Sud Est, a simplified limited company, Marseille Trade and Companies Register 512 802 729, 480, avenue du Prado 13269 Marseille Cedex 08.

Date of first appointment: June 11, 2010

Expiration date for term of office: the general meeting voting on the financial statements for the fiscal year ending December 31, 2015.

The deputy statutory auditor from establishment of the Company and up to the expiry of his term on June 11, 2010, was Mr. Pierre Duranel, acting in his own name.

2.3. DECLARATION OF FEES PAID TO THE AUDITORS

The table below presents the auditor fees sustained by the Company in the first three years:

In Euros (before tax)	KPMG SA, then KPMG Rhône Alpes Auvergne					
	2013	%	2012	%	2011	%
Audit:						
Audit engagement, certification, examination of individual accounts	**69,750**		15,300		15,000	100%
Directly associated due diligence reviews	**1,800**		11,390		21,026	
Subtotal	**71,550**	100%	26,690	100%	36,026	100%
Other services:						
Legal, fiscal, social security	**None**		None		None	
Internal audit						
Other						
Subtotal						
Total	**71,550**	100%	26,690	100%	36,026	100%

3. SELECTED FINANCIAL INFORMATION

The main financial information presented below is extracted from the accounts pursuant to IFRS standards, for the fiscal years ending December 31, 2012 and December 31, 2013, as provided in section 20.1 of this Reference Document.

The historical legal financial statements drawn up pursuant to French standards are included in chapter XX.

This main accounting and operational data should be read alongside the information contained in chapters 9 "Examination of the Company's financial position and results," 10 "Cash position and capital," and 20 "Financial information concerning the Company's equity, financial position, and results."

- **Simplified balance sheet**

as of 12/31 in thousands of €	2012	2013
NON-CURRENT ASSETS	**1,005**	**910**
intangible assets	30	14
tangible fixed assets	771	813
financial assets	80	83
deferred tax assets	125	0
CURRENT ASSETS	**9,139**	**17,039**
cash and cash equivalents	7,875	15,113
TOTAL ASSETS	**10,144**	**17,949**
EQUITY	**(4,027)**	**13,587**
NON-CURRENT LIABILITIES	**6,694**	**848**
CURRENT LIABILITIES	**7,477**	**3,515**
TOTAL LIABILITIES	**10,144**	**17,949**

- **Simplified income statement**

as of 12/31 in thousands of €	2012	2013
Total income from activities	**5,737**	**1,802**
Sales revenue	-	-
Operating results	**(1,074)**	**(7,085)**
Financial results	**(1,090)**	**(1,100)**
Net income	**(2,172)**	**(8,145)**

- **Simplified cash flow table**

as of 12/31 in thousands of €	2012	2013
Internal financing capacity	389	(7,965)
Variation in working capital requirements	232	1,492
Cash flow related to investment operations	**621**	**(6,473)**
Net cash flow generated by investment operations	**(14)**	**(289)**
Net cash flow generated by financing operations	**5,039**	**13,999**
Net cash flow	**5,646**	**7,237**

Please refer to Chapter 20.3.2 of the Reference Document with respect to the change in presentation of subsidies related to the investment and research tax credit in the net cash flow generated by the business between 2012 and 2013.

- **Additional information**

As of March 31, 2014, cash and cash equivalents came to 12.7 million euros compared to 15.1 million euros at the end of 2013.

During the first quarter of 2014, ERYTECH did not book any revenue from activities.

4. RISK FACTORS

Investors are invited to review all information contained in this Reference Document, including the risk factors described in this section. The Company conducted a review of the risks and considers that there are no significant risks other than those presented in this chapter. At the time of filing this Reference Document, those risks are those that the Company believes could have a significant material adverse effect on the Company or its activity, financial position, results or growth.

4.1. OPERATIONAL RISKS

4.1.1. Risks related to product development

The development of the Company's products could be delayed or not be completed.

To obtain the regulatory approval required to bring a candidate drug to market, the Company must conduct preclinical and clinical studies to show safety and efficacy. These studies entail high costs. The trend for these costs could be on the rise with the growth of the Company and increase in products it develops. If the results of these studies are unsatisfactory or inconclusive, the Company may have to choose between abandoning the program, leading to loss of investment in time and money, or its pursuit, with no guarantee that the additional costs that this would entail would lead to completion.

The Company may choose, or regulatory authorities may force the Company, to suspend or end clinical trials if the patients are or have been exposed to unexpected and serious risks or to clinical ineffectiveness (loss of opportunity). Deaths and other adverse events could occur during a clinical trial as a result of medical problems that may or may not be related to the treatment under study, and force the Company to delay or interrupt the trial. In light of trial results, the Company could also decide to abandon development projects that it initially believed held promise.

Other factors can have a significant material adverse effect on the Company's activities, prospects, financial position, results and growth:

- The early selection of new products or new areas of development could prove to be less relevant and not lead to the launch of new products;
- Research and development teams may not be able to develop the new products required for the Company's objectives, both for new market penetration and for maintaining current opportunities;
- The co-development with other partners could be more difficult than anticipated and the corresponding launches may be delayed or abandoned;
- New regulatory requirements could delay or derail preclinical and/or clinical development of candidate drugs;
- Patient recruitment in trials could also prove difficult, delay the start of the study, prolong its duration or limit its scope due to a low number of patients;
- The patients included in the trial could, at any time and without justification, interrupt their participation; if too many patients withdraw, the study could be discontinued due to lack of feasibility;
- Shortages in raw materials impacting the production of clinical batches could delay or interrupt a planned clinical trial or a clinical trial in progress;
- Phase I trials aim to show the safety of the candidate drug; negative results in phase I could lead to discontinuation of the trial program; even in future phases, when the phase I results were positive, tolerance and safety problems or harmful side effects could occur and delay or interrupt the trials; and
- In the event of serious tolerance or toxicity problems, the trials must be interrupted.

Finally, no guarantee can be made as to positive preclinical and clinical results. Favorable results during preclinical studies and preliminary clinical trials are not always confirmed during future clinical trials. In addition, clinical trials can produce safety and efficacy results that, while positive, are not sufficient to obtain marketing approval. Positive results in a clinical trial and/or the grant of marketing approval of a product with a given indication does not presume the efficacy, safe use and marketing approval (MA) for another indication, even if the latter may be related or linked by scientific rational.

4.1.2. Risks relating to the particular nature of the products

ERYTECH™/GRASPA®[1], ERYTECH's flagship product, could present certain risks present during blood transfusions.

ERYASP™/GRASPA® must be intravenously injected in the patient according to the regulations for administering red blood cells (transfusion) and the compatibility of the donor (blood type). Red blood cells used during the manufacturing of ERYASP™/GRASPA® come from blood donations prepared and qualified by blood banks, namely the Établissement Français du Sang [French Blood Facility] (EFS), known for their high standards of quality and safety.
However, ERYASP™/GRASPA® could present certain risks intrinsic to a blood transfusion. These risks, while rare, are possible despite having never been observed with ERYASP™/GRASPA® at the time of filing of the Reference Document:

- Risks from transmission of infectious agents:
  - viral;
  - bacterial;
  - Parasites; and
  - prionic.
- Risks from red blood cells:
  - immunological (allergic) risk is the most concerning in terms of its severity and frequency; and
  - risk of post-transfusion graft-versus-host disease and purpura.

In addition, the blood banks follow a strict red blood cell preparation process, approved by health authorities, to detect and reduce possible risks for contamination by infectious agents.
Risks related to molecules encapsulated in red blood cells could be varied and depend on their known or unknown toxicity. For example, enzymatic biological molecules (such as asparaginase) are immunogenic in humans and promote development of antibodies and allergic reactions, which could lead to anaphylactic shock and death in the patient. The level of knowledge about an encapsulated molecule's risk is greater with a molecule that has already been approved for the market in France or another country than for a new molecule that has never been used in humans. ERYASP™/GRASPA® uses asparaginase, a product used in Europe since the 70s and for which toxicity is well known and documented.

[1] The GRASPA® brand was licensed to Orphan Europe (Recordati Group) in order to market the productin ALL (acute lymphoblastic leukemia) and AML (acute myeloid leukemia) in Europe and to the Teva Group in Israel.

4.1.3. Risk related to the production process

Production costs may be higher than estimated

ERYTECH manufactures according to manufacturing best practices applicable to drugs for clinical trials and to specifications approved by the regulatory authority. Only products that meet the standards are released for administration to patients. If a product is found to be non-compliant, ERYTECH would be required to manufacture again, which would entail additional costs and may prevent delivery of the product to patients on time.

Other risks may have the same effect, such as:
- Contamination of the controlled atmosphere area
- Unusable premises and equipment;
- New regulatory requirements requiring a partial and/or extended stop to the production unit to meet the requirements;
- Unavailable qualified personnel;
- Power failure of extended duration;
- Logistical error;
- Rupture in cold chain.

These risks, should they occur, could have a material adverse effect on the activities, financial position, results, reputation or growth of the Company.

Moreover, a rise in direct/indirect energy rates may increase product manufacturing and logistical costs, therefore having a negative impact on the activities, financial position, results or growth of the Company.

4.1.4. Risks related to production capacity

The Company's production capacity could be insufficient

The Company's production capacity may prove insufficient in the future to meet the growth of its activity. If the Company must increase production capacity, it could need to make considerable investments that could lead to significant financing needs or to sub-contracting agreements in order to outsource part of the production.

4.1.5. Risk of commercial failure

The commercial success of the Company's products is not guaranteed.

At this time, none of the products developed by the Company has received marketing approval (MA). For the development and marketing of products based on these technologies, the Company is confronted with a high level of risk and uncertainty which could slow or suspend the development efforts for its products and negatively affect its activities. Therefore, even if the Company could obtain and maintain regulatory approvals to market these products, it is possible that:
- The marketing approvals (MA) for its products are not obtained by the Company quickly enough for it to gain a competitive advantage in the targeted markets.
- The health authorities impose restrictions on use that limit the therapeutic value and potential of the product in these targeted markets.
- The Company is not able to successfully manufacture and market its future products at a price, reimbursement rate or scale allowing it to be profitable *(see also section 4.4: Regulatory risks)*.
- The future products of the Company lose their competitive advantage and are rendered obsolete by third party development of other equally or more innovative products (*see also section 4.2 of the Reference Document*);
- The future products of the Company are not marketable due to third party intellectual property rights claims *(see also section 4. 2 of the Reference Document)*.

The level of acceptance of each Company product by the market will also depend on the following factors:
- The prescribing physicians' perception of the product's therapeutic benefit;
- The possible occurrence of adverse effects once marketing approval is obtained;
- The ease of integration of the product into the current care process;
- The efficient implementation of a scientific publication strategy;
- The support of opinion leaders.

These factors could limit or halt product acceptance by the market which would have a significant material adverse effect on the Company's activities, financial position, results and growth.

4.1.6. Risks related to sales, marketing and distribution resources

The Company has limited experience in sales, marketing and distribution.

To date, the Company has not invested in sales, marketing and distribution. The Company will have to develop marketing and sales capability either on its own or with strategic partners.

To market the first product, ERYASP™/GRASPA®, the Company has finalized a partnership with a specialist in orphan drugs, Orphan Europe (Recordati Group) for Europe and Teva Group for Israel (*See also section 4.1 and section 22 pertaining to important contracts).*

For other products and jurisdictions, the Company will choose to market its products:
- by its own means, or
- through a marketing partnership.

In the first case, the Company will have to organize its own sales and marketing infrastructure.

In the second case, it is possible that:
- the Company is not able to enter into a partnership under economically reasonable conditions, or;
- such a partnership is re-evaluated, or;
- the partners face difficulties or do not implement all means necessary to obtain the expected results as per the agreements concluded with the Company. The partners' budget restrictions or priority given to other development programs, for example, could delay the validation of the potential of the Company's products and their marketing, or;
- conflicts could arise between the Company and some of its partners. In particular, the Company cannot guarantee that any of its partners will not design or seek to implement a commercial activity using a competing technology to that of the Company's (*see also the section below on the risks related to competition*).

Such events may have a significant material adverse effect on the activity, prospects, results, financial position and growth of the Company.

In all cases, it will consequently have to incur additional costs, mobilize management resources, recruit specific personnel, draw on new competencies and take the time required to put in place the appropriate organization and structure to assist the development of the product in accordance with current legislation and, more generally, optimize its marketing efforts.

4.1.7. Risk related to dependence on exclusive distributors of GRASPA®

The marketing of GRASPA® in 38 European countries and in Israel is largely dependent on Orphan Europe (Recordati Group) and Teva Group

4.1.7.1. Teva Group

The Company chose Teva Group as exclusive distributor for GRASPA® in the treatment of ALL in Israel *(see also section 22 of the Reference Document)*.

A licensing and exclusive distribution agreement has been reached between the parties as of March 28, 2011.

The marketing success of GRASPA® in Israel therefore depends on marketing and commercial efforts deployed by this distributor as well as its capability to sell the treatments developed by the Company. Any failure on the part of Teva Group would have adverse consequences on the Company. The Company has limited these risks by putting in place a steering committee to follow-up on the development and marketing of products developed by the Company.

4.1.7.2. Orphan Europe (Recordati Group)

The Company has chosen Orphan Europe as the exclusive distributor of GRASPA® in the treatment of ALL and AML for 38 countries in Europe, including the European Union *(see also section 22 of the Reference Document)*.

The risk resulting from this agreement is the risk of dependence where:

- Orphan Europe is the exclusive distributor of GRASPA® for all of Europe. The success of marketing GRASPA® in Europe therefore depends on regulatory, marketing and commercial efforts deployed by this distributor as well as its capability to sell the treatments developed by the Company. Any failure on the part of Orphan Europe would have adverse consequences on the Company. The Company has limited these risks by putting in place a steering committee to follow-up on the development and marketing of products developed by the Company.
- Payments will be made to the Company in stages: the first payment was made on the date the agreement was signed and others will be made when marketing approval of the treatments developed by the Company is granted and in levels according to the sales achieved by Orphan Europe. Consequently, if the Company does not reach these objectives, this will have a significant material adverse effect on its activities, financial position, results or growth.
- A breach of agreement initiated by Orphan Europe could incur significant damages. However, the Company could also breach the said agreement in the event of serious misconduct on the part of Orphan Europe, and claim significant damages
- The non-compliance of guarantees given by the Company could reduce the milestone payments.

4.1.8. Risk related to dependency on its most advanced product: ERYASP™/GRASPA®

ERYASP™/GRASPA® is the only product under clinical development and with the possibility of being on the market in the next 5 years

ERYASP™/GRASPA® is, to date, the only company product under clinical development. In fact, clinical development of ERYASP™/GRASPA® is not yet complete.

The development of ERYASP™/GRASPA® required and will continue to require the mobilization of multiple Company resources. The future of the Company depends on the successful development of its flagship product: ERYASP™/GRASPA® Indeed, if the Company does not develop and finally market ERYASP™/GRASPA®, and it does not, in parallel, reduce its dependence on this product, its activity, prospects, financial position, results and growth could be significantly affected.

The Company considers its dependence on ERYASP™/GRASPA® as significant.

4.1.9. Risks related to dependence on key scientific partnerships

The loss of some scientific partnerships could hinder the growth of the Company

The Company depends on partnerships and expects to continue to depend on partnerships, namely with public and private research institutions, to conduct an important part of its discovery activities. If one of these partnerships breached or terminated its agreement with the Company or otherwise failed to work efficiently with the Company, the research, development or marketing of products planned as part of this partnership could be delayed or canceled. In the event a partnership agreement entered into by the Company is terminated or the Company is no longer in a position to renew the partnerships in question under acceptable conditions, the Company's activities may be delayed and even penalized.

4.1.10. Risks of conflict of interest

A director or a member of the Scientific Board could be in conflict of interest and harm the Company

Directors *(see also sections 14 and 16 of the Reference Document)*are subject to a regulatory and legal framework, including for conflicts of interest. However, no provision can replace the ethical conduct of a director. In addition, in the event of conflict of interest, a director risks losing his/her intellectual independence or objectivity. The occurrence of this risk could have a significant material adverse effect on the activities, financial position, results, reputation or growth of the Company.

Members of the scientific board *(see also section 16 of the Reference Document)* contractually declare their interest(s). The Company consequently assesses the risks, but does not verify the truthfulness of these statements. In the event of omission or of false declaration, a member risks losing his/her intellectual independence or objectivity. The occurrence of this risk could have a significant material adverse effect on the activities, financial position, results, reputation or growth of the Company.

4.1.11. Risks of dependence on subcontractors and key raw material suppliers

Access to raw materials and products required to complete clinical trials and to manufacture the Company's products is not guaranteed.

The Company is supplied in:
- Asparaginase (*see also Section 22 of the Reference Document*).
- Red Blood Cell (RBC) Concentrate.

EFS (Établissement Français du Sang [French Blood Facility]) is under contract with ERYTECH to supply the Company for its clinical trials in progress and as part of temporary approval for use. Blood collection and distribution is managed in France by EFS, a public institution with a monopoly position, the only blood transfusion authority responsible for meeting the national need in blood products, which it must supply in sufficient quantity with optimal quality. In the event of a major and/or international crisis impacting blood banks and the practice of blood donation, the Company may not be supplied sufficiently with RBC to satisfy clinical trials and/or the market.

The asparaginase market is a closed one with few international players and multiple marketing exclusivity rights between players and geographical areas. ERYTECH is exclusively supplied by a company with which it has signed a long-term contract to supply asparaginase.

The Company is dependent on its subcontractors.

The Company outsources the following:
- The manufacturing of equipment required to operate its manufacturing process *(see also chapter 22 of the Reference Document)*.
- The management of its clinical trials to specialized companies (Contract Research Organizations or CROs);
- The completion of certain research and development studies
- The shipping of its products.

In the event of failure, bankruptcy or shutdown of, or dispute with these subcontractors and/or key suppliers, the Company could then not be able to enter into new agreements with other contractors under commercially acceptable conditions and therefore could not be able to develop, test, manufacture and market its products in the expected time frame and at an acceptable cost. This could have a significant material adverse effect on the activities, financial position, results or growth of the Company.

In addition, the contracts that the Company entered into with these companies normally contain limitation of liability clauses in their favor meaning that the Company will not have recourse to full compensation of potential losses that it would risk incurring in the event of failure.

To reduce its dependence on these companies, the Company's contracts provide for, when possible, an extended notice period before any cancellation or shutdown of activity in order to have sufficient time to find a new qualified provider, if needed, that can meet the same need.

When possible, the Company also has alternate suppliers as part of its purchasing policy, and undergoes follow-up with its suppliers through audits managed by the Company Quality Assurance department. In addition, the Company suppliers are generally subjected to precise specifications. However, the Company cannot guarantee these suppliers will follow the Company's directives.

If third-party supplied and manufactured products do not comply with regulatory standards, penalties may be imposed on the Company. These penalties may include fines, injunctions, refusal by regulatory authorities to pursue our trials, delays, suspension or withdrawal of approvals, seizure or recall of our products and criminal prosecution, all measures which could have a considerable negative impact on the Company.

In the event the Company must change key suppliers or subcontractors, it will be asked to show that the change has had no impact on the quality of the manufactured products. This verification could be costly, time consuming and could require the attention of the most qualified personnel. In order to show absence of impact due to the change, the Company could be required to conduct animal studies or other clinical studies. Some changes are subject to approval by regulatory authorities. If the change is refused, the Company could be constrained in finding another supplier/subcontractor which could delay the production, development or marketing of products and increase the manufacturing costs of these products.

4.1.12. Risks relating to hygiene, safety and environment

The Company is exposed to risks related to hazardous substance handling

The Company's research and development activities exposes it to chemical and biological risks and forces it to take and follow preventive measures according to current legislation.

During company preclinical research and development programs and tests, the Company uses hazardous materials, such as compressed gases, and biological material, blood from donors, but also from patients *(see also the section Risk related to the particular nature of products from technology in the Reference Document)*, solvents and other chemical products that could be genotoxic.

There are therefore health risks related to the handling of these hazardous materials by the Company employees and/or subcontractors. Consequently, the Company is subject to environmental and safety legislation and regulations governing use, storage, handling, emission and hazardous materials disposal, including of chemical and biological products. While the Company considers that the safety measures meet the standards set out by current legislation and regulations and allows its employees and subcontractors to work under good conditions, the risk of accidental contamination or of occupational diseases related to hazardous material handling cannot be completely eliminated.

Although the company doesn't identify major environmental risks related to its activity, as well as in the event of an accident, the company could be held responsible for all resulting damages and the incurred liability could exceed the limits of the insurances the Company subscribes to and even not be covered by them.

Moreover, conforming to environmental, health and safety regulations imposes on the Company additional costs, and it could have to incur significant expenses to conform to future environmental legislation and regulations.

4.2. Strategic risks

4.2.1. Risk related to key personnel

The Company could lose key partners and not be able to attract new qualified personnel.

The Company's success depends in large part on the actions and efforts by its executive officers and personnel in key positions. In the event that the Company is not able to keep its executive officers and scientists, its research and development (preclinical as well as clinical) could be delayed, and the implementation of its strategy could be negatively affected. As the Company progresses in its programs and extends the scope of its activities, it could have to recruit new employees with competencies in areas such as clinical trials, regulatory matters, reimbursement procedures, sales and marketing. As part of recruiting and retaining qualified personnel, the Company is confronted with intense competition from other companies in the sector, universities, public and private research institutions, as well as other organizations. Under these circumstances, the Company cannot guarantee its ability to recruit and/or retain its qualified personnel under conditions that are acceptable from an economic point of view. The delay in recruiting or the loss of a key employee could prevent the Company from reaching its overall objectives and consequently have a negative impact on its activities, results, financial position and its prospects.

Moreover, the loss or disability of one or more members of the board could lead to significant negative effects on activities, financial position and overall growth of the Company. While the Company benefits from a "Key Persons" insurance policy, *(described in section 4.9 of the Reference Document)*, for Mr. Gil Beyen, Mr. Pierre-Olivier Goineau and Mr. Yann Godfrin, the policy could prove insufficient to compensate the damages incurred.

4.2.2. Risks related to key objectives not being reached

The Company could not reach the objectives it has committed to as part of certain partnerships and partnership agreements.

The Company is bound to academic and commercial partnerships through financial agreements for research programs or by commercial development agreements. These agreements are contingent upon royalties, public funds, achievement of commercial, industrial, proof of concept or other objectives.

Consequently, if the Company does not reach these objectives, this will have a significant material adverse effect on its activities, financial position, results or growth.

4.2.3. Risks related to the management of internal growth

The growth of the Company will depend on its ability to manage its growth.

As part of its growth strategy, the Company will need to recruit additional personnel and develop its operational capabilities, which could excessively mobilize its internal resources. To do so, the Company will need:

- To create, generate, motivate and retain an increasing number of employees;
- To anticipate the expenses related to this growth and associated financing needs;
- To increase or transfer its production division and its premises;
- To forecast precisely demand for Company products and revenues that could be generated; and
- To develop information systems.

If the Company does not manage its growth or if it encounters unexpected difficulties during its growth, this could have a significant material adverse effect on its activities, financial situation, results or growth.

4.2.4. Risks related to competition

Direct or indirect competitive solutions could halt the growth of the Company and render its products obsolete.

The markets in which the Company is involved in are well defined and very competitive and progress rapidly. The Company competes with larger companies that have more industrial and commercial experience and access to distinctly superior resources.

Consequently, the Company cannot guarantee that its drugs will:
- reach the target markets more rapidly than that of its competitors;
- be competitive compared to other developed products or products under development that turn out to be safer, more effective or less expensive;
- adapt rapidly enough to new emerging and developing technologies and scientific advancements;
- be accepted by medical centers, doctors and patients over existing treatments;
- be effectively competitive compared to other products for treating the same indications.

Finally, the Company cannot guarantee that its partners and/or employees will not choose, in the more or less long term, to join or work for competitors.

Such events could have a significant material adverse effect on the activity, results, financial position and growth prospects of the Company.

It is likely that new developments will continue in the pharmaceutical industry and in public and private research institutions. As well as developing safer, more effective and less expensive products than those developed by the Company, its competitors could manufacture and market their products under better conditions. As such, the Company cannot exclude the possibility that companies and other public and private organizations that are currently competing in the same space merge or enter into partnerships or other types of alliances, consequently becoming more aggressive competitors. In addition, rapid technological developments by these competitors could render the Company's drugs or its potential products obsolete before being able to recuperate the research, development and marketing costs for its products.

To the Company's knowledge, new forms of asparaginase are under development as well as other products that could be used in the treatment of acute leukemia (*see also section 6.4, The L-asparaginase market*). Nonetheless, given clinical development advances, ERYTECH considers being more advanced and anticipates that these asparaginase-based treatments will not be available on the market within the next 4 years.

Even if the Company's products are marketed successfully, market recognition could be delayed and the Company could not be able to offset its costs with its potential revenues. In order to gain market acceptance for its products over existing ones, the Company will have to commit significant marketing as well as investment efforts. To date, the Company has not undertaken significant marketing activity and disposes of few financial and human resources to this effect.

4.2.5. Risks related to confidentiality of Company information and knowledge

The Company may not be able to protect the confidentiality of its information and/or knowledge.

As part of partnership agreements, current and future, between the Company and natural persons as well as other public or private entities, subcontractors or third parties, information and/or products could be provided in order to conduct tests or other services. In these instances, the Company requires the signing of a confidentiality agreement. In fact, the proprietary non patented and/or non patentable technology, processes, knowledge and data are considered trade secrets that the Company attempts to protect through such confidentiality agreements.

It cannot be guaranteed that confidentiality agreements are not infringed or ensure the sought after protection, that the Company has appropriate solutions against such infringements, or that its trade secrets are not disclosed to or developed by its competitors.

More specifically, the Company has no control over the conditions under which third parties, with which it has agreements, have recourse themselves to third parties, and protect its confidential information.

The occurrence of this risk could have a significant material adverse effect on the activity, prospects, financial position, results and growth of the Company.

4.2.6. Risks related to the use of information systems

ERYTECH could be the target of cyber attacks

In order to safeguard the information systems and their users, the Company standardized rules governing their use (information technology charter, internal control procedures) to outline the main precautions and guidelines of use that each user must follow when using Company information systems.

However, the Company cannot guarantee that the users will follow these rules and that these rules are sufficient to avoid cyber attacks, loss of sensitive data, discontinuity of operations and claims against the Company. These risks, should they occur, could have a material adverse effect on the activities, financial position, results, reputation or growth of the Company.

4.2.7. Risk related to industrial espionage

ERYTECH could fall prey to industrial espionage

Given its highly technological and innovative activity and advanced research and development projects that could confer it a competitive advantage in its market, the Company is exposed to an industrial espionage risk.

Disclosure or theft of its scientific research content would deprive the Company of potential revenue sources and affect its activity.
Such a situation, should it occur, is susceptible to have a negative impact on the Company, its activity, financial position, results or growth.

4.2.8. Specific risks related to the use of technologies owned by third parties

The Company cannot protect the intellectual property of technologies owned by third parties and that it uses

The Company entered into agreements with researchers working for public and/or private entities (*see section 22 of the Reference Document*). The agreements entered into with these entities contain specifications pertaining to intellectual property rights and confidentiality commitments.

It cannot be guaranteed that these agreements will ensure the protection sought or are followed by the Company's co-contracting parties. The Company also relies on the commercial licensing terms which it will obtain, if applicable, for the results of the experiments covered by such agreements.

Finally, the Company cannot guarantee that entities with which it has agreements have at their disposal all the rights to use the technologies and that they will be able to grant the Company licenses for such rights.

When the Company is granted a patent license from third parties (*see section 22 of the Reference Document)*, the Company undertakes to comply with certain conditions to maintain its rights on the patent. In addition, the Company relies on the patent being protected and enforced.
The conditions for maintaining rights on the technology could include elements such as carrying out development efforts to transform the patent into a commercial product, payment of licensing fees while carrying out predefined steps and payment of annual licensing fees based on sales revenue generated as a result of the patent.

Any failure on the part of the Company could lead to loss of patent exclusivity. If the Company loses its rights to the patent obtained under license or if it cannot obtain new similar rights under reasonable terms, this could constitute an obstacle to development, manufacture and sale of its products.

4.2.9. Risks related to intellectual property

The protection offered by patents and other intellectual property rights is uncertain. The Company may not be able to maintain adequate protection of its intellectual property rights and thereby lose its technological and competitive advantage. Part of the Company's activity could depend on or infringe upon patents and/or other intellectual property rights owned by third parties. The exclusive nature conferred by intellectual property rights could be circumvented by the Company's third parties/competitors.

The Company's success depends on its ability to obtain, maintain and enforce its patents and other intellectual property rights. If one or more brands or patents covering a technology, the manufacturing process or a product were to be invalidated or found unenforceable, the development and marketing of such a technology or product could be directly affected or interrupted.

In the pharmaceutical industry in which the Company operates, patent law varies according to the country and is in constant evolution. There is therefore much uncertainty in this area. Consequently, the Company cannot guarantee that:
- its patents will be the basis for commercially viable products;
- its pending patent applications will lead to patent grants;
- its patent applications, even if they are granted, will not be challenged, invalidated or found unenforceable;
- the scope of protection offered by patents will be sufficient to protect the Company from its competitors;
- the products won't infringe on third party intellectual property rights or patents and that it won't be forced to defend itself against such accusations by third parties;
- third parties will not be granted patents or file patent applications for the Company's products before the Company is granted such patents or files such applications; or
- third parties will not be granted or will not file patent applications or use any other intellectual property rights that, even if they don't infringe on those of the Company, limit its growth.

Intellectual property litigation is often long, costly and complex. Some of the Company's competitors have access to greater resources and could be more able to conduct such proceedings. A court judgment against the Company could seriously affect its ability to continue its activity and, more particularly, could force the Company:
- To cease the sale or use of its products;
- To acquire the right to use the intellectual property licensing rights under costly terms; or
- To change the design, delay the launch or even abandon some of its products.

Patent applications in Europe and in the United States are not generally published until 18 months after the priority date on the application and, moreover, in the United States, some applications are not published before the patent is granted. In addition, in the United States, if the legislation has changed, the notion of the right to the patent for all patent applications before March 2013 is related to the notion of first-to-invent which is based on the date the invention was conceived, while in other countries, the right to the patent is attributed to the first to file the patent application. The new legislation in the United

States provides that the right henceforth belongs to the first inventor to file under the new rules. As a result, the Company cannot guarantee that third parties will not be in a position to be considered as first inventor or first inventor to file an invention covered by its patents and its pending patent applications in the United States. In such circumstances, the Company could have to enter into licensing agreements with third parties (provided that these licenses are available), modify some of its activities or manufacturing processes, or develop or acquire different technologies.

The Company is confronted with similar risks for its trademarks.

The Company also relies on its technology, manufacturing processes, knowledge and non-patented confidential data that it protects through confidentiality agreements signed by its employees, consultants and some of its subcontractors. The Company cannot guarantee that these agreements will always be followed, that the Company has recourse in the event of a breach of such agreements or that the confidential information in question will not be disclosed to third parties or independently developed by competitors. The Company also cannot guarantee that, despite the implementation of measures, a consultant or employee will not claim rights on an invention discovered as part of a Company project.

The occurrence of any one of these situations regarding any patent or intellectual property right of the Company could have a significant negative effect on the activities, financial position, results or development of the Company.

4.3. LEGAL RISKS

The Company's liability may be incurred if harm results from one of its products.

The use or misuse of the Company's products during feasibility studies and clinical trials as well as the sale, promotion or use of future related products risks exposing the Company to liability claims.

Complaints could be filed and legal action taken against the Company by patients, regulatory authorities, pharmaceutical companies or other third parties using or selling the Company products. The Company cannot guarantee that its current insurance policies are sufficient to protect the Company against such proceedings. If the Company, its suppliers or other partners are liable (even in the case of proceedings that do not lead to conviction) or if it's impossible to obtain or maintain appropriate insurance policies at an acceptable rate or to obtain other protection, this could significantly affect the growth and, in the future, the marketing of the Company's products and have a significant material adverse effect on the activities, financial position, results, reputation and growth of the Company.

4.4. REGULATORY RISKS

4.4.1. Risks related to the regulatory environment

Obtaining prior approvals for marketing is uncertain.

At this time, no Company product, including its most advanced product ERYASP™/GRASPA®, has received marketing approval from any regulatory authority. The Company cannot be assured that it will receive the necessary approvals to market any of its products. The Company as well as its products are subject to extensive and very stringent legislation and regulations and to controls from regulatory authorities such as the Agence Nationale de Sécurite du Médicament et des Produits de Santé [National Agency for the Safety of Drug and Heathcare Products] (ANSM) in France, the Food and Drug Administration (FDA) in the United States and the European Medicines Agency (EMA) in Europe. The applicable regulatory requirements are known, but subject to change. Any failure to comply to these requirements can lead to sanctions including fines, rulings, civil penalties, refusal of marketing approval, delays, suspension or withdrawal of approvals, seizure or recall of products, restriction of use and legal proceedings.

To obtain marketing approval for any of its products, the Company must show, through many long and costly clinical trials with uncertain outcomes, that use of its products is safe and effective in humans. If the Company was not in a position to follow its development schedule or if it cannot conduct clinical trials for its products within expected time limits, its activities, financial position, results and growth could be significantly negatively affected.

The Company's ability to obtain marketing approval for its products will depend on many factors, including the following:

- the opportunity to continue the development of its products that, with the exception of ERYASP™/ GRASPA®, are currently in early clinical stages, or to move products currently under preclinical development into a clinical stage;
- the Company alone or with its potential partners is able to successfully conduct clinical trials within stated time limits and with the resources and under the conditions originally outlined;
- the Company's trials show the safety and efficacy of its products as well as a positive risk/benefit for the patient;
- the Company obtains clinical results that are more promising that those of its competitors;
- the results of clinical trials, although positive, do not meet the applicable regulatory criteria;
- the Company cannot submit to the regulatory authority of a jurisdiction the results of clinical trials conducted in another jurisdiction or for other candidate drugs;
- the Company is forced to conduct additional clinical trials requested by regulatory authorities;
- the Company's competitors announce clinical trial results that causes the amendment of evaluation criteria used by relevant regulatory authorities; and
- the ability of the Company to obtain the clinical trial approvals in relevant jurisdictions within the time limit of the development plan.

In addition, the Company's products that have already been approved could prove unsafe and be withdrawn from the market, or produce effects over time other than those expected, which could limit or render impossible their commercialization.

To obtain marketing approval for its products in a given jurisdiction, the Company must show that they meet the quality, safety and efficacy criteria defined by the relevant authorities for the intended indications.

If the Company is not granted marketing approval of a product in a given jurisdiction, it will not be able to sell the product in question for the intended indication in that jurisdiction. In addition, a refusal of marketing approval in one of the Company's key jurisdictions could have a negative influence on the authority in charge of granting marketing approvals in another key jurisdiction.

As such, if the Company is not granted marketing approval for its products in a given jurisdiction, this will have a significant material adverse effect on its activities, financial position, results or growth.

4.4.2. Risks related to regulations for the collection of human samples

The collection of human samples is strictly regulated

ERYTECH and its partners comply with the regulations on the collection of human samples. These regulations require, in some cases, patient consent, confidentiality of his/her identity, approval of clinical tests by (hospital) ethics boards and/or other supervisory boards and, in some cases, grant of certain regulatory approvals.

If ERYTECH and its partners failed in its obligation to comply to these regulations or if the regulations in question were to be amended unfavorably, research projects and activities and the growth at ERYTECH as well as its related schedule could be penalized.

4.4.3. Risks related to changes in health care reimbursement policies

The conditions for determining the reimbursement price and rate of Company products constitute a key factor in the commercial success of the Company.

The commercial success of the Company will depend, in part, on the level of reimbursement of its products by public health associations, private insurers and managed healthcare organizations or any other organization.

No guarantee exists relative to the terms of reimbursement which will be applied on the Company's products or if the reimbursement will be sufficient.

If the Company's products are not granted a reasonable level of reimbursement, their market acceptance could be negatively affected.

Moreover, the legislative and regulatory measures to control or reduce health costs or to reform healthcare programs could mean lower sale prices for Company tests and products. A low price for the relevant products will limit the Company's ability to generate sales revenues in line with expectations, as currently estimated by the Company.

4.4.4. Risks related to the regulatory status of the Company

The upholding of the status required to manufacture and market Company products is uncertain.

To date, the Company holds the designation of "Pharmaceutical Manufacturing Facility" and of "Pharmaceutical Operating Facility." The Company cannot be assured that it or its partners will retain these statuses to manufacture and market any of its products. The Company as well as its products are subject to extensive and very stringent legislation and regulations and to controls from regulatory authorities such as the Agence Nationale de Sécurite du Médicament et des produits de santé (ANSM), the FDA and EMA. The applicable regulatory requirements are known, but subject to change. The Company must show that it meets the quality and safety criteria defined by relevant authorities.

Any failure to comply to these requirements can lead to sanctions including fines, rulings, civil penalties, refusal of marketing approval, delays, suspension or withdrawal of approvals, seizure or recall of products, restriction of use and legal proceedings.

If the Company or its partners do not maintain these statuses, it or they will not be able to manufacture and/or sell the product in question in the jurisdiction concerned; this would have a significant material adverse effect on its activities, financial position, results or growth.

4.5. FINANCIAL RISKS

4.5.1. Risks related to historical and forecast losses

The Company has a history of operational losses, losses that could persist.

The Company registered accounting and fiscal losses since the start of its operations in 2004. On December 31, 2013, accumulated losses totaled 30.2 million euros according to IFRS accounting standards. These operational losses are principally accounted to investments in research expenditures and development costs for conducting preclinical studies and clinical trials. The Company anticipates substantial new operational losses for the coming years as its research and development activities, preclinical studies and clinical trials are pursued. At the time of filing of the Reference Document, neither ERYASP™/GRASPA® nor any other of its products were generating sales revenues.

The Company's profitability will depend on its ability to successfully develop, produce and market its products. The Company's own financial resources will come from, in the near future, the first sales of ERYASP™/GRASPA®, payments from partners as part of established distribution agreements or licensing agreements related to the development of new products and/or use of the research platform. Additional funding through public subsidies or from private associations are also possible. The Company does not anticipate revenues as a result of the sale of products other than that of ERYASP™/GRASPA® in the medium term. In the event of the absence or delay of marketing approval for this product, the Company may not sell any product in the short, medium or long term.

4.5.2. Risks related to uncertain additional funding

The Company could need to strengthen its own funds or to have recourse to additional funding to ensure its growth.

The final phases of product development in the biotechnology and biopharmaceutical industry requiring increasing investments, the financial needs of the Company will continue to increase as the Company invests in developing existing and new products. However, the Company considers that its internal financing capacities will be sufficient to cover its financial needs in the mid term, that is until 2016, when the revenues from the Company will be sufficient to ensure its activity. These financial needs, other than structural costs, concern clinical trials that the Company planned to conduct (please refer to Section 6.5, 6.7 and 6.8) as well as expenses involved in research programs assisted by Oséo (please refer to Section 9.3). The Company could however have to anticipate raising additional funds because of various factors such as:

- Unexpected opportunities to develop new promising products or acquire technologies or other activities;
- Higher costs and slower progress than expected by the Company for the development of new products and for marketing approvals;
- Costs incurred by the Company to file, maintain and enforce patents and other intellectual property rights;
- Costs incurred by the Company to respond to technological and market developments, to enter into and maintain partnership agreements and to ensure the effective manufacturing and marketing of its products; and
- The inability of the Company to establish partnership agreements in the expected time frames.

The Company has a cash flow of 15.1 million euros at the end of December 2013 which will cover its needs for over a year.

4.5.3. Risk of major financial crisis

The Company could be linked to major events, short-term and external to its activity or existence. A systemic financial risk with a non negligible probability of major disruption can cause serious deterioration - if not paralysis - of the financial system as a whole for an entire economic sector, over a vast geographical area or even on a global scale.

A crisis of this magnitude would have a significant material adverse effect on the Company's financial position, results and growth.

4.5.4. Risk of dilution

As part of its incentive policy for its executive officers, directors and employees, the Company has issued or allocated share subscription warrants. In the future, the Company could proceed to the issue and allocation of new financial instruments giving access to Company capital.

Any additional allocation or issue of shares or other financial instruments giving access to capital would lead to potentially significant dilution for the shareholders.

4.6. SOCIAL AND FISCAL RISKS

4.6.1. Risks related to research tax credit

The Company benefits from public funding to which innovative companies have access, in particular the research tax credit. The research expenditures that are eligible for the research tax credit include wages and salaries, consumer goods, services subcontracted to approved research organizations (public or private) and intellectual property costs.

The claim on the national treasury that the research tax credit represents is submitted during the first quarter of the next fiscal year.

Only the research projects (and related expenses) that meet the eligibility criteria for the research tax credit in accordance with provisions of article 244c of the General Tax Code are entitled to the research tax credit scheme.

By its very nature, its corporate purpose and its pipeline of preclinical and clinical projects, the Company is confident that it will be eligible for the research tax credit scheme. Moreover, in 2013, the Company's authorization from the Ministry of Research and Higher Education was renewed.

Finally, the Company was audited by the Tax Authorities with respect to the investment in research credit for 2010, 2011, in 2012, the risk being thus extinguished for these years as was for years previously by prescription.

The Company deems that the eventual financial consequences of future fiscal audits could call into question and/or stop the growth of the Company.

4.6.2. Risks related to tax fluctuations for drugs

The deficit of certain national drug cost-sharing and coverage programs has lead to and could lead to governments in certain countries to impose taxes on drug company activities. The introduction of such taxes or their increase could have a negative impact on the activity and profitability of the Company.

4.6.3. Risks related to changes in fiscal or labor legislation

There are multiple sources of fiscal risks. If the risk of deliberate violation of fiscal law (legal or illegality risk) is ruled out, the risks could be current or long term; they could originate externally or internally as they could be related to persons, operational processes, technology or fiscal management procedures of the Company.

Taxation also constitutes an aspect of market risk as an element of cost and pricing.

Transaction risk
Each transaction is met with taxation. The more a transaction is complex, the more fiscal uncertainty it could generate and, consequently, fiscal risks. The more the transaction is uncommon or unusual, the more it exposes to specific risks.
The Company, however, is not specifically concerned by this risk with regard to current circumstances.

Situation risk
Fiscal risk depends on its impact and its probability of occurrence. The probability of occurrence depends on the action or reaction of tax administration in response to a situation. As such, this probability is high when a company finds itself in certain situations attracting in its own right a tax audit such as a company generating VAT (Value-Added Tax) and CIT tax credits namely during the first requests for restitution.
The Company, however, is currently not specifically concerned by this risk in the absence of particular new fiscal elements.

Operational risk
Generally, repetitive operations do not tolerate uncertainty since uncertainty that relies on common activities can have consequences in terms of high risks. Operational risks involves all services and persons concerned with tax law and not only the tax function/role of the company (supply, transportation, inventory accounting, personnel, treasury and finances, commercial, invoicing, delivery, shipping, investment, accounting, etc...). Appropriate training and documentation of the persons involved and good communication between all parties concerned with operations having a direct fiscal impact constitutes a key strategy to manage fiscal operational risks.
The Company does not believe that it is concerned by this risk, currently in his much as the internal communication and action by the Statutory Auditors guarantee the correct application of tax rules.

Risks related to retroactivity of the law
A good fiscal compliance strategy involves staying informed and taking into account the administrative doctrine or, even better, obtaining authorization or approval for fiscal administration on the chosen approach for the resolution of a tax problem. The risk is even greater since fiscal as well as social legislation could be retroactive and incur additional costs for the company (for example, BSPCE or founder's share warrants taxation).

Accounting risks
Accounting, as a consolidation, synthesis and tax base instrument, constitutes the main foundation for tax audits and, consequently, for tax litigation. Accounting also embodies the choices of the directors that have a fiscal consequence (allocation theory, tax credit, choice of accounting policies, etc...). Accounting therefore appears to be the tool for formalizing the options deemed to offer an opportunity for the company. Efficient processes for entry and allocation, analysis and cost accounting and accounting-tax alignment are to reduce fiscal accounting risks. The Company does not believe that its bookkeeping currently contains any risk with respect to the stability of personnel and dedicated software, as well as its supervision by the Audit Committee and the Statutory Auditors.

Management risks
Few companies document and formalize their management of fiscal risk. In this case, the main risk lies in the fact that fiscal risk management is the responsibility of the executive officers in charge of it. If these persons leave the company, there is the risk of a difficult succession and especially loss of the ability to seize opportunities during the search for successors. Recourse to external advisers as well as

internal expertise offer a certain level of stability and continuity and, at least, assistance for an easier succession.
However, the company is not specifically concerned by this risk currently in light of the stability of its management as well as its external advisers.

Risk to reputation
A serious fiscal failure can affect the reputation of a company, its executive officers, its personnel and its auditors.
Given the aforementioned risk exposures, the Company does not believe that it is exposed to any particular risk to reputation.

4.7. MARKET RISKS

4.7.1. Liquidity risk

The Company is in deficit since its founding. Net cash flows from operating activities of the Company were respectively +0.6 million euros on December 31, 2012, and -6.5 million euros on December 31, 2013.

Historically, the Company financed its growth by a reinforcement of its equity through increases in capital and the issuance of convertible bonds. The increase in capital as a result of its stock market listing in May 2013 allows the Company to continue operations for a number of years. Likewise, the 2014 budget voted by the Board of Directors in January 2014 provides an outlook for more than one year.

The remaining contractual maturities of financial liabilities are broken down as follows (including interest payments):

In euros		2013		
	Book Value	Contractual Cash Flow		
		Total	Under 1 year	1 to 5 years
Loans	15,000	(15,000)	(15,000)	
Conditional advance	693,669	(701,000)	(115,000)	(586,000)
Lease commitments	303,217	(303,217)	(82,841)	(220,376)
Convertible bonds				
Bank overdraft				
Accounts payable	1,421,436	(1,421,436)	(1,421,436)	
Total	**2,433,322**	**(2,440,653)**	**(1,634,277)**	**(806,376)**

All convertible bonds were converted at the company's stock-market listing in May 2013.

In euros		2012		
	Book Value	Contractual Cash Flow		
		Total	Under 1 year	1 to 5 years
Loans	30,000	(30,000)	(15,000)	(15,000)
Conditional advance	759,953	(816,000)	(115,000)	(701,000)
Lease commitments	158,649	(158,649)	(84,933)	(73,716)
Convertible bonds	10,251,228	(9,000,000)		(9,000,000)
Overdraft				
Accounts payable	1,274,244	(1,274,244)	(1,274,244)	
Total	**12,374,074**	**(11,278,893)**	**(1,489,177)**	**(9,789,716)**

The contractual cash flow of €9 million corresponds to convertible bonds held by Idinvest Partners and by Auriga Venture III (nominal value of €4 million, non conversion premium of €2 million and interest due at maturity of €3 million).

The Company has conducted a specific review of its liquidity risk and it believes that it is capable of meeting its upcoming payment deadlines. Net available cash as of March 31, 2014 came to 12.7 million euros.

4.7.2. Exchange rate risk

The Company uses the euro as a reference currency for its financial information and communication activities. However, a significant part, in the order of 10%, of operating expenses is denominated in US dollars (representative office in Philadelphia, partnerships for producing clinical lots with the American Red Cross, consultants for clinical trial development in the United States, various partnerships for clinical tests and projects in the United States). To date, the Company has not opted for hedging techniques and has not had recourse to derivative financial instruments for this purpose. Unfavorable exchange rate fluctuations between the euro and the dollar that are difficult to predict could affect the financial position of the Company. The dependence will increase as the Company conducts clinical trials in the United States and, in the longer term, sells in that market. The Company will opt for exchange rate hedging techniques.

Expenses in US Dollars totaled $556,547 during the 2013 fiscal year. The counter-values recorded in the accounts totaled €420,094 in relation to the receipt of invoices and price fluctuations. This represents an annual average rate of $1.3248 for €1.

4.7.3. Interest rate risk

The Company's exposure to interest rate risk primarily involves cash equivalents and securities.

These are only comprised of term accounts. Interest rate variations have a direct impact on the remuneration rate of these investments at time of renewal, as well as on cash flow. These financial instruments are convertible at maturity of at most one month.

During the course of 2013, a variation of 10 basis points in interest rate would not have had a significant incidence on financial assets.

4.8. VOLATILITY RISK

The price of the Company's shares could be affected by significant volatility.

The price of the Company's shares could be affected by significant volatility. Aside from the occurrence of the risks described in this section, the market price of the Company's shares could be significantly affected by a number of factors that would impact the Company, its competitors or general economic conditions and the biotechnology sector.

The following factors could have a significant influence on the share price:
- changes in market conditions related to the Company's sector of activity;
- announcements from the Company, its competitors or other companies with similar activities and/or announcements regarding the biotechnology market, including those concerning financial and operational performance or the scientific results of these companies;
- changes in the forecasts or outlook for the Company or those of its competitors from one period to another;
- changes in patents or intellectual property rights of the Company or those of its competitors;
- changes in international political, economic and monetary context and in particular unfavorable changes in the regulatory environment applicable in the countries or to the markets related to the sector of activity of the Company or to the Company itself;
- announcements regarding changes in ownership of the Company;
- announcements regarding changes to the Company's executive officers; and
- announcements regarding the Company's assets (acquisitions, restructuring, etc...).

Furthermore, stock markets have seen significant fluctuations that have not always been due to the results and outlook of the companies whose shares are traded on them. Such market fluctuations as well as economic environment could therefore also significantly affect the market price of the Company's shares.

4.9. INSURANCE AND RISK COVERAGE

The Company has implemented a coverage policy of main insurable risks that it considers compatible with its cash flow requirements and activities.

The total premiums paid for all the Company's insurance policies amounted to 79,893 euros, 30,056 euros and 25,725 euros for the fiscal year ending December 31, 2013, 2012 and 2011, respectively.

The Company has subscribed to several insurance policies, including the following:

Policy	Insurer	Risks covered	Main characteristics	Expiry
Key person	April	Death, permanent total disability for Mr. Pierre-Olivier Goineau, Mr. Yann Godfrin Death for Mr. Gil Beyen.	Limit of liability of €500,000 per person.	Renewable by tacit agreement on January 1st of every year.
Premises and liability	Chubb	Insured activities: - Development of a new generation of drugs for serious diseases, orphan indications or patient sub-populations in areas of hematology, cancer and metabolic diseases. - Encapsulation of therapeutic molecules in red blood cells - Development of a therapeutic pipeline of innovative solutions based on its proprietary technology and its expertise in the physical properties of erythrocytes	All damages including physical injury: €7,500,000 per claim with sub-limits outlined in the contract Criminal Defense - Recourse: €30,000 per dispute	Renewable by tacit agreement on January 1st of every year.
Property and Casualty Business	COVEA RISKS	Address of risk: 60 Avenue Rockefeller 69008 LYON	Fire and related risks Water damage: Equipment - furniture - personal belongings: guaranteed up to €1,800,000 Natural disasters Electrical damage Recovery by neighbors and third parties Broken glass	Renewable by tacit agreement on January 1st of every year.

Policy	Insurer	Risks covered	Main characteristics	Expiry
			Theft Equipment breakdown Computer and office automation all risks Automatic insurance on investment Resulting costs and losses Business interruption/material damage, equipment breakdown and electrical damage Inaccessibility	
Civil Liability for Executive Officers and Corporate Officers	Chubb	Civil liability for executive officers.	Fees and allowances for attendance Contributing spouse Psychological assistance Civil fines Costs of setting up bail Claim of misconduct Claim against legal entity Crisis management costs Maximum aggregate amount per insurance period: 5,000,000 euros with sub-limits set out in contract	Renewable by tacit agreement on January 1st of every year.
Transported Goods	Chubb	Merchandise consists of: – ERYASP™/GRASPA® – ENHOXY® Guaranteed worldwide Excluding shipments to/from the following countries: Afghanistan, Birma, Irak, Iran, Cuba, North Korea, Sudan and any country at war	Ground and air transport Additional guarantees: Packing and packaging Loading and unloading Undelivered packages Merchandise return and reshipment Controlled temperature Disposal Exclusions: rust, oxidation, various scratches, disturbed content	Renewable by tacit agreement on January 1st of every year.
Automobile	COVEA FLEET	All employees on missions for a total of 10,000 km maximum per year.	Automobile liability Criminal defense and claim All accidental damages, theft and attempted theft, fire Broken glass	Renewable by tacit agreement on January 1st of every year.

Policy	Insurer	Risks covered	Main characteristics	Expiry
			Luggage and personal belongings Physical injury - driver	
Business travel	Chubb	Travel by 5 employees on behalf of the subscriber.	Personal injury Assistance Business travel Personal safety	Renewable by tacit agreement on January 1st of every year.
Clinical trials	HDI Gerling	Covers liability of the Company as a sponsor of biomedical research in the United States. The amount of guarantees subscribed for the trials depends on the number of trials, their location and the number of patients involved in the trial.	Fixed amount per patient and per protocol based on each clinical trial program.	—
Clinical trials	CHUBB	Covers liability of the Company as a sponsor of biomedical research in the United States	Maximum aggregate amount per insurance period: $10,000,000	_

Given that the Company has no sales revenues, it has not yet subscribed to insurance policies covering risks of operating losses.

The Company cannot guarantee that it will always be in a position to maintain, and in some cases, obtain similar insurance coverage at an acceptable price, which could lead it to accept more expensive insurance policies and to assume a higher level of risk particularly as the Company grows. Moreover, the occurrence of one or more important disasters, even if they are covered by these insurance policies, can seriously affect the activity of the Company and its financial position due to the interruption of its activities, which could result from such a disaster, reimbursement delays from the insurance companies in the event policy limits are exceeded and finally due to increased premiums that would result.

The occurrence of one or more of these risks could have a significant material adverse effect on the activity, outlook, financial position, results or growth of the Company.

Given the Company's outlook, namely current and future activities in the United States, as described in section 6.7 of the Reference Document, the Company anticipates that its insurance premiums could increase while remaining insignificant compared to its research and development expenses, its annual losses and the value of its assets.

4.10. EXCEPTIONAL EVENTS AND LITIGATION

In the course of its normal activities, the Company is not involved in any legal proceedings
To the Company's knowledge, there is no litigation or arbitration or pre-litigation having recently had or that will have in the future a significant influence on the financial position, results, activity and capital of the Company.

5. INFORMATION ABOUT THE COMPANY

5.1. HISTORY AND EVOLUTION OF THE COMPANY

5.1.1. Company name, trade name, and headquarters of the Company

The corporate name of the Company is ERYTECH Pharma S.A.

The company's headquarters is located at Bâtiment Adénine, 60 Avenue Rockefeller, 69008 LYON

The Company's telephone number is 04.78.74.44.38

The Company's website can be found at the following address: www.ERYTECH.com

5.1.2. Location and registration number of the Company

The Company is registered with the Trades and Companies Registry of Lyon under number 479 560 013.

The Company's professional activity code (APE) is 7211Z and its computerized identification code (SIRET) is 479560013000 19.

5.1.3. Date of formation, duration, and transformation of the Company

ERYTECH was constituted in the form of a simplified French limited company, following a private deed in Lyon dated October 26, 2004. ERYTECH was transformed into a French corporation with an executive board and a Supervisory Board following a decision by the Company's extraordinary General Meeting of September 29, 2005. At the General Meeting of April 2, 2013 the Company amended its mode of governance, so as to implement a Board of directors instead of the Executive Board and the Supervisory Board, subject to the condition precedent of the Company's initial public offering.

The term of the Company was set at 99 years from the date of its registration with the Trade and Companies Register, except in case of early dissolution or extension.

5.1.4. Legal form of the Company and applicable laws

The Company is a French corporation subject to the provisions of the Commercial Code.

5.1.5. Fiscal year

The fiscal year, having a term of 12 months, begins on January 1 and ends on December 31 of each year.

5.1.6. History

ERYTECH's two co-founders, Dr. Yann Godfrin (Biomedical Engineer from the University of Compiègne, Doctorate in Life and Health Sciences from the University of Nantes, Master's degree in Strategy and Methods for Clinical Development – University of Lyon) and Mr. Pierre-Olivier Goineau (Master's and DEA [Advanced Studies Degree] in Management Sciences, Master's in Management for Pharmaceutical Industries – IAE Lyon), met in 2003, through the Lyon biotechnology entrepreneurs' network, BioTuesday.

At that time, Dr. Yann Godfrin was Chairman and R&D Director of Hemoxymed Europe, a subsidiary of Hemoxymed Inc based in the United States, a company developing technologies involving red blood cells. He had previously worked as a consultant with BioAlliance (FR0010095596 – BIO) and as a Development Engineer at Hémosystem (systems for detecting contamination in blood products).

Mr. Pierre-Olivier Goineau was, at the same time, a senior consultant for strategy at KPMG Enterprises, the national standard-setter in the "health and life sciences" sector. Previously, he had been the majority partner in his own finance and development consulting company targeting international projects.

Both wished to create a company specialized in the development of therapeutic profits for orphan indications.

Convinced of their complementary nature, they decided to combine their skills and abilities in biology, technology, preclinical and clinical development for Dr. Yann Godfrin, and management, strategic positioning and marketing, public and private finance for Mr. Pierre-Olivier.

2004

ERYTECH began activity in March as part of the Créalys incubator, one of the best-known in the field of life sciences in France, with the financial support of Conseil Régional Rhône-Alpes. An initial R&D collaboration was entered into with Centre Léon Bérard in Lyon, a reputable cancer-fighting research centre in Europe. The "ERYTECH Pharma" project was awarded a prize by the Ministry of Research in the category of Creation and received a €40,000 stipend. In August, the Company filed its first patent involving encapsulation technology.

The ERYTECH company was formed in October and started their operations in the BioParc Lyon-Laennec incubator. The co-founders made initial rounds with *Business Angels*. The Company also has surrounded itself with external scientific experts.

ERYTECH obtained the status of Young Innovative Company.

2005

ERYTECH was a Laureate of the Prize from the Ministry of Research in the "Development" category and received a €450,000 stipend. Additionally, it obtained significant initial financial support from the Agence Nationale de la Recherche [National Agency for Research] and from the Cancéropole Lyon Rhône-Alpes Auvergne [Cancer Center of Rhône-Alpes Auvergne].

In October, the AFSSAPS (which later became the ANSM - the French National Agency of Medicine and Health Product Safety) authorized the conducting of ERYTECH's first clinical trial: a phase I/II trial involving the treatment of Acute Lymphoblastic Leukemia with GRASPA®.

Emboldened by this initial success, the Company raised €750,000 from its shareholders, Cap Décisif, Amorçage Rhône Alpes, and two new business angels from the health sector.

Two new patents associated with new candidate-products were filed.

2006

ERYTECH began opening clinical investigation centers to conduct its first trial involving leukemia: more than 20 centers would be opened throughout France bringing together most of the French opinion makers treating children and adult patients suffering from acute lymphoblastic leukemia.

The European Medicines Agency (EMA) classified ERYTECH's medicinal product ("Medicinal Product") GRASPA ® as its first Orphan Drug Designation (ODD) in the treatment of acute lymphoblastic leukemia and gave it "SME" status.

ERYTECH received a significant stipend of €450,000 from Oséo to finance the development of GRASPA®.

The Company accelerated its development by raising €12 million in funds from its historic shareholders, AGF Private Equity (which became IDInvest Partners), Auriga Partners, and Axa Private Equity.

2007
2007 was a year of structuring, organization, and team building to prepare for future challenges:

The Company acquired space in a new building in the Bioparc Laennec site in Lyon and started work on its production unit in order to master its technology on an industrial scale and its production costs.

The team was enriched with a Medical Director, a Regulatory Director, a Quality Assurance Director, and increased its number of researchers; at the end of the year it would have 14 people.

The Belgian health authorities gave approval to treat patients in Belgium as part of the phase I/II trial already authorized in France.

At the same time, the work by the R&D department was allowing new candidate products to be identified.

2008
Europe:
At the start of the year, ERYTECH included its last patient in the phase I/II clinical trial started in 2006.

The Lyon production unit was completed at the end of the year and complete with the most demanding regulatory criteria. This unit is capable of production for both clinical trials and commercial uses.

The Company received new support from the Agence Nationale de la Recherche and the Cancéropôle Lyon Rhône Alpes (CLARA). Oséo also confirmed its commitment to the company through a repayable aid of €735,000 to finance the clinical phase I for GRASPA® in pancreatic cancer.

United States:
Very promising results from the study were presented orally at the American Society of Hematology's (ASH) Annual Meeting in San Francisco. ERYTECH presented its scientific results in New York and Las Vegas.

2009
Europe:
ERYTECH's production unit, after an audit and inspection by AFSSAPS (which became ANSM), the classification as a "Pharmaceutical Facility" validating its level of health safety in accordance with the EMA rules.

Shortly afterward, ISO 9001:2008 certification was delivered by SGS to ERYTECH, validating the quality control organization implemented in all departments in accordance with the policy of excellence sought by the executive officers.

The results from the phase I/II clinical trial allowed ERYTECH to pursue its clinical development and obtain the approvals to start to new clinical phases from the AFSSAPS (today the ANSM) for the treatment of acute lymphoblastic leukemia (ALL)
A phase II clinical trial for first-line treatment of adult patients over 55 years of age,
A phase II/III clinical trial for treatment of child and adult patients under 55 years of age who have relapsed.

ERYTECH also obtained approval from the AFSSAPS to begin a phase I clinical trial to test GRASPA® among patients suffering from pancreatic cancer. The European Medicines Agency granted a second Orphan Drug Designation to GRASPA® for pancreatic cancer.

The Ministry of Research granted new financial assistance to the Company in the form of a grant awarded by the ANR.

ERYTECH filed its 10th patent.

United States:
ERYTECH found space within the Philadelphia Science Center one of the largest health clusters in the United States. Shortly thereafter, the Company signed two agreements with the American Red Cross which is the largest blood bank in the world:

an agreement to provide Red Blood Cells coming from American donors;

A subcontracting agreement providing that premises of cGMP based in Philadelphia would be provided, in accordance with FDA regulations and personnel dedicated to produce GRASPA® in the United States.

This major step prepared the way for conducting clinical trials in the United States and considerably strengthened the visibility of ERYTECH's actions among American companies.

2010
Europe:
ERYTECH continued its three clinical trials in parallel. The Company finished the year ahead of schedule, the recruitment of the last patient for its phase II trial with treatment by GRASPA® of patients older than 55 years of age suffering from acute lymphoblastic leukemia.
The Company employed 36 people at the end of 2010.

United States:
The FDA granted Orphan Drug Designation status to GRASPA® for the treatment of acute lymphoblastic leukemia, offering advantages comparable to the European designation on American soil.

The Company signed an R&D partnership agreement with the MD Anderson Cancer Center in Houston to develop a companion test that would make it possible to detect patients suffering from cancer who could be treated with GRASPA®.

2011
Europe:
ERYTECH recruited its last phase I patient for pancreatic cancer.

The Company formed a Joint Venture with the Teva Group (a NASDAQ-listed company as TLV:TEVA) to market GRASPA® in Israel (*see also chapters 6 and 22 of the Reference Document*).

ERYTECH signed a long-term contract to provide aspariginase with the German pharmaceutical company medac GmbH.

ERYTECH was selected by several international Conferences on Hematology to orally present promising preclinical results from a new proposed product for the treatment of sickle cell anemia.

United States:
ERYTECH filed an IND application with the FDA to start a phase I clinical trial with the GRASPA® to provide therapy as first-line treatment of adult patients, over 40 years of age, suffering from Acute Lymphoblastic Leukemia, in which the principal investigator was Professor Richard Larson (Chicago), Chairman of the Adult Leukemia group within the CALGB (the largest cooperative group treating leukemia and cancer in the United States).

2012
Gil Beyen became a consultant to the Company then Chairman of the Supervisory Board in August. Gil Beyen was the co-founder and CEO of TiGenix N.V. (NYSE Euronext Brussels: TIG), a European cellular therapy company with an approved product and advanced clinical trials.

Europe:
The Company received assistance of 7 million euros, including 4.9 million euros in repayable loans and 2.1 million in subsidies (refer to section 22.1 for the terms of this contract) which shall be paid progressively in keeping with the development between 2012 and 2019, as part of the TEDAC project, a research and development project intended to develop therapies for radiation/chemotherapy-resistant cancers, partnering with other companies and organizations (Diaxonhit, Inserm University of Paris-Diderot and the AP-HP [Public Assistance- Paris Hospitals]).

Over time, the goal is to offer a solution including a test predicting response to treatment, one or more suitable enzyme therapies, as well as a test to monitor therapeutic efficacy.

ERYTECH's production unit obtained the designation of "Operating Facility."

The Company received a favorable opinion from the Committee for Orphan Medicinal Products of the EMA (European Medicines Agency) concerning the orphan drug designation of its experimental product ENHOXY® for the treatment of sickle cell anemia.

The Company signed a partnership agreement with Orphan Europe (Recordati group) for the development and marketing of GRASPA® in 38 European countries for the treatment of children and adults suffering from acute lymphoblastic leukemia and acute myeloid leukemia (AML) (See also chapters 6 and 22 of the Reference Document).

United States:
Dialogues with the FDA continued for the purpose of starting a clinical trial involving acute lymphoblastic leukemia and ERYASP™.

2013
On April 30, 2013, the Company had a remarkably successful initial public offering in compartment C of the regulated market NYSE Euronext Paris, by raising more than the target amount of €15 million, by reaching €17.7 million in funds raised.

On May 6, 2013, the company thus modified its governance mode so as to implement a Board of directors instead of the Executive Board and the Supervisory Board, and named Mr. Gil Beyen as Chairman and CEO, formerly the Chairman of the Supervisory Board.

Europe:
The committee of independent experts (the Data Safety Monitoring Board or DSMB) in charge of monitoring the Phase II/III clinical trial of GRASPA® among adult and children experiencing a relapse of ALL met and delivered a favorable opinion concerning the conduct of this clinical trial in phase III following the original protocol with a total pool of 80 patients.

The European Union granted GRASPA® orphan drug designation for AML.
The ANSM granted ERYTECH the right to begin a Phase IIb in AML. ERYTECH included its first patient on March 11, following the stated schedule.

The committee of independent experts (the Data Safety Monitoring Board or DSMB) in charge of monitoring the Phase IIb clinical trial of GRASPA® in AML delivered a favorable opinion concerning the conduct of this clinical trial following an evaluation of the product's safety in 30 initial patients.

United States:
The FDA granted ERYTECH the right to start a phase Ib trial with ERYTECH™ for ALL.

The USPTO delivered the patent protecting ERYTECH's technology, granting it exclusivity until 2029 with the potential for extension into 2034.

Internationally, the company filed two new patent applications.

2014
Europe:
The company announced the launch of a phase II trial for pancreatic cancer with its product ERYASP™.

ERYTECH received authorization in several European countries for its AML study, allowing it to expand patient recruitment.

The Company announced the addition of a new candidate drug to its "Tumor Starvation" oncology portfolio: ERY-MET.

USA:
The principle patient recruitment centers were opened: Chicago, Duke, Colombus.

The Company created a subsidiary "Erytech Pharma Inc." in the United States on April 9, 2014.

Internationally, the Company welcomed new shareholders following a reclassification operation with European institutional and American investors specialized in the field of healthcare.

Internationally, the Company filed two new patent applications.

5.2. INVESTMENTS

5.2.1. Principal investments made since 2012

Because all clinical research and development costs are booked as charges until obtaining marketing approval, the principal investments in the first two fiscal years essentially pertain to the current production site, the Pharmaceutical Facility, and the R&D laboratory, and to a lesser degree, office and computer equipment.

as of 12/31 in K€	2012	2013
Acquisition (disposal) of fixed assets		
- Intangible fixed assets	(1.00)	9
- Tangible fixed assets	12	276
- Financial fixed assets	3	3
Total acquisition (disposal) of fixed assets	**14**	**289**

5.2.2. Principal investments currently being made

Since the start of fiscal year 2014, the investments made are of the same nature and of a comparable order of magnitude to those in the period presented.

5.2.3. Principal investments planned

The Company is not currently planning to make any significant investments in forthcoming years for which the Company's oversight bodies have made firm commitments.

6. OVERVIEW OF BUSINESS ACTIVITIES

6.1. OVERVIEW

ERYTECH was founded in 2004 to develop and market innovative therapies for acute leukemia and other cancers for which medical needs remain unmet. ERYTECH's innovative approach involves acting on the environment of the tumor and "starving" it such that cancer cells can no longer access growth factors that they require to live and proliferate.

ERYTECH's flagship product, ERYASP™/GRASPA®[2], is positioned as the treatment for acute leukemia, a blood and bone marrow cancer, which spreads quickly and requires urgent treatment. The two most common forms are acute lymphoblastic leukemia (ALL) and acute myeloid leukemia (AML), depending on the cells at the origin of the disease. Each year, approximately 50,000 patients are diagnosed with acute leukemia in Europe and the United States.

ERYASP™/GRASPA® has compelling clinical results in several clinical trials and is in the final stages of clinical development with a view to obtaining marketing approval (MA) in Europe. Based on these results, ERYTECH forged two distribution partnerships for the European and Israeli markets with international companies Orphan Europe (Recordati Group) and the Teva Group.

ERYASP™/GRASPA®, developed on the basis of ERYTECH's proprietary technology, consists of an enzyme, L-asparaginase, encapsulated in red blood cells. L-asparaginase is an essential weapon in the treatment of acute leukemia. This enzyme has the property of being able to remove the supply of asparagine, a naturally occurring substance in the blood that is essential for their growth, from leukemic cells. This L-asparaginase treatment, resulting in the death of cancer cells, has demonstrated efficacy in children with ALL, who almost all enter remission and have a high probability of full recovery. However, its use is severely limited by its significant side effects (allergic and immune reactions, coagulation disorders and pancreatitis, for example). Clinicians cannot administer it to most adult and elderly patients as they cannot tolerate it.

Sales of existing L-asparaginase therapies are estimated to be approximately €190 million[3] in Europe and the United States, but represent only a fraction of a market which is much more extensive, still underdeveloped, and which could represent €1 billion.[4] Over 80% of current L-asparaginase sales are for children with ALL. Other leukemia patients, namely adults and seniors with ALL and all AML patients (more than 80% of patients with acute leukemia), have little or no access to these drugs because the patients are too fragile to tolerate them.

With the encapsulation of asparaginase in red blood cells using ERYTECH's proprietary technology ERYASP™/GRASPA® is uniquely positioned to provide a solution to the significant unmet medical need for these fragile patients. The red cell membrane prevents interactions between the body and L-asparaginase, thereby protecting the body from the side effects of L-asparaginase and simultaneously preventing the immune system from eliminating L-asparaginase, thus reducing its efficacy. Encapsulated L-asparaginase fully achieves its goal of destroying asparagine circulating in the blood because it is absorbed inside the red blood cell through a natural phenomenon. The red blood cell acts as a bioreactor circulating in the blood and destroys asparagine, which could feed leukemic cells.

ERYASP™/GRASPA® has the potential to become a standard drug in the treatment of acute leukemia: ERYASP™/GRASPA® gives fragile patients who currently, due to their general health and the side effects caused, cannot be treated with L-asparaginase and thus resulting in reduced survival rates, the opportunity to receive the treatment. For patients able to receive the current L-asparaginase treatment, ERYASP™/GRASPA® will provide an effective alternative with a significantly improved safety profile.

[2]The GRASPA® trademark was licensed to Orphan Europe (Recordati Group) for the commercialization of the product for ALL and AML in Europe.
[3] Source: Jazz Pharmaceuticals and ERYTECH
[4] See sections 6.4 and 6.5

ERYTECH is in the final stages of clinical studies for GRASPA® for ALL and has compelling results in terms of efficacy and tolerance in: (a) the results of a Phase I/II study in children and adults with relapsed ALL, (b) the results of a Phase II study in elderly patients over 55 years with ALL and (c) confirmation of safety from the Phase II/III (ongoing in relapsed adults and children). In time, these studies will underpin the application for a Marketing Approval (MA) at the European level.

In November 2012, ERYTECH signed a marketing agreement with Orphan Europe, an orphan drug specialist subsidiary of the Recordati Group, a top European pharmaceutical group with sales of €942 million in 2013, to distribute GRASPA® in 38 European countries. With the establishment of this partnership, GRASPA® may be sold efficiently as soon as the necessary approvals are obtained in all European countries and ERYTECH will receive a substantial part of the profits under the agreement. ERYTECH also signed a partnership agreement with the Teva Group, a world leading pharmaceutical company, to distribute GRASPA® in Israel.
The Company has a production unit based in Lyon with the qualifications of "Pharmaceutical Facility" and "Operating Facility," which makes it possible to serve the European and Israeli markets.

ERYTECH is developing new potential indications for ERYASP™ outside that of leukemia. Early preclinical and clinical results suggest that ERYASP™ may also be effective against certain solid tumors for which treatment options are currently limited. ERYTECH has begun a Phase II study for pancreatic cancer financed by funds raised from the initial public offering.

In addition, the Company has a rich pipeline of products targeting orphan diseases that are medium and long-term growth drivers for the Company and/or partnership options. In the longer term, the ERYTECH technology can encapsulate various molecules or active ingredients inside red blood cells and could help develop new drugs, particularly in cancer treatment, with much better efficacy and toxicity profiles, consequently improving the patients' survival and quality of life.

ERYTECH has what it takes to establish itself as a mature biotechnology company with revenues from partnership agreements for the distribution of a drug at the doors to the market and a pipeline of promising products and indications:

- **A unique therapeutic concept for the fight against cancer: "Starving tumors"**

Treatments that affect the supply of oxygen or nutrients to tumor cells are one of the weapons to effectively fight cancer and are complementary to approaches that can potentially target cancer cells directly. These drugs cause tumor cells to die by asphyxiation or nutrient deprivation. ERYTECH develops innovative new enzyme therapies able to starve tumors and treat cancers that do not respond to radiation or chemotherapy. In particular, L-asparaginase treatment deprives leukemic cells of asparagine, an amino acid essential to their growth and survival. Removing this amino acid from the metabolic environment is a key issue in the fight against leukemia but also certain other cancers.

- **An initial target market with high potential: Acute leukemia**

ERYTECH is positioned as a treatment for acute leukemia, which are most forms of leukemia, and it accounts for about 50,000 new cases diagnosed per year in Europe and the United States. Medical needs are considerable given this cancer's very poor prognosis for most patients. Children with ALL, which accounts for approximately 12% of new cases of acute leukemia, have over a 5-year survival rate of 90% due to L-asparaginase treatment. All other patients, adults and seniors, and relapsed patients typically cannot tolerate this treatment, despite efforts over tens of years to adapt it, and have a 5-year survival rate of between 10% and 20%, the lowest rate of all cancers combined. Existing asparaginase treatments generate estimated sales of around €190 million, largely for children, but the potential market is estimated at over one billion Euros in Europe and the United States.

- **Compelling clinical results for GRASPA®: Efficacy and tolerance**

ERYTECH expects to file an application for marketing approval for GRASPA® for ALL with the European [Medicines] Agency (EMA) in early 2015 on the basis of a study of ALL patients over the age of 55 and two studies (one ongoing) in relapsed adults and pediatric patients. ERYTECH validated

with the EMA that these studies can serve as the basis of the MA application. The first study in children and adults with relapsed ALL demonstrated the safety of the product and identified the best dose. It also demonstrated that one injection of GRASPA® produced the same asparagine depletion as 8 injections of the free form of L-asparaginase. It was followed by a Phase II/III study in the same type of patients. This study is currently underway and is at the end of recruitment. The Phase II/III study, based on the interim analysis performed by an Independent Monitoring Board (Data Safety Monitoring Board - DSMB) already confirmed the safety of the product and the relevance of the study. The third study is a Phase II study in ALL patients over the age of 55. This study showed that, in the category of fragile patients who cannot be treated with L-asparaginase in induction, GRASPA® was well tolerated and resulted in complete remission for 77% of patients completing their induction with a median survival of approximately 16 months.

With these results, ERYTECH began a clinical trial for AML that, if the results are positive, will extend the indication of GRASPA® to these patients once the drug is available on the market.

- **Strong marketing partnerships: Orphan Europe (Recordati Group) and the Teva Group**

ERYTECH has entered into two major partnerships for the commercialization of GRASPA® in 38 European countries with Orphan Europe (Recordati Group) and in Israel with the Teva Group. Thanks to the innovative nature of GRASPA®, its ability to satisfy unmet medical needs and its progress in clinical development, ERYTECH was able to obtain favorable terms, particularly with regard to the sharing of future profits (representing up to 45% of the sale price). Both partners have recognized trade capacities and can effectively promote GRASPA® in their respective territories. In particular, through its subsidiary Orphan Europe, Recordati is a specialist in orphan diseases and will work with ERYTECH on the regulatory approach to optimize the marketing of GRASPA®. The agreement with Orphan Europe (Recordati Group) provides in particular an upfront payment of €5 million, participation in development costs for GRASPA® for AML, future payments up to €37.5 million in reserves awaiting the fulfillment of regulatory and commercial objectives, and ERYTECH will receive payment for the delivered product and royalties on sales made by Orphan Europe (Recordati Group) of GRASPA®, for a total of up to 45% of the sale price.
Separately, another Recordati Group company has purchased bonds that were converted into an investment in ERYTECH equity worth €5 million at the time of the initial public offering.

- **Ideal conditions for market access: The orphan drug designation, existing medical practice and expected medical needs**

ERYASP™/GRASPA® obtained orphan drug designation for ALL and AML in Europe and the United States. ERYTECH will therefore benefit from a marketing procedure with shorter lead times and reduced costs, and benefit from exclusive marketing after obtaining the MA for the product for 7 and 10 years, in the United States and Europe respectively. L-asparaginase treatment has been included in almost all European and American chemotherapy protocols since the 1970s for pediatric ALL patients. ERYASP™/GRASPA® will be incorporated in or be added to existing medical practice. Therefore, ERYTECH anticipates a rapid adoption of ERYASP™/GRASPA®. Moreover, they are the same clinicians who treat AML patients and for this indication, GRASPA® will capitalize on the clinical experience of these prescribers. Marketing ERYASP™/GRASPA® will require reasonable promotional and commercial resources given the specialized position of the drug (clearly identified and relatively few prescribers, hospital treatment or specialist care center).

- **Proprietary and industrialized technology: Pharmaceutical Operating Facility Status**

ERYTECH's encapsulation technology is internationally protected by 13 patent families both on the processes and on the products. ERYTECH has successfully developed a process to produce loaded erythrocytes in a reproducible, reliable and economical way on a large scale, regardless of the initial characteristic and origin of the red cells used. As of the date of this Reference Document, more than 350 ERYASP™/GRASPA® bags have already been produced and transfused in six clinical trials conducted by ERYTECH. ERYTECH's production unit operates according to the highest standards of pharmaceutical production, quality and traceability. The Company has obtained the status of "Pharmaceutical Facility" and "Operating Facility" from ANSM to produce GRASPA® for the European

and Israeli markets. The current production capacity is sufficient to meet the needs of the various clinical trials scheduled and the initial years of sales. ERYASP™/GRASPA®'s gross margin is perfectly in line with pharmaceutical industry standards.

- **Opportunity to develop ERYASP™ in the United States: Launch of the clinical program**

The United States market is virtually equivalent to that in Europe in terms of number of patients with acute leukemia and is the natural progression of ERYASP™'s development. The Company has finalized discussions with the Food and Drug Administration (FDA) and received permission to start a Phase Ib clinical trial in adult ALL patients over the age of 40. The Company is relying on studies already underway in Europe. ERYTECH believes that the development of ERYASP™ in the United States could make marketing approval in 2019 a possibility and it will evaluate partnership opportunities at various key stages of the clinical development program for ALL and AML. ERYTECH has established a close partnership with the American Red Cross of Pennsylvania (Philadelphia, USA) to produce, under the Company's supervision, the lots needed for clinical studies.

- **A promising pipeline: Solid tumors**

Asparagine has been shown to also be a growth factor for several other types of cancer. In partnership with the MD Anderson Cancer Center (Houston, USA), one of the most recognized hospitals in the world for the treatment of cancer, ERYTECH analyzed various types of solid tumors and determined that asparaginase could effectively help combat solid tumors. The first basis for developing ERYASP™ for solid tumors was performed with a positive Phase I study which demonstrates good tolerance of the product even at high doses. The next step is the initiation of a Phase II study in pancreatic cancer for which the first patients will be recruited in 2014. In addition, ERYTECH's technology platform is versatile and opens up many possibilities for developing new drugs. The efficacy of the technology has been demonstrated mainly with L-asparaginase but it is possible to encapsulate other enzymes, molecules or proteins in red blood cells. The TEDAC program has made it possible to identify a new candidate medicinal product: ERY-MET.

- **Strong scientific and medical support: 7 leading world experts**

In its Scientific and Medical Board, ERYTECH is surrounded by American and European world-renowned experts, in particular in the field of oncology and leukemia. In addition to their active role in optimizing ERYTECH's strategy, their opinion in the scientific and medical communities will help promote the adoption of ERYASP/GRASPA® in hospitals and specialized care centers.

- **An experienced and highly complementary team**

ERYTECH is directed by Gil Beyen, Chief Executive Officer of the Company, with strong expertise in international development and pharmaceutical partnerships, and his two co-founders, Pierre-Olivier Goineau, Vice President and Chief Operating Officer and a confirmed industrial entrepreneur in the health sector, and Yann Godfrin, Chief Scientific Officer, biologist and science and hematology expert in the development of health products and industrialization processes. The Company relies on a talented team of 40 professionals with diverse backgrounds and complementary skills and totally in line with the ERYTECH's development objectives.

- **The pharmaceutical industry's strong and growing interest in orphan drugs**

The interest of pharmaceutical companies in orphan and rare diseases has grown steadily since the mid-2000s and the last decade has been the most productive for the development of these drugs. Several major international pharmaceutical companies such as Pfizer, GSK and Sanofi, and many mid-size pharmaceutical groups such as, Recordati, Swedish Orphan Biovitrum and Shire have created specialized divisions for orphan and rare diseases and/or made them a major strategic focus. Consequently, transactions in this area, in the form of acquisitions or partnership agreements have multiplied. In particular, there were 3 transactions in the L-asparaginase market: the acquisition of OPI (France) by EUSA (UK) for €100 million in 2007, the acquisition of a portfolio of products from Enzon (U.S.) by Sigma Tau (Italy) for $327 million in 2009 and the acquisition of EUSA by Jazz

Pharmaceuticals (U.S.) for $700 million in 2012 (see Section 6.11 for more information). In this context, ERYTECH created significant strategic value with ERYASP™/GRASPA® and its technology platform.

6.2. INTRODUCTION TO CANCER TREATMENT

Cancer treatment is mainly based on surgery, radiotherapy and medical treatment, including chemotherapy. Each cancer is unique and the techniques used depend on the type of cancer, the stage at which it was discovered and the patient and his/her general health. They can also be combined to yield better results.

Surgery and radiation are effective as local treatment and loco-regional treatment. Medical treatments can reduce the volume of the primitive tumor and/or tackle the cells spread throughout the body but also reduce the risk of relapse after loco-regional treatment.

Chemotherapy is a mainstay cancer treatment and involves the use of a set of several drugs with different mechanisms of action that are combined and managed in a coordinated manner to effectively fight cancer cells. The drugs and doses used depend on a number of parameters including the type of cancer and the patient profile.

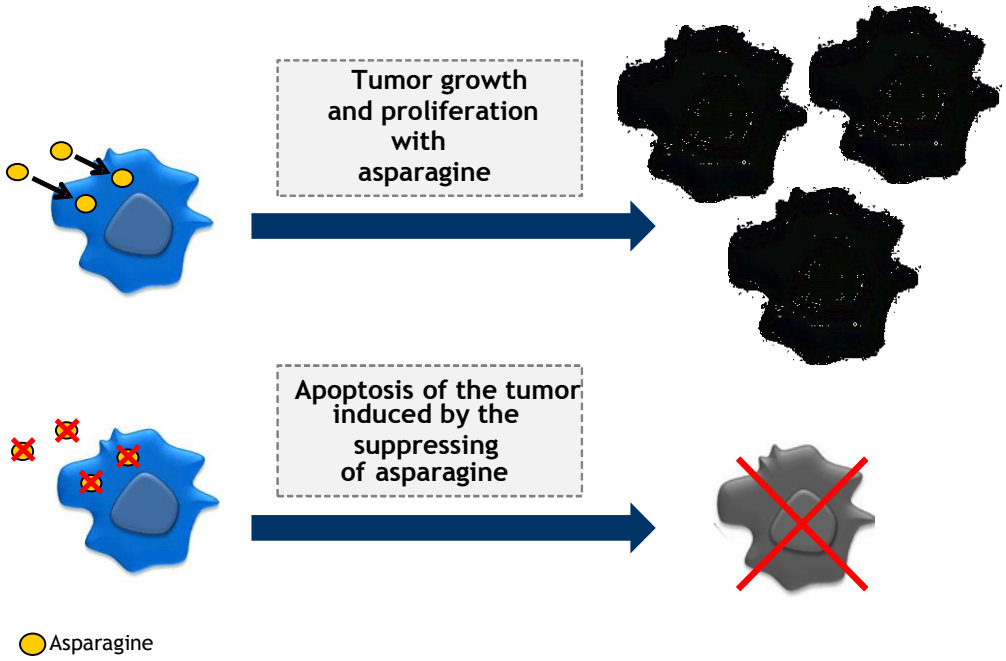
These drugs act by altering the reproductive mechanism of the cancer cell. Indeed, cancer cells reproduce continuously and uncontrollably and can be destroyed by selective medications, acting at different stages of the cells' reproductive cycle. However, in a course of chemotherapy, some normal cells (skin cells, mucous membranes, blood, etc.) which are also reproducing, are affected. This is the reason these treatments are associated with significant side effects.

In chemotherapy cocktails, "targeted" therapies, developed thanks to advances in research, particularly in understanding the operating mechanisms of the cancer cell, have played an increasingly significant role. These drugs produce a targeted action that saves healthy cells and are therefore potentially more effective and less toxic. They can be classified into 3 main categories:

- Drugs acting at a specific stage of the tumor cell's development, for example in the transduction of the signals telling the cell to multiply or by ordering the death of cancer cell (apoptosis).
- Treatments that stimulate and direct the body's immune response against cancer cells to destroy them (e.g.,"therapeutic" vaccines).
- Treatments that act on the tumor cells' supply of oxygen or nutrients. These drugs suffocate or starve tumors. There are, for example, drugs that prevent the tumor from diverting the blood system for its own purposes and creating its own blood vessels that feed it directly (angiogenesis).

ERYTECH is positioned in the last treatment category and is developing innovative new enzyme therapies able to starve tumors and treat cancers that do not respond to radiation or chemotherapy. In particular, L-asparaginase treatment deprives leukemic cells of asparagine, an amino acid essential to their growth and survival. Removing this amino acid from the metabolic environment is a key issue in the fight against leukemia but also certain other cancers.

Illustration of the "Tumor starving" concept



6.3. ACUTE LEUKEMIA: A SIGNIFICANT UNMET MEDICAL NEED

6.3.1. Bone marrow cancer

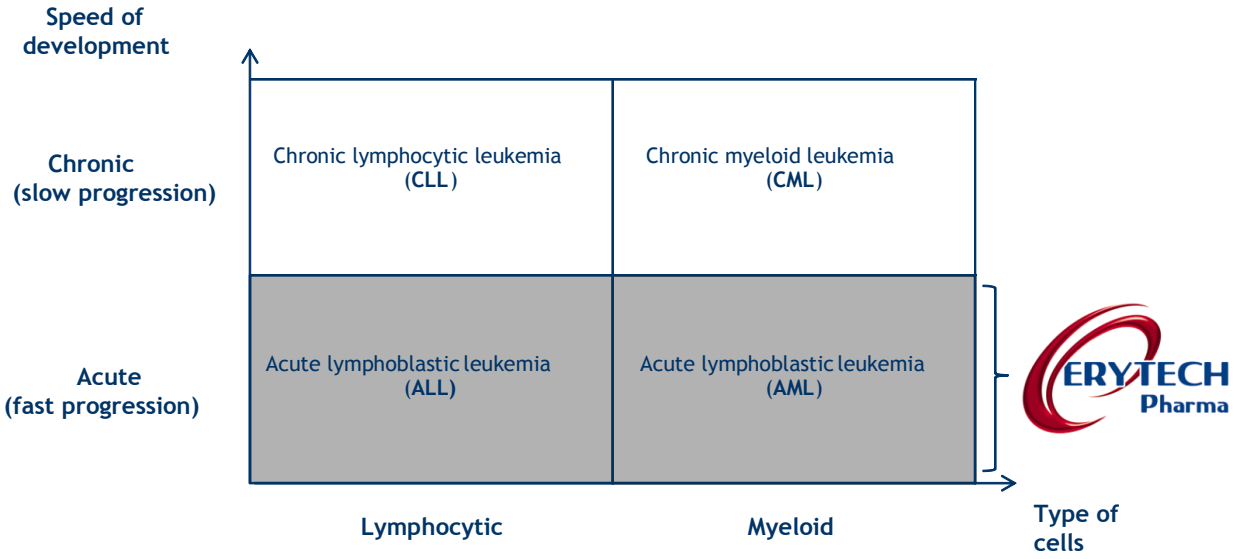
Leukemia is a cancer of the bone marrow cells sometimes called blood cancer because of the production of blood cells (red cells, white cells and platelets) in bone marrow. Leukemia is characterized by abnormal and excessive proliferation of white blood cell precursors which, in the absence of treatment, invade bone marrow and then blood.

Leukemias are categorized according to their speed of development and the type of cells that proliferate:

– Acute leukemia (AL) is characterized by a rapid proliferation of abnormal cells in bone marrow and requires urgent treatment. Chronic leukemia (CL) has a slow proliferation with a clinical tolerance of cancer cells and a development that may take place over months or years.
– The cancer cell lineage can be either lymphoid precursors (which, in their normal state, participate in the defense of the body and form white blood cells) at the onset of lymphoblastic leukemia or it can be myeloid cells for myeloid leukemia.

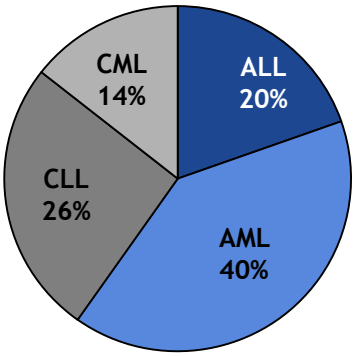
By combining these two criteria as shown in the diagram below, there are four types of leukemia and ERYTECH is focused exclusively on acute lymphoblastic leukemia (ALL) and acute myeloid leukemia (AML), which are quickly life-threatening for patients.

The 4 categories of leukemia



Acute leukemias account for about 60% of cases of leukemia and 40% of chronic leukemia as shown in the following chart.

Breakdown of cases of leukemia by cell type



Source: PETRI Study

6.3.2. An increasing number of patients worldwide

Each year, approximately 50,000 patients are diagnosed with acute leukemia in Europe and the United States.

Approximately 10,000 new cases of patients suffering from ALL are diagnosed in Europe[5] (EU27) per year and 6,000 in the United States[6], which corresponds to an age-adjusted incidence estimated to be approximately 2 new cases per year out of 100,000 persons[7].

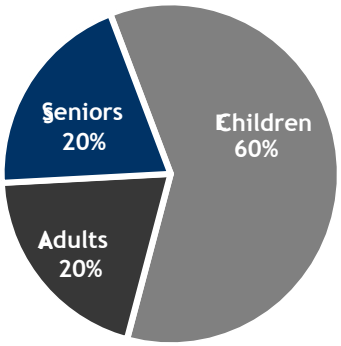
[5] Rodrigues-Abreu et al., Annals of Oncology, 2007
[6] Siegel et al., CA Cancer J Clin, 2013
[7] Dores et al, Blood 2010; SEER Cancer Statistics

AML has an age-adjusted incidence approximately twice as high, with about 4 new cases per year per 100,000 people, representing approximately 19,000 new cases in Europe[8] and 15,000 in the United States[9].

As shown in the following diagram, the majority of ALL patients are children. The remaining ALL patients are divided evenly between adults (18-55 years old) and seniors (>55 years old).

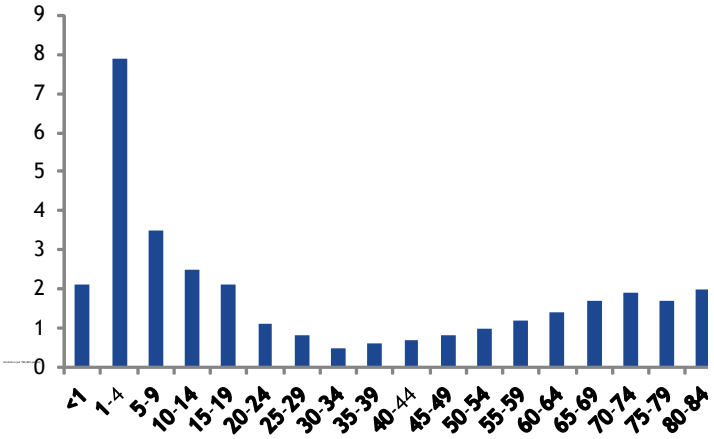
Breakdown of ALL patients by age and disease incidence according to age

Breakdown by patient category



Source: U.S. NIH – NCI - SEER Cancer Statistics

Incidence according to age



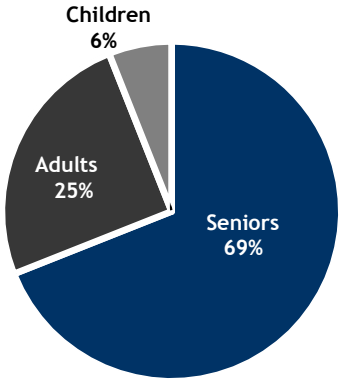
Source: SEER Cancer Statistics 1975-2007

AML is, however, a form of leukemia that affects mainly adults and seniors, and marginally children as shown in the following chart. The median age at diagnosis is 67. Because of their age and often multiple pathologies, these patients are particularly difficult for clinicians to treat.

[8] Rodrigues-Abreu et al., Annals of Oncology, 2007
[9] Siegel et al., CA Cancer J Clin, 2013

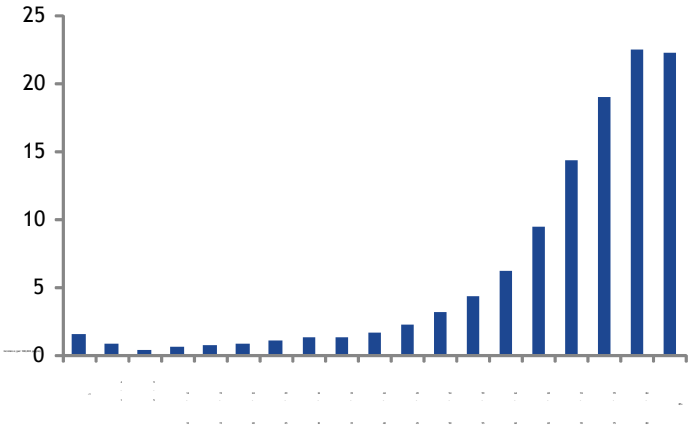
Breakdown of AML patients by age and disease incidence according to age

Breakdown by patient category



Source: SEER-17, 2001 to 2007

Incidence according to age



Source: Source: SEER (Surveillance, Epidemiology and End Results) Cancer Statistics Review, 1975-2008. National Cancer Institute; 2011.

The exact causes of leukemia have not been completely identified, but various studies have shown[10] that the following conditions increase the risks for it:

- Radiation
- Benzene, formaldehyde and dioxins
- Tobacco
- Anticancer chemotherapy
- Some genetic disorders

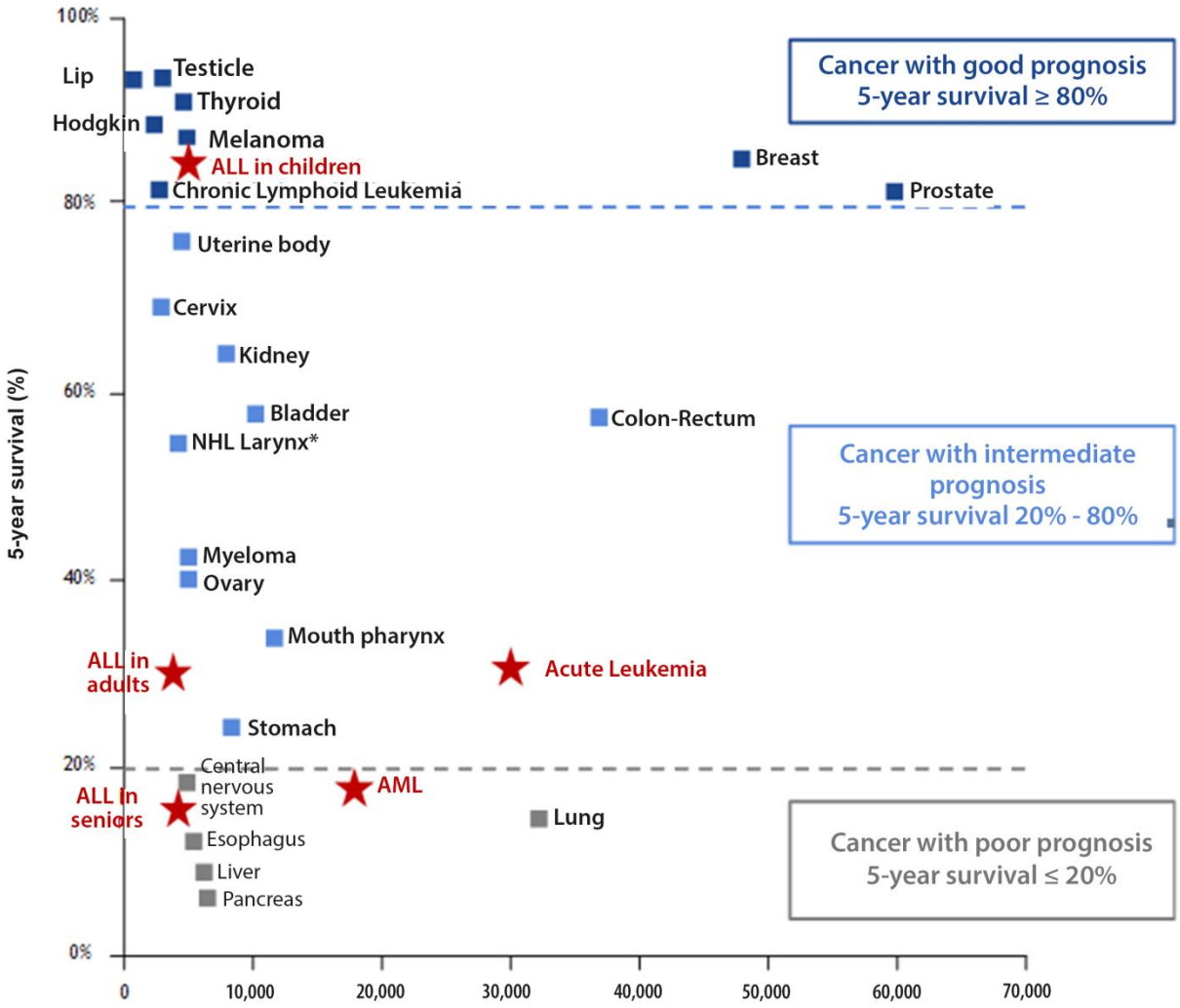
The incidence of the disease is relatively stable and tends to increase with the aging of the population.

6.3.3. A lower 5-year survival rate for adults and seniors

With the development of new drugs and new therapies, the prognosis for some of these cancers has dramatically improved, such as breast and prostate cancer, as well as ALL in children or thyroid cancer. There is still a large number of cancers with a poor prognosis, such as pancreatic, liver, esophageal or even lung cancer. Among the cancers with the worst prognosis are ALL in adults and seniors as well as AML.

[10] Rodriguez-Abreu et al., Annals of Oncology, 2007

Major cancers in terms of incidence and 5-year survival rate in Europe



** NHML: Non-Hodgkin malignant lymphoma*
Source: INCA 2012 & ERYTECH

The 5-year survival rate for ALL varies considerably between young subjects (children and young adults), who currently have about a 90% 5-year survival rate[11] and older subjects (adults and seniors) who have a low 5-year survival rate (10 to 30%).

The evolution of treatment protocols and new drugs has led to steady improvement in the remission rate and chance of long-term survival. The protocols and drugs used successfully in children, in particular L-asparaginase, are often not transposable in older subjects due to their difficulty tolerating intensive chemotherapy because of their general health. For these priority patients, clinicians have a great need for new treatments with a better safety profile. ERYTECH is developing a new product, ERYASP™/GRASPA® to meet this need.

For AML, without effective treatment, the 5-year survival rate is estimated at 23% and around 13%[12] for patients over 50 years of age suffering from AML.

[11] Source: Cancer Statistics Review 1975–2005
[12] Source: SEER (2004 data; US)

6.4. L-ASPARAGINASE: A DECISIVE STEP IN THE TREATMENT OF ACUTE LEUKEMIA

6.4.1. Current treatment of patients with acute leukemia

The current treatment of patients with leukemia is based on chemotherapy combining several drugs according to various regimens as is the case for the vast majority of cancers.

Treatment protocols for ALL are clearly established in all European countries and the United States depending on the patient's age, medical history and the specific characteristics of the disease. For AML, despite a generally similar approach, treatment protocols may differ considerably from one country to another and may also change depending on clinical or scientific advances.

Generally, after a diagnosis and preparation stage, chemotherapy protocols include several phases: induction of complete remission, remission consolidation, delayed intensification to prevent recurrence of leukemia and maintenance treatment:

- *Induction:* This step requires one or more months of treatment and is based on the administration of chemotherapy including several drugs whose goal is to achieve remission, i.e., the disappearance of signs of the disease.
- *Consolidation:* This phase comprises chemotherapies administered repeatedly over several days to one month, in order to prevent a relapse. Depending on the treatment's efficacy, the characteristics of the disease and age of the patient, hematopoietic stem cells may be required.
- *Delayed intensification:* Intensive chemotherapy may be necessary for one to two additional months. This phase is also called re-induction and is a repeat of the initial induction treatment about 3 to 4 months after the induction of remission. Delayed intensification helps prevent the recurrence of leukemia.
- *Maintenance:* This treatment is for patients for whom transplantation is not being considered. It is chemotherapy, essentially taken orally for about two to three years.

6.4.2. L-asparaginase's crucial role in the remission of patients

Asparagine is an amino acid naturally produced by healthy cells for their own use in protein synthesis. Too much of this amino acid produced by healthy cells is found in the bloodstream. Cancer cells also need it to grow and survive but they do not produce it. Therefore they use circulating asparagine.

The principle of the treatment is to remove circulating asparagine using a specific enzyme: L-asparaginase. This enzyme is capable of destroying asparagine and deprives cancer cells of a key nutrient, causing them to die.

The history of L-asparaginase as an antitumor agent began with the first observations of a cytotoxic effect in 1953 and the confirmation of these results in the early 1960s. A bit later, L-asparaginase was purified from bacteria (E. coli) and it was demonstrated to have an effect on acute leukemia.

Introduction of L-asparaginase to standard ALL treatment in the 1970s. Its use has revolutionized pediatric protocols by improving complete remission rates and the duration thereof. It experienced a significant therapeutic decline both with regard to its efficacy and its tolerance[13]

Asparaginase gradually established itself as a pillar of anti-leukemia chemotherapy. Clinicians place it at the center of the therapy, along with other cytotoxic molecules and have extended its use to young adults and adults when they can tolerate this therapy.

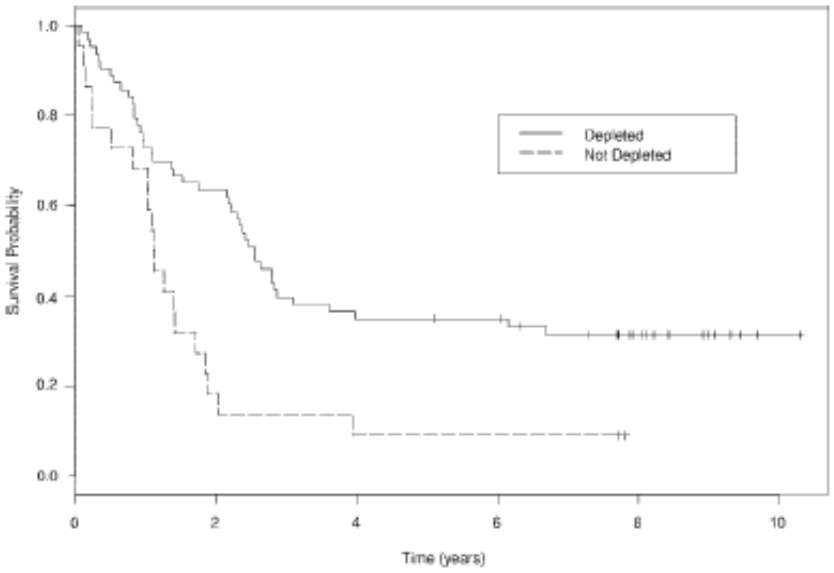
The objective of clinicians is for the patient to go into complete remission of the disease (i.e., disappearance of the tumor cells) for as long as possible. Their current clinical practices are based on systems of intensive use of L-asparaginase (the more doses given, the sooner and longer the remission).

[13] Stock et al., Leukemia & Lymphoma, 2011)

Indeed, it has been shown that the longer the deprivation of asparagine, (up to 30 weeks of treatment with L-asparaginase), the higher the chances of complete remission, maintaining it and having it remain sustainable.[14]

As the study presented below shows, the patients in whom the level of asparagine was reduced have considerably higher chances of remission and survival than those in whom it was not possible. The graph shows the survival of 63 adult patients with ALL who managed a good level of asparagine deprivation following treatment with asparaginase compared to a group of 22 patients for whom asparagine was not sufficiently suppressed (depleted) during treatment.

Survival rates for ALL by the level of asparagine deprivation



Source: Wetzler M et al. CALGB. Blood 2007;109: 4164

For AML, L-asparaginase is currently only partially used. It only has a Marketing Approval for AML in some countries (e.g., Canada) and is used in some treatment protocols.

As illustrated in the diagram below, the relevance of L-asparaginase treatment and its efficacy for AML have been demonstrated. In 1988, a study of 195 patients with AML demonstrated the efficacy of L-asparaginase[15] as adjunct therapy to the standard cytarabine-based therapy.

The significant risk of side effects for this population of often elderly patients in fragile health is a major obstacle to the use of L-asparaginase.

Complete remission rate in adults according to age and response to treatment (relapsed or refractory)

	Refractory		Relapsed	
Age	**High-dose cytarabine and asparaginase**	**High-dose cytarabine**	**High-dose cytarabine and asparaginase**	**High-dose cytarabine**
< 60 years old	54%	18%	37%	33%
³ 60 years old	31%	0%	43%	21%

[14] Silverman et al. Blood 2001
[15] Capizzi & White, The Yale Journal of Biology and Medicine, 1988

Source: Capizzi & White, The Yale Journal of Biology and Medicine, 1988

In addition, in vitro experiments have demonstrated the efficacy of L-asparaginase on over 70% of several biological samples from different AML subtypes (M0, M1, M4 and M5), comparable to the results obtained on biological samples of ALL. Approximately 50%-60% of patients are estimated to be potential responders to L-asparaginase treatment[16].

6.4.2.1. ALL treatment

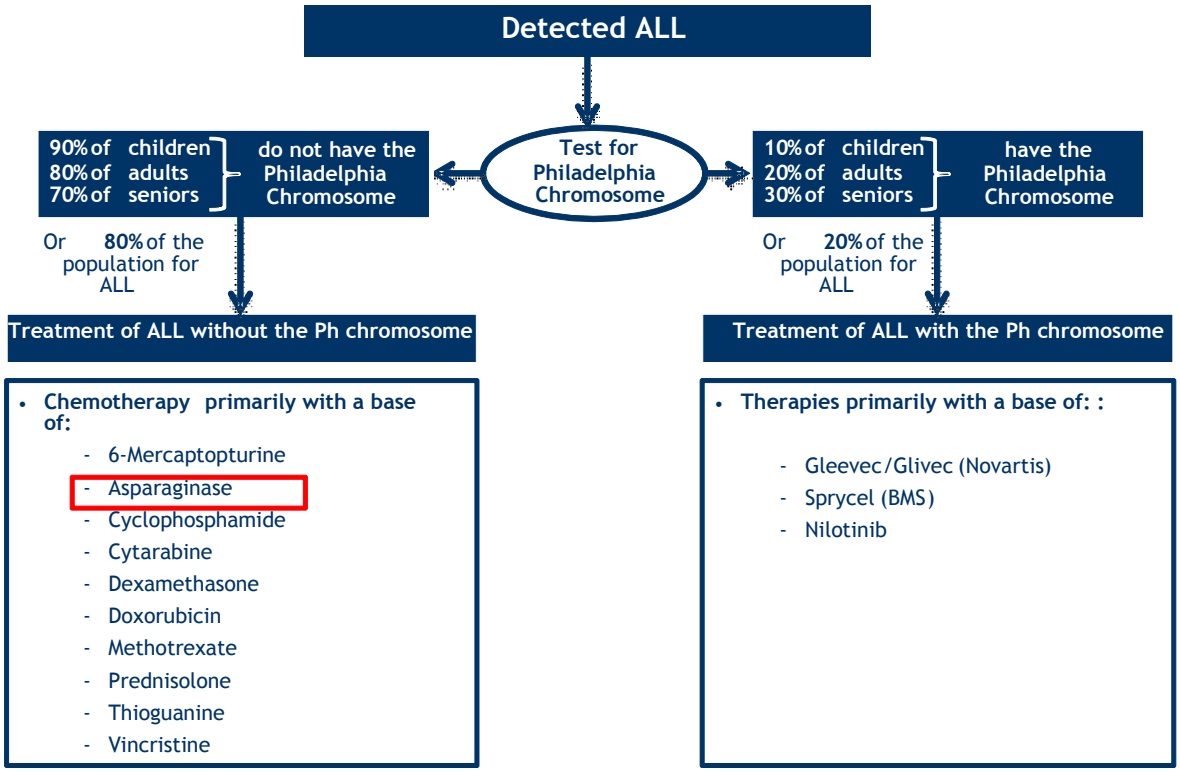
In the case of ALL, the choice of drugs involved in the successive phases of chemotherapy depends on a genetic specificity, the presence or absence of the Philadelphia chromosome. This anomaly is present in approximately 10% of ALL cases in children and about 20% to 40% of ALL cases in adults. Its frequency increases with age.

ALL patients with the Philadelphia chromosome (called Ph+ "Phi positive") are primarily treated with monoclonal antibodies and in particular tyrosine kinase inhibitors (BCR-ABL) such as imatinib, marketed by Novartis under the name Gleevec®/Glivec®, and dasitinib marketed by BMS under the name Sprycel®. However, clinical trials have demonstrated the lack of efficacy of imatinib and dasitinib on ALL patients without the Philadelphia chromosome.

The remaining ALL patients, i.e., the majority of patients (~ 80%) do not have the Philadelphia chromosome (called Ph- "Phi-negative"). These patients' lymphoblasts respond to L-asparaginase. Therefore, L-asparaginase treatment has been included in almost all European and American chemotherapy protocols since the 1970s for this type of patient.

[16] Okada et al., Br J Hematology, 2003

ALL treatment depending on the Philadelphia chromosome



The following diagram provides an overview of the key molecules that can be used in chemotherapy cocktails depending on the different phases of treatment.

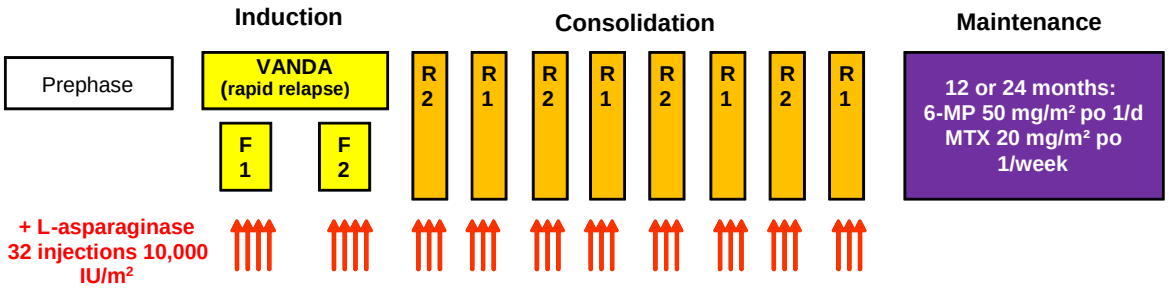
Overview of the substances used in chemotherapy for ALL patients without the Philadelphia chromosome in the COPRALL protocol

	Induction	Consolidation	Intensification	Maintenance
Possible treatments	Cytarabine Methotrexate (MTX) Prednisolone Vincristine (VCR) Doxorubicin Dexamenthasone **Asparaginase**	Cytarabine VCR Cyclophosphamide 6-Mercaptopturine(6-MP) **Asparaginase**	Cytarabine MTX VCR Dexamethasone Doxorubicin Cyclophosphamide Thioguanine **Asparaginase**	MTX VCR Dexamethasone Cyclophosphamide 6-MP Thioguanine
Duration of treatment	**~ 1 to 2 months**	**3 to 9 months**	**~ 1 to 2 months**	**2 - 3 years**

L-asparaginase is the only drug of those used for treating ALL without the Philadelphia chromosome to affect asparagine and thus to be able to deprive tumor cells of this demonstrated growth factor.

The following figure shows an example of a treatment protocol for relapsed patients (COPRALL protocol - France). After a preparation phase, the patient receives intensive treatment with up to 32 injections of L-asparaginase in the induction and consolidation phases.

Example of a protocol for the treatment of ALL (COPRALL protocol)



6.4.2.2. AML treatment

Acute myelogenous leukemia (AML) is a form of cancer that affects bone marrow cells that produce the blood components (red cells, white cells and platelets). Without treatment, it is rapidly fatal because of the risk of infection and bleeding. It is potentially curable with intensive chemotherapy courses, and the risk of relapse is lower if a bone marrow transplantation can be done, but at the cost of transplant-related mortality that increases with age. The chances of remission and relapse risks vary according to age and abnormalities of the karyotypes of leukemic cells.

There are several categories of AML based on the appearance of leukemic cells viewed by microscope (cytology) and the analysis of leukemic cell chromosomes. Numerous treatment protocols have been developed taking this variety of subtypes into account.

FAB (French-American-British) international classification is the most commonly used and the following table provides the frequency and particular aspects of each.

Different categories of AML

Type of AML	Particular aspects	Frequency
AML0-M2	Myeloid, very little differentiation	**50%**
AML3	Promyelocytic (bundles of Auer Rods), with bleeding disorders	**10%**
AML4	Myelomonocytic: dystrophic monocytes in the blood, bone marrow myeloblasts	**25%**
AML5A and B	Monoblasts somewhat differentiated	frequency of dermal and gingival involvement) 10%
AML6	Erythroblastic	4%
AML7	Megakaryocytic	1%

Classification of M0 to M7 does not reflect the severity of the disease. Treatment is essentially the same for all leukemia subtypes except for AML-M3, which has an effective treatment of transretinoic acid. Without treatment, AML causes rapid death by infection, bleeding or respiratory and brain disorders by significant increase in white blood cells. The goal of treatment is for abnormal blasts to disappear from bone marrow and increase neutrophils, platelets and hemoglobin in the blood. This condition is called “complete remission.” Without further treatment, relapse (recurrence of blasts in bone marrow) is most often observed.

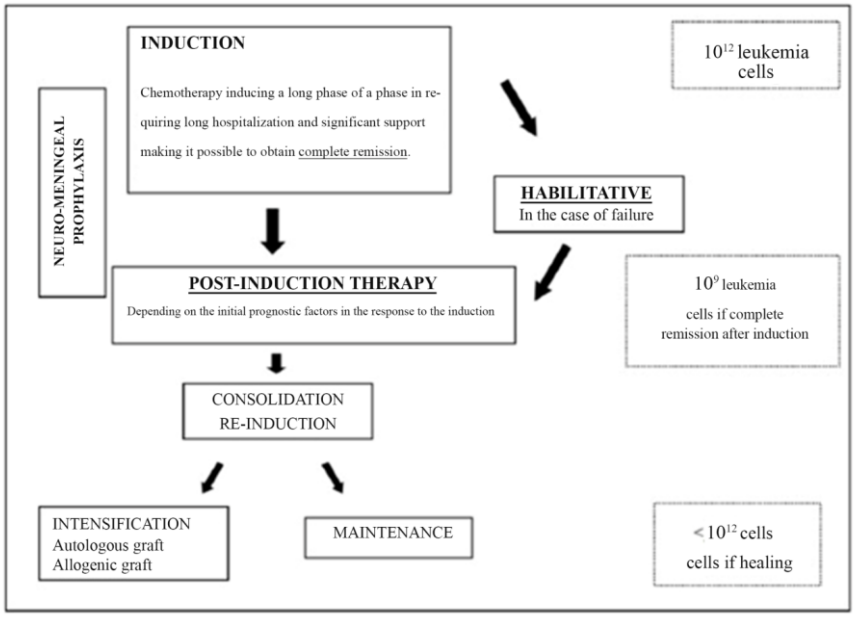
Apart from a minority subtype (AML3) requiring a more specific drug, the molecule *all-trans retinoic acid* or ATRA which is proven to be effective for this subtype, the treatment is essentially the same for all types of AML.

The choice of treatment depends on the patient's pre-treatment assessment (cardiac, kidney, liver function) and the physiological age of the patient. AML in children is differentiated from that in subjects under 60 years old and that in subjects > 60 years old.
For AML in children, the therapeutic strategy after obtaining complete remission is a bone marrow allograft from an intra-family donor (75% disease-free 5-year survival rate) or treatment intensification with high-dose cytarabine and maintenance treatment with subcutaneous cytarabine and 6-thioguanine (55% disease-free survival).
For AML patients 18 to 60 years old, intensive chemotherapy may be offered with several phases: an induction phase, a consolidation phase and finally maintenance treatment including either autograft, marrow allograft or further courses of chemotherapy.

- *Induction.* Its objective is to achieve remission. The standard used is based on an infusion of cytarabine for 7 days in combination with anthracycline (daunorubicin or idarubicin) for 3 doses ("7+3").
- *Consolidation.* This treatment aims to maintain remission. It consists of administering high doses of chemotherapy. Several consolidation rounds are usually needed, requiring new and somewhat long hospitalizations. The treatment consists of high-dose cytarabine (HIDAC) in repeated courses (1 to 4 courses) or hematopoietic stem cell transplantation. In the latter case, it may involve a graft made from a donor (allograft) or stem cells from the patient collected at the end of consolidation treatment (autograft). Stem cells are cells from bone marrow (which are also present in cord blood) from which all blood cells are produced.
- *Intensification.* This type of treatment is available and tailored to the risk of leukemia relapse and varies from one subject to another in order to obtain long-term remission and recovery. It is based on several courses of chemotherapy similar or identical to that administered during consolidation, i.e., based on a hematopoietic stem cell transplantation. Intensification can only be considered for patients under 60-70 years old because, beyond this age, the body is no longer able to tolerate the adverse effects of this type of treatment.

Remission maintenance treatment (4-12 months) can then be given as appropriate.

Approach to the treatment of AML



In patients over the age of 60, there is no standard treatment. Intensive chemotherapy treatments cannot be given and conventional bone marrow allografts are not possible. Induction treatment will consist of a treatment similar to that for young subjects but with a lower dose of cytarabine. Post-induction treatment may involve a sequence of high-dose cytarabine if the patient's physiological condition permits. It is similar to the case for young subjects associated with anthracycline that is different from that used in induction, novantrone or the use of another interposing treatment such amsacrine. Hematopoietic growth factors could reduce the toxicity of the treatment. Maintenance treatment following completion of consolidation treatment. Patients not eligible for intensive chemotherapy may also be offered supportive care by transfusions, anti-infectious agents and palliative chemotherapy, with the goal being quality of life, and/or participation in a clinical trial.

Principles of treatment protocols for AML

	INDUCTION	CONSOLIDATION	INTENSIFICATION	MAINTENANCE (RESERVED FOR AML3)
SUBJET < 18 YEARS	HIGH-DOSE ARACYTINE	HIGH-DOSE ARACYTINE AMSACRINE VP16 DAUNORUBICINE ASPARAGINASE ALLOGREFFE	OR HIGH-DOSE CYTARABINE (HIDAC)	
SUBJET 18-60 YEARS	STANDARD 7+3 CYTARABINE + IDARBUCINE OR DAUNORUBICINE	HIGH-DOSE CYTARABINE (HIDAC) STEM CELL TRANSPLANTS	-	
SUBJET >60 YEARS	LOW DOSE 7+3	HIGH-DOSE CYTARABINE (HIDAC) NOVANTRONE AMSACRINE	-	
DURATION OF TREATMENT	~1 MONTH	6-9 MONTHS	~1-2 MONTHS	4-12 MONTH

Like lymphoblasts for ALL cases, most myeloblasts need circulating asparagine to grow and multiply. The medical rationale for the use of L-asparaginase for the AML is therefore identical.

L-asparaginase is used in some pediatric treatment protocols: for example, in France in the ELAM 02 protocol, in the USA in the COG or St. Jude protocols), or in Canada where it has marketing approval.

However, its toxicity profile prevents its widespread use in fragile children and especially in adult patients, or it is rarely used.

6.4.3. Limitations of direct administration of L-asparaginase

In clinical practice, ERYTECH estimates that one third of ALL patients – mostly elderly and relapsed patients – and the majority of adult AML patients are intolerant to L-asparaginase treatment. These patients are considered fragile.

Other patients, mostly children and young adults with ALL, receive L-asparaginase treatment which enables them to achieve remission of the disease and improves survival. Nevertheless, the use of L-asparaginase in these patients may also cause severe side effects including hypersensitivity reactions (anaphylactic shock), pancreatitis and bleeding disorders.

Severe toxic effects of L-asparaginase include:

- A decrease in coagulation factors. Coagulation problems may be responsible for severe thrombosis or bleeding. L-asparaginase interferes with the liver's production of both procoagulant and anticoagulant proteins.
- Pancreatic toxicity with acute pancreatitis and diabetes. Acute pancreatitis is seen in less than 15% of cases, but can sometimes progress to hemorrhagic or necrotizing pancreatitis, which is usually fatal.
- Liver damage from elevated liver enzymes that requires regular monitoring.
- Brain damage resulting in a state of confusion or clear coma.
- Allergic reactions, including anaphylactic shock and hypersensitivity.

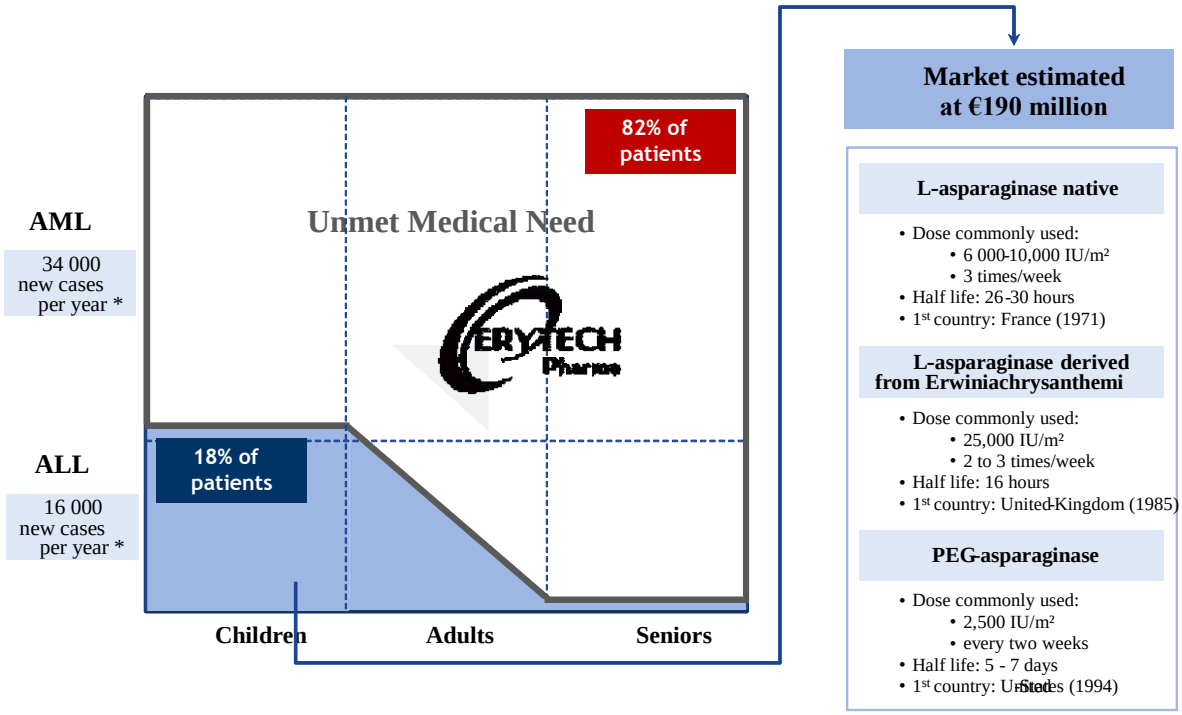
Clinicians consider that the risk of serious intolerance was found in older patients with ALL. There is indeed an increased risk of liver, pancreatic, nervous system toxicity as well as hypersensitivity and bleeding disorders.

Similarly, relapsed ALL patients representing about 15% of children and 40% of adults (totaling about 20% of these patient groups) have a demonstrated risk of severe intolerance.

6.4.4. The current market for L-asparaginase

ERYTECH believes that the current market for the various forms of aspariginase is approximately 190 million euros for Europe and the United States and less than 20% of patients suffering from acute leukemia are treated with aspariginase.[17] The potential market for other patients, including adult and elderly patients with ALL and all AML patients is not being exploited and could represent more than one billion Euros.

The current and potential market for L-asparaginase

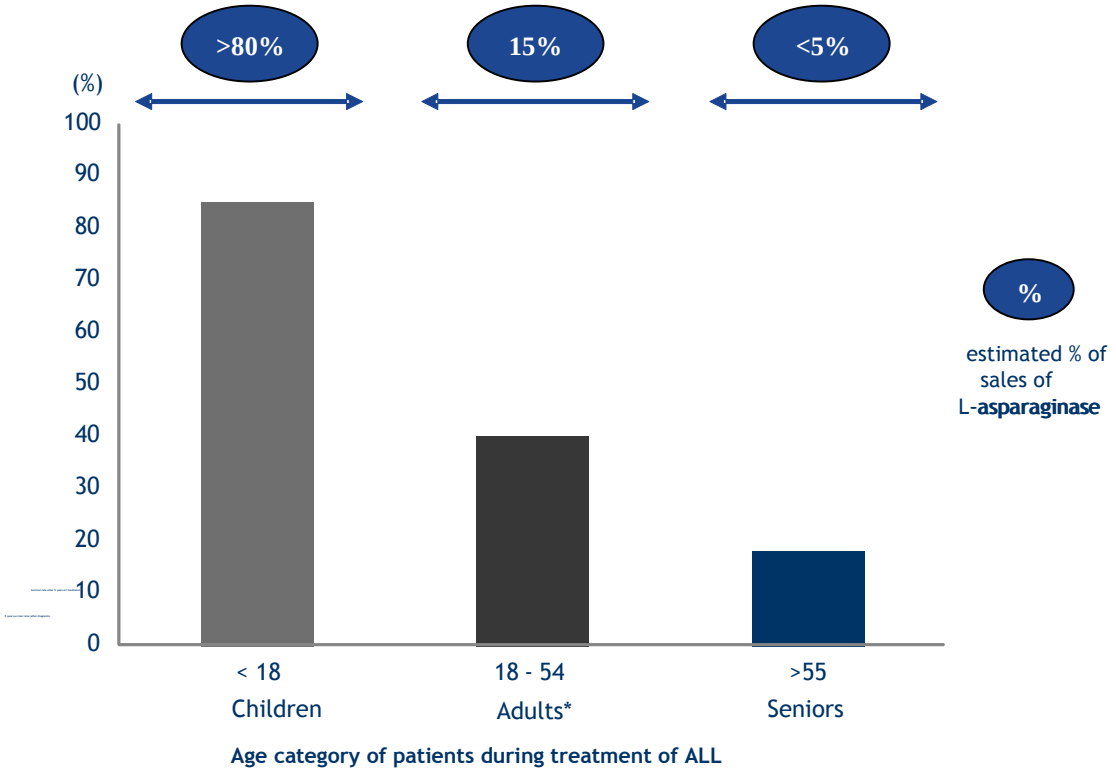


** Europe and the United States*
Source: Company

The diagram below shows that over 80% of current sales of L-asparaginase are from children with ALL and approximately 15% from adults and primarily young adults (under 40 years old) with ALL who are still able to tolerate it. However, older patients are only marginally treated with L-asparaginase.

[17] Source: Jazz Pharmaceuticals and Erytech

Use of L-asparaginase for ALL by age group



** The survival rate 5 years after diagnosis varies depending on the patient's age. For example, patients under 29 years old have a 5-year survival rate of 54% and patients 30 to 54 years old have a 5-year survival rate of 28%.*

The current market for L-asparaginase mainly includes 3 products, "native" L-asparaginase (Kidrolase®, asparaginase medac®), Oncaspar®, and Erwinase®, which correspond to different formulations and/or different production processes. As a result, these products have separate profiles, particularly in terms of activity duration, frequency of injections, and side effects.

The native form (Kidrolase® and asparaginase medac®) is the first L-asparaginase. Sales of it began in France in 1971. Erwinase® and Oncaspar® were sold for the first time in 1985 and 1994 respectively. These products are indicated for the treatment of ALL, but are not or are very rarely used in patients with AML.

Themain L-asparaginase drugs are described briefly below:

- **Native L-asparaginase**

The introduction of native L-asparaginase to the standard treatment of ALL in children and then adults dates back to the 1970s. This L-asparaginase was purified from E. coli.

Native L-asparaginase remains the first-line treatment for ALL in children in many European countries. Because of its general toxicity, this native form is rarely or not used in fragile patients. Its market is in steady decline, faced with competition from other more recent formulations.

Native L-asparaginase is mainly produced by the Japanese company Kyowa and distributed in Europe by Jazz Pharmaceuticals (following the acquisition of Eusa Pharma, formerly OPI, in June 2012) under the brand Kidrolase® and by the German company medac under the brand asparaginase medac®.
In the United States, the native form (Elspar®) was recently taken off the market because of production problems and the competition of the pegylated form (Oncaspar®).

- **PEG-asparaginase**

PEG-asparaginase is an L-asparaginase from E. coli and pegylated (attachment of a polyethylene glycol group to the enzyme) so as to reduce its toxicity, including immune and allergic reactions, and to prolong its duration of action (half-life).

PEG-asparaginase is typically administered in patients with an allergic reaction to native L-asparaginase. In some countries (United States, United Kingdom), it has almost completely replaced native L-asparaginase in children. PEG-asparaginase has been the subject of numerous publications in pediatrics but comparatively few studies in relapsed patients or adults. In practice, incorporating PEG-asparaginase in chemotherapy for adults is still uncommon because of the side effects feared by clinicians.

The only form of PEG-asparaginase allowed on the market is Oncaspar®. This injectable drug is registered in the United States, Germany, Poland and available in other countries under exception approvals. It was developed by Enzon, a company acquired by Sigma Tau in November 2009. Oncaspar® was previously distributed in Europe by medac; Sigma Tau resumed direct sales in August 2012.

For informational purposes, the cost of treatment with Oncaspar® is estimated at between €2,400 and €4,800 in Europe and between $11,500 and $23,000 in the United States for one cycle of chemotherapy (about 1 month) and 2 injections.

ERYTECH estimates that about one third of current sales of L-asparaginase are related to the use of PEG-asparaginase.

- **L-asparaginase derived from Erwinia chrysanthemi**

L-asparaginase produced by E. chrysanthemi bacteria is marketed by Jazz Pharmaceuticals (previously by EUSA Pharma) in Europe and the United States under the brands Erwinase® and Erwinaze® respectively. The product has been present in some European countries since 1985 and in the United States where it was approved again in November 2011.
Worldwide sales revenue of Erwinase® published by Jazz Pharmaceuticals for 2013 was $175 million with a preponderance of sales in the United States.

This product is positioned as second-line treatment in cases of hypersensitivity reactions to L-asparaginase derived from E. coli (the native form or the pegylated form). Immune reactions (allergies and antibodies) a patient develops against the form produced with E. coli are specific to that one in particular and they do not target L-asparaginase derived from Erwinia chrysanthemi. However, treatment with Erwinase® can generate a specific immune reaction with the development of antibodies against Erwinase.

The differences between the half-life for the various preparations were therefore that Erwinase® is administered more frequently than the form derived from E. coli.

For example, the cost of Erwinase®/Erwinaze® treatment for one round of chemotherapy (about 1 month) is estimated between €16,000 and €40,800 based on 12 injections in the United States and Europe.

The following table shows the use of each L-asparaginase according to patient category. For ALL, clinicians' strategy as time has gone on has been to try to adapt treatment protocols that have achieved high remission rates in children to older subjects (adolescents and young adults). L-asparaginase treatment is not used for ALL patients over about 55 years old and AML patients too fragile to receive it.

Use of L-asparaginase treatments according to acute leukemia and patient category

		ALL									AML
		Children			Adults			Seniors			All populations
		1st line	2nd line	Relapsed	1st line	2nd line	Relapsed	1st line	2nd line	Relapsed	
[redacted]	Native	✓	✖	✖	✓	✖	✖	✖			✖
	PEG	✓✓	✓✓	✓	✓✓	✓✓	✓				
	Erwinia chrysan - themi	✖	✓✓	✖	✖	✓	✖				
[redacted]	Native	✖	✖	✖	✖	✖	✖	✖			✖
	PEG	✓✓	✓✓	✓	✓✓	✓✓	✓				
	Erwinia chrysan - themi	✖	✓✓	✖	✖	✖	✖				

✓✓ *Commonly used*
✓ *Rarely used*
✖ *Not used*

To the Company's knowledge, the following new forms of asparaginase are under development. However, given the progress of clinical development, ERYTECH anticipates that these products will not be on the market within the next 5 years.

– medac, a German company based in Hamburg, is developing a recombinant L-asparaginase. It is in the registration phase in Europe; Phases II and III results showed efficacy, a life span and a side-effect profile quite similar to native L-asparaginase [18].
– medac is also developing a pegylated form currently in Phase I.
– Jazz Pharmaceuticals is developing a pegylated recombinant form of its Erwinia L-asaparaginase currently in Phase I.

There have been three major transactions in the market for L-asparaginase that are part of a broader trend in the interest of pharmaceutical groups in rare and orphan diseases. ERYTECH believes that these transactions were performed based on particularly attractive valuations:

– In June 2012, Jazz Pharmaceuticals acquired EUSA for $650 million in cash, plus a $50 million earn-out based on certain deferred sales goals. The transaction values EUSA at about 3x the sales expected by the company for 2013 ($210 million to $230 million). Erwinaze® is EUSA's main product representing approximately two-thirds of sales (CA $125 million expected at the time of acquisition; $131.9 million made in 2012, the year after marketing approval in the United States; $175 million made in 2013).
– In November 2009, Sigma Tau acquired Enzon's specialty drug business activities for $300 million, plus an earn-out of up to $27 million contingent upon reaching certain goals. This transaction involved 4 marketed drugs, Oncaspar®, Adagen®, DepoCyt®, and Abelcet®, as well as a site in the United States. These 4 products totaled $116.5 million in sales in 2009, including $52.4 million for Oncaspar®.
– In March 2007, EUSA acquired the French company OPi specializing in rare and orphan diseases for €110 million. OPi had a portfolio of specialty products including Kidrolase® (L-asparaginase derived from Escherichia coli) and Erwinase® (crisantaspase, L-asparaginase derived from Erwinia chrysanthemi) and monoclonal antibodies in various stages of preclinical and clinical development. OPi posted sales revenue of €18 million in 2006 and was profitable for the second consecutive year.

[18] Borghorst et al., Pediatric Hematology and Oncology, 2012

To the Company's knowledge, the more advanced products under development that may be able to treat ALL without the Philadelphia chromosome or AML are:

- Amgen is developing blinatunomab, a product under development acquired with the company Micromet in January 2012, in an ALL sub-category called B lineage. This drug candidate is in phase 2 in B-lineage ALL adults who have relapsed or are refractory to existing treatment, in phase 2 in adult patients with minimal residual ALL B-precursors, in phase 1/2 for pediatric relapsed or refractory B-lineage ALL patients, and phase 1/2 in relapsed or refractory adult patients with diffuse large B-cell lymphoma. Blinatumab received drug designation for various indications including ALL in Europe and the United States.
- Pfizer is developing inotuzumab ozogamicin for B-lineage ALL. The drug candidate is currently in phase 3 in patients with B-lineage ALL who have relapsed or are refractory to existing treatments, and phase 1/2 in senior patients with B-lineage ALL. Inotuzumab ozogamicin has received orphan drug designation for ALL in the United States from the FDA.
- Marquibo®, a new formulation of Vincristine, developed by the American company Talon Therapeutics was approved in the U.S. in 2012. Vincristine is a product used with GRASPA®. Talon was acquired by Spectrum Pharmaceuticals in 2013.
- New approaches based on modified T-cells under development by companies such as Juno Therapeutics and Novartis have shown promising phase I results.

ERYTECH believes that these products can be used with GRASPA®.

6.5. ERYASP™/GRASPA®: AN INNOVATIVE TREATMENT ENTERING THE MARKET

Recognizing a real need for a new L-asparaginase drug, ERYTECH developed the product ERYASP™/GRASPA®. ERYASP™/GRASPA® consists of an L-asparaginase encapsulated in a red blood cell. Encapsulation allows L-asparaginase to destroy asparagine within the red blood cell, without causing allergic reactions and reducing other side effects. ERYASP™/GRASPA® offers a treatment with extended efficacy relative to the other forms and a significantly improved safety profile, making it possible to treat fragile patients.

ERYTECH has conducted 5 clinical trials since 2006, including four for ALL, to establish the efficacy and safety of using GRASPA® with 140 patients treated and 341 doses of the product administered as of April 30, 2014. The following table summarizes the main findings of these ALL studies. The results of the phase I pancreatic cancer study are shown in Section 6.8 on solid tumors.

Synopsis of ALL clinical data

Indication	Study	N	Status	Key findings
Relapsed ALL children and adults	Phase I/II	24	Completed	GRASPA® is well tolerated even at the highest dose and demonstrated depletion similar to 8 injections of Kidrolase®
	Phase II/III	80	Ongoing (recruitment completed)	Safety and tolerability have been confirmed by an independent data monitoring board (based on interim results)
ALL patients >55 years old	Phase II	30	Completed	GRASPA® is well tolerated in this highly fragile population and showed a remission rate of 90% and a median survival of approximately 16 months

Based on completed or ongoing clinical studies, ERYTECH expects to be able to file an application for marketing approval through the centralized procedure for Europe in 2015 for ALL.
In the meantime, along with its partners, Orphan Europe (Recordati Group) and the Teva Group, ERYTECH will explore the possibility of entering the market earlier and making GRASPA® available for ALL patients over the age of 55 through temporary approval programs (such as the Temporary Approval for Use program in France) or under compassionate use conditions.

The European Medicines Agency (EMA) and the American Food and Drug Administration (FDA) have granted ERYASP™/GRASPA® orphan drug designation for ALL, offering it exclusive marketing upon obtaining marketing approval for the product for 7 and 10 years in the United States and Europe respectively.

The European Medicines Agency has also given GRASPA® orphan drug designation for AML. With the phase II/III study being launched for AML, ERYTECH plans to file a request that GRASPA®'s indication be extended to this form of acute leukemia by Q4 2016-S1 2017.

6.5.1. L-asparaginase encapsulated for greater efficacy and improved safety

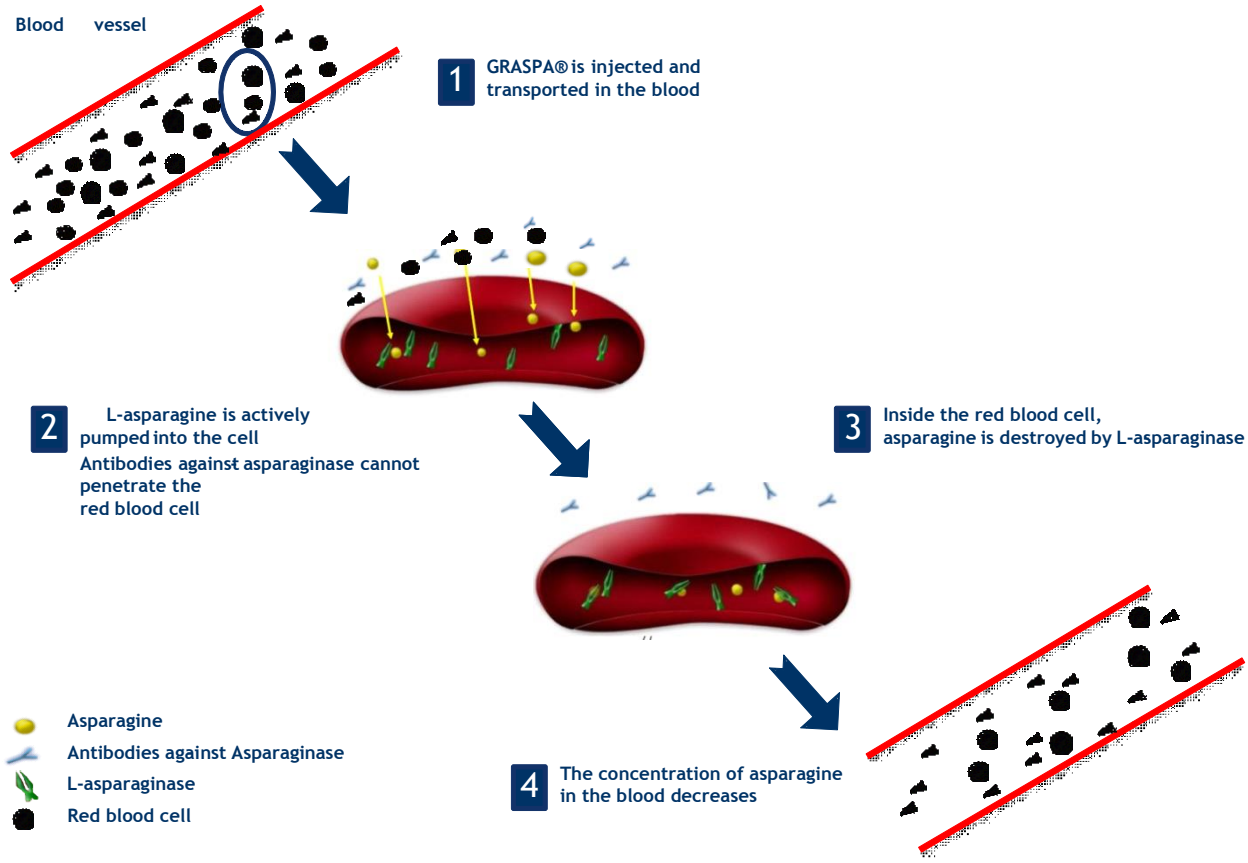
ERYASP™/GRASPA® involves the encapsulation of the enzyme L-asparaginase. The red cell membrane protects the L-asparaginase from the antibodies that are present in patients' blood and would likely substantially lessen or completely neutralize the enzyme activity or cause a hypersensitivity reaction. Thus, L-asparaginase remains active within the red blood cell without causing immune or allergic reactions in the patient. The enzyme can remain active and effective in the red blood cell as long as it is in the bloodstream and it has been demonstrated that the encapsulation process does not significantly alter the red blood cell's life span (29 days on average).

The encapsulation of L-asparaginase therefore not only significantly improves the drug's safety profile but also maintains the therapeutic efficacy of the enzyme over a long period compared to directly administering it to the patient. For this reason, ERYASP™/GRASPA® may be administered to fragile patients who cannot receive current forms of L-asparaginase and offer all patients an effective treatment with fewer injections and fewer side effects.

As illustrated in the following diagram, asparagine is an amino acid that naturally enters the red blood cell and ERYTECH's technology does not interfere with this natural mechanism.[19] The enzyme encapsulated in the cell, L-asparaginase, can then break down asparagine into L-aspartic acid and ammonia. The concentration of asparagine in the patient's blood decreases and leukemic and cancer cells are deprived of the asparagine they need to live, grow and develop.

19 Ataullakhanov 1985

Mode of action



6.5.2. Clinical results and ongoing clinical programs for acute leukemia

Since 2006, ERYTECH has conducted three clinical trials to establish the efficacy and safety of GRASPA® for ALL in 140 patients and 341 doses of the product had been administered as of April 30, 2014. The results of the three studies for ALL form the key points for the application for marketing approval in 2015. For AML, ERYTECH launched a phase IIb study to extend GRASPA®'s indication.

Summary of GRASPA® clinical studies for ALL

As of April 30, 2014:

Clinical study	Status	Number of patients included in the study	Number of patients	Number of patients treated with GRASPA®	Number of GRASPA® injections
Phase I/II study in adults and children with relapsed ALL	Completed	24	24	18	28
Phase II study in patients over the age of 55 for first-line treatment	Completed	30	30	30	53
Phase II/III study in adults and children with relapsed ALL	Ongoing	80	85	54	129
Phase IIb study in patients over the age of 65 with AML	Ongoing	123	57	35	126
Phase I study in children and adults under 55 years of age suffering from ALL who are ineligible for another form of aspariginase	Ongoing	N/A	3	3	5
Total		**257**	**199**	**140**	**341**

This section presents the protocols for these completed and ongoing clinical studies, and provides a breakdown of the results:

Phase I/II clinical trial in adults and children with relapsed ALL
ERYTECH conducted a phase I/II clinical trial in 24 patients (children and adults with relapsed ALL) which demonstrated the safety of GRASPA®, its efficacy over time in reducing the level of plasma asparagine in a single injection by an amount equivalent to that observed after 8 injections of free L-asparaginase (standard treatment), as well as fewer side effects associated with L-asparaginase (high-grade allergic reaction and cases of poor coagulation disorders). Between 2006 and 2009, the Company completed this phase I/II multicenter, randomized clinical trial (in France and Belgium) on GRASPA® comparing it to the standard treatment (free L-asparaginase - Kidrolase®) in adults and children with relapsed ALL.

Study protocol:
The main objective of this comparative study was to determine the relationship between the dose of GRASPA® (three doses tested: 50, 100 and 150 IU/kg) administered and the period during which plasma asparagine was reduced (depletion) in the sick patient. The trial was also designed to evaluate the efficacy of GRASPA® compared to the standard treatment through the duration of plasma asparaginase depletion, and the tolerance of the product by examining the side effects associated with GRASPA® encapsulated L-asparaginase. The examination of the clinical trial also assessed patients' rate of event-free survival at six months.

The protocol for the clinical trial involved treating some adult or pediatric patients with relapsed ALL, according to the standard treatment, namely chemotherapy in combination with Kidrolase® free asparaginase, and the remaining patients with chemotherapy in combination with GRASPA®. Patients were randomly distributed into 4 groupsof 6 people: 3 groups received three gradual doses of GRASPA® (50, 100 and 150) in parallel and on a double-blind basis in addition to chemotherapy; the 4th control group received only the free asparaginase standard treatment (Kidrolase®) in combination with chemotherapy.

Results:
This phase I/II study showed that GRASPA® produced an average asparagine plasma depletion duration after the first injection of a 150 dose of 18.6 days, a period equivalent to the average depletion observed

in the control group treated with Kidrolase® (which has an average depletion duration of 20.6 days after 8 injections of a 10,000 IU/m² dose administered every three days).

A reduction in side effects was also observed for GRASPA®, particularly with regard to the occurrence of allergies, pancreatitis or coagulation disorders regardless of the dose of the product administered.

The table below presents the main clinical results of the phase I/II study in adults and children with relapsed ALL.

Clinical results of the phase I/II study in adults and children with relapsed ALL

	Kidrolase® (standard L-asparaginase) (n=6)	**GRASPA® (n=18)**
	N (%)	**N (%)**
Allergic reaction	3 (50%)	0 (0%)
including high grade (3 or 4)	2 (33%)	0 (0%)
Clinical pancreatitis	0 (0%)	0 (0%)
Pancreatic enzyme elevation	1 (17%)	1 (6%)
Elevation of liver enzymes	4 (67%)	6 (33%)
Hypoalbuminemia	2 (33%)	0 (0%)
Coagulation disorder	4 (67%)	2 (11%)
including clinical thrombosis	1 (17%)	0 (0%)

Phase II clinical trial in patients over the age of 55 with ALL for first-line treatment

In 2008, ERYTECH conducted a phase II, dose-escalation clinical trial on GRASPA® as first-line treatment in 30 patients over the age of 55 with ALL and without the Philadelphia chromosome (Ph-ALL). These clinical trials confirmed the safety of GRASPA® in a population of particularly fragile elderly patients as well as the safety of the product demonstrated by a significant reduction in side effects to the selected dose, i.e., 100 IU/kg (no clinical allergies, no pancreatitis). Moreover, this trial showed that GRASPA® (100 IU/kg) resulted in complete remission for 77% of patients with a median survival improved by 6 months compared to historical data.

Study protocol:

The study's main objective was to determine the maximum tolerated and effective dose of GRASPA® (among the three doses of 50, 100 and 150) in combination with chemotherapy, in the population studied. This clinical trial also aimed to evaluate the side effects related to the investigational drug in combination with chemotherapy, its pharmacokinetic and pharmacodynamic parameters and the rate of complete remission after treatment.

The study was open-label with a 3-patient cohort and included escalating doses of GRASPA® (50 IU/kg, 100 IU/kg and 150 IU/kg). After administration and review of the clinical response of the first cohort to the lower dose of GRASPA®, an independent monitoring board approved the transition to the higher dose. Patients were monitored every 3 to 4 weeks and then every 2 to 3 months to collect data pertaining to patient survival.

Study results:

The following table presents the results of the phase II clinical trial by dose of GRASPA® administered:

Clinical results of the Phase II study in elderly patients over the age of 55 with ALL for first-line treatment (

	GRASPA® 50 (n=3)	**GRASPA® 100 (n=13)**	**GRASPA® 150 (n=14)**
	N (%)	**N (%)**	**N (%)**
Average duration of asparaginase depletion (days)	3.99	12.6	9.0
Clinical allergies	0 (0%)	0 (0%)	0 (0%)
Clinical pancreatitis	0 (0%)	0 (0%)	0 (0%)
Pancreatic enzyme elevation	1 (33%)	1 (8%)	3 (21%)
Thrombosis / attack	1 (33%)	1 (8%)	2 (14%)
Low AT III	0 (0%)	1 (8%)	2 (14%)
Protein synthesis disorders	2 (66%)	4 (30%)	9 (64%)
Complete remission	2/3 (67%)	10/13 (77%)	8/14 (57%)
Median survival	-	15.6 months	9.5 months

Phase II/III clinical trial in adults and children with relapsed ALL

ERYTECH is currently conducting a phase II/III clinical trial to evaluate the safety and efficacy of GRASPA® at a dose of 150 IU/kg, in combination with standard chemotherapy in adult and pediatric patients with relapsed ALL without the Philadelphia chromosome (ALL Phi-).

Study protocol:

The primary objective of this clinical trial is to demonstrate the safety and efficacy of GRASPA® at a dose of 150 IU/kg in combination with standard chemotherapy in adults and children with relapsed ALL without the Philadelphia chromosome (children aged 1 to 17 and adults aged 18 to 55) with or without known sensitivity to L-asparaginase.

This clinical trial will also aim to assess patients' clinical response to the treatment with GRASPA® compared to the standard L-asparaginase treatment in order to establish the safety profile. The primary objective of the study is to demonstrate a depletion rate equivalent to that of the native form of L-asparaginase and a better safety profile (3 times fewer allergies). The efficacy of GRASPA® will also be evaluated in relation to the standard treatment through the event-free survival rate, relapse-free survival rate, and survival at 6 and 12 months after inclusion.

The clinical trial protocol consists of two distinct phases:

Exploratory phase II includes the first 60 patients (adults and children, allergic and not allergic to L-asparaginase with relapsed Phi- ALL). Non-allergic patients were randomly assigned to receive GRASPA® or the standard L-asparaginase treatment. Allergic patients received only GRASPA®, and have no control group due to toxicity reasons.

According to the clinical results of the first cohort of 60 patients in phase II, the final confirmatory phase III design was drawn up by an Independent Monitoring Board (Data Safety Monitoring Board, DSMB), which issued a favorable opinion regarding continuation of this phase III clinical trial, in compliance with the original protocol (80 patients).

Phase IIb clinical trial in patients over the age of 65 with AML

A Phase IIb, multicenter clinical trial is currently underway in newly diagnosed subjects with AML aged over 65 and unable to receive intensive chemotherapy. Generally, L-asparaginase is very rarely used for this indication, if at all. Although the efficacy of this treatment has been demonstrated for AML, the risk of side effects for this fragile population of often elderly patients is too great to justify the administration.

The primary objective of this study is to evaluate the efficacy of GRASPA® when added to the standard product (low-dose cytarabine). To accomplish this, progression-free survival will be analyzed between patients receiving GRASPA® in combination with low-dose cytarabine, and patients receiving only low-dose cytarabine. This study plans to recruit 123 patients, 2/3 of whom will be treated with GRASPA®.

The study protocol includes monitoring patients for 24 months, an analysis of the first 30 patients to analyze tolerance by a Data Safety Monitoring Board (DSMB) and a second interim analysis after inclusion of half of the patients and monitoring of them for at least four months.

The first analysis by the DSMB was performed in November 2013 and the Committee of Independent Experts issued a favorable opinion with regard to the continuation of this clinical trial after evaluation of the safety of the product in the first 30 patients treated.

6.5.3. Obtaining orphan drug designation and its benefits

Regulatory authorities in Europe and the United States have established marketing approval and specific reimbursement procedures for drugs to treat orphan diseases in order to encourage development efforts and innovation in connection with these diseases that affect very few patients. In particular, requirements for the necessary clinical studies are adjusted to take into account the small patient population and procedures for obtaining Marketing Approval (MA) are often facilitated and accelerated to meet public health needs.

A European regulation on orphan drugs, established in 1999 under the authority of the European Medicines Agency (EMA), issues "Orphan Drug Designation" to drug candidates. More than 60 drugs have received Marketing Approval in Europe with orphan drug designation. In the United States, the regulatory agency (FDA) established the "Orphan Drug Act" in 1983 and more than 350 orphan drugs were approved.

The major advantage of this legislation is to allow manufacturing pharmaceutical companies selling products with orphan drug designation to take advantage of exclusive marketing after obtaining an MA for the product for 7 and 10 years, in the United States and Europe respectively.

The EMA and the FDA granted Orphan Drug Designation to ERYASP™/GRASPA® for ALL by offering market protection. The EMA has also given GRASPA® orphan drug designation for AML.
ERYTECH also has orphan drug designation for pancreatic cancer (in Europe and the United States) and sickle cell anemia (United States).

6.5.4. Marketing GRASPA®

Under the clinical development program for GRASPA® for ALL, ERYTECH obtained clinical results demonstrating the safety of its drug in relapsed adults and children for this indication, and its efficacy in terms of asparaginase depletion duration at a lower dose with a decline in side effects. In patients aged over 55, the phase II clinical trial demonstrated the safety of GRASPA® and its efficacy in that it leads to complete remission for 77% of patients with a median survival rate improved by 6 months with respect to the data.

Based on the expected results from the phase II/III clinical trial in adults and children with relapsed ALL, and based on previous studies, ERYTECH will be able to file a marketing approval application through the European centralized procedure in 2015. ERYTECH expects the company to be able to file an application to extend GRASPA®'s indication to AML by 2017.

In the meantime, along with its partners, Orphan Europe (Recordati Group) and the Teva Group, ERYTECH will explore the possibility of making the product available earlier for ALL patients over the age of 55 through temporary approval programs (such as the Temporary Approval for Use program in France) or under compassionate use conditions. ERYTECH will adopt a similar approach when the initial clinical data is available for AML patients aged over 65.

ERYTECH is aiming for a three-year timeframe for launching and marketing GRASPA® in the main European countries through its partnership with Orphan Europe (Recordati Group) for ALL, and for filing the application to extend the indication to AML.

Indicative timetable

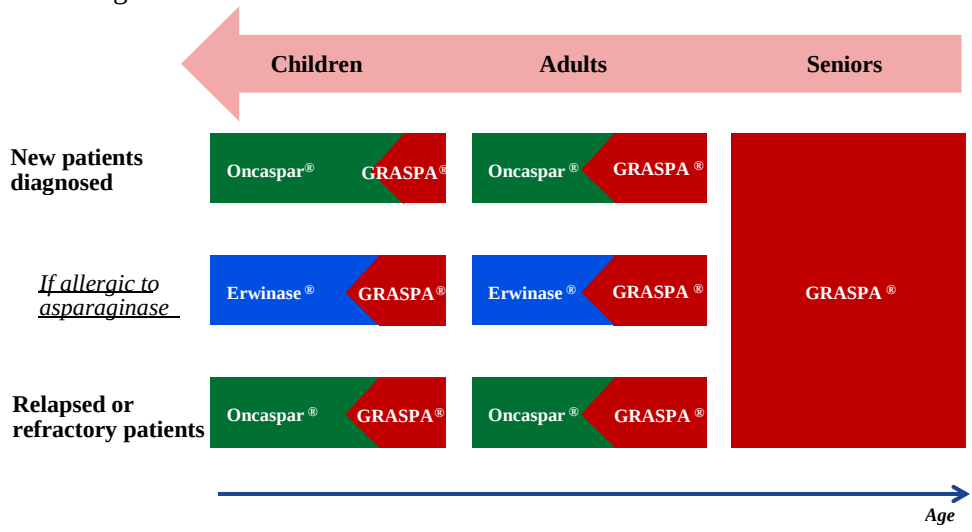
ALL: Phase II/III results in relapsed adult or pediatric patients	Q3 2014
ALL: Submission of the MA application to the EMA	2015
ALL: European MA through the centralized procedure	2016
AML: Submission of the indication extension application	Q4 2016 –S1 2017

6.5.5. Positioning of GRASPA® on the market

GRASPA® will be marketed by Orphan Europe (Recordati Group) in 38 European countries and by the Teva Group in Israel. The product's positioning in terms of marketing strategy will be developed in consultation with ERYTECH.

For ALL, ERYTECH anticipates that the dynamics of adopting the product will begin with the fragile populations, first with elderly patients and adults aged over 55 who cannot receive the current forms of L-asparaginase and then with relapsed or refractory adult and pediatric patients who also cannot be treated with L-asparaginase. GRASPA®'s use can naturally be extended to other patients with the clinical experience acquired by oncologist-hematologists by capitalizing on GRASPA®'s proven safety.

Positioning of GRASPA® for ALL



For patients significantly allergic to Oncaspar® (PEG-L-asparaginase) and/or L-asparaginase, GRASPA® gives clinicians an alternative to Erwinase®, which is currently the only product available for this case. ERYTECH believes that GRASPA® could have significant competitive advantages over Erwinase®, including route of administration, frequency of injections and a competitive price.

Based on the advantages that GRASPA® could have compared to other forms of L-asparaginase and unmet medical needs, ERYTECH believes that GRASPA® could potentially be the preferred L-asparaginase treatment for one in three ALL patients or approximately 5,000 newly diagnosed patients per year (3,000 in Europe and 2,000 in the United States). These patients are Philadelphia chromosome-negative relapsed elderly adults and children.
The lack of an L-asparaginase treatment that is approved and/or used to treat AML allows GRASPA® to be positioned as first-line treatment for these patients. Clinicians have expressed a strong interest in

using L-aspariginase to treat AML and ERYTECH intends to meet this demand with GRASPA®. GRASPA®'s primary target for AML represents more than 11,000 patients with AML (more than a third of new cases per year in Europe and the United States) for which GRASPA® could potentially become the standard treatment. These are patients whose type of AML is particularly sensitive to the removal of asparagine (about 60%) and whose general health is particularly fragile (about 2 in 3 patients).

The following table illustrates the treatment costs associated with the major L-asparaginase drugs currently on the market for one round of chemotherapy (about 1 month) – considering that a given patient usually requires several. Taking into account the innovative nature of GRASPA®, its medical value and its target position in the treatment of acute leukemia, ERYTECH expects to target a price position similar to Erwinase®. It is important to remember that the pricing and reimbursement of GRASPA® will need to be determined according to the regulations and practices in force in the various countries and the health and drug delisting policies will gradually become more rigorous.

The estimated cost of treatment with the major L-asparaginase drugs

Product	**One-month treatment cycle**	
	Injections	**Cost**
Oncaspar®	2	Europe price: €2,400 - €4,800 U.S. price: $11,500 – $23,000
Erwinase®	12	€16,000 – €40,800

Source: ERYTECH

ERYTECH believes that GRASPA® has a priority target of approximately 20,000 new ALL and AML patients in Europe and the United States each year and this could represent a target market of more than one billion Euros, assuming an average price of around €50-60 k per patient, roughly comparable to the cost of Erwinase® treatment.

6.6. MARKETING GRASPA® IN EUROPE AND ISRAEL

ERYTECH has entered into two major partnerships for the commercialization of GRASPA® in 38 European countries with Orphan Europe (Recordati Group) and in Israel with the Teva Group. Thanks to the innovative nature of GRASPA®, its ability to satisfy unmet medical needs and its progress in clinical development, ERYTECH was able to obtain favorable terms, particularly with regard to the sharing of future profits. Both partners have recognized trade capacities and can effectively promote GRASPA® in their respective territories.

Furthermore, it should be noted that there are relatively few potential prescribers of GRASPA® in each country, mainly hematologist-oncologists, who are clearly identified. Therefore, awareness of specialized products such as GRASPA® and adoption of the drug can occur very quickly. In addition, GRASPA® does not require existing ALL treatment protocols to be modified since L-asparaginase is already included in them. For specialty products like GRASPA®, the commercial and promotional resources required are modest compared to other drugs in general practice for example, thereby making high margins possible.

6.6.1. European partnership with Orphan Europe (Recordati Group) for marketing in Europe

On November 23, 2012, ERYTECH signed a marketing agreement with Orphan Europe, a company specializing in the development, production and marketing of orphan disease drugs. Orphan Europe is a subsidiary of Recordati, a major pharmaceutical group in Europe.

Orphan Europe has a portfolio of orphan drugs already on the market in different areas such as neonatology, pediatrics, metabolic disorders and generates more than 128 million Euros in sales revenue. Orphan Europe is a leading player in the field of orphan diseases and has the medical, clinical, regulatory and commercial expertise to market and effectively sell GRASPA® in Europe. Orphan Europe is a strategic business for Recordati, which acquired the company in 2007 for €135 million and built it up further with the acquisition of a portfolio of rare and orphan disease drugs in the United States for $100 million.

Orphan Europe will market GRASPA® in 38 European countries, including all the countries in the European Union for the treatment of ALL and AML. The parties have the opportunity to discuss the extension of this agreement to other areas around Europe and other indications.
ERYTECH is keeping the production of GRASPA® at its Lyon site and will supply Orphan Europe in the various European countries where the drug will be sold.

Under this agreement, Orphan Europe contributed €5 million upon signing. Orphan Europe will have to pay ERYTECH up to €37.5 million in future payments based on different clinical, regulatory and sales events. Orphan Europe will participate in the costs of the clinical development of GRASPA® for AML and ERYTECH will receive a price for the product delivered and royalties on sales of GRASPA® by Orphan Europe for a total of up to 45% of the sale price.

Separately, another Recordati Group company has purchased bonds that were converted into an investment in ERYTECH equity worth €5 million at the time of the initial public offering in April 2013.

6.6.2. Partnership with the Teva Group for marketing in Israel

On March 28, 2011, ERYTECH signed a partnership agreement with the Teva Group, a global player in the pharmaceutical industry based in Israel, to distribute GRASPA® in that country. The Teva Group is a diversified pharmaceutical group with a strong strategy in innovative specialized products and in particular in therapeutic areas such as the central nervous and respiratory systems, women's health, oncology and pain.

In accordance with the terms of the agreement, the Teva Group will submit the request for approval of the drug for ALL in Israel and ensure marketing and distribution in the long term in this country. The Teva Group will pay interim payments and share net earnings of product sales in Israel.

6.6.3. Other partnerships under consideration for other countries

ERYTECH retains all rights to ERYASP™, outside of the 38 European countries covered by the partnership with Orphan Europe (Recordati Group) for ALL and AML and Israel with the Teva Group for ALL. In particular, ERYTECH owns all rights for ERYASP™ in the United States and for other indications such as, for example, solid tumors.

ERYTECH aims to secure distribution agreements in countries around Europe and particularly key markets such as Russia and Turkey. In some of these countries, Orphan Europe (Recordati Group) has a right of first negotiation.

6.6.4. Commercial scale industrial process and secure supply

The Company has a production unit with enough capacity to cover the needs of the European market until 2017/2018. This unit meets the highest requirements of ANSM and has "Operating Pharmaceutical Facility" status.

The company has secured its supply for the main raw materials needed to manufacture ERYASP™/GRASPA®:

L-asparaginase: ERYTECH Pharma and medac signed two worldwide exclusive long-term agreements after which medac provided ERYTECH with two forms of asparaginase that ERYTECH will use for the production of ERYASP™/GRASPA® for clinical trials conducted by ERYTECH as well as for the sale of ERYASP™/GRASPA® for the therapeutic indications defined by ERYTECH. medac is a German pharmaceutical company based near Hamburg that sells L-aspariginase (see also chapter 22 of the Reference Document).

Red blood cells: ERYTECH signed two supply contracts with the Établissement Français du Sang [French Blood Facility] and the American Red Cross, two well-known blood banks, for transfusion quality human red blood cells.

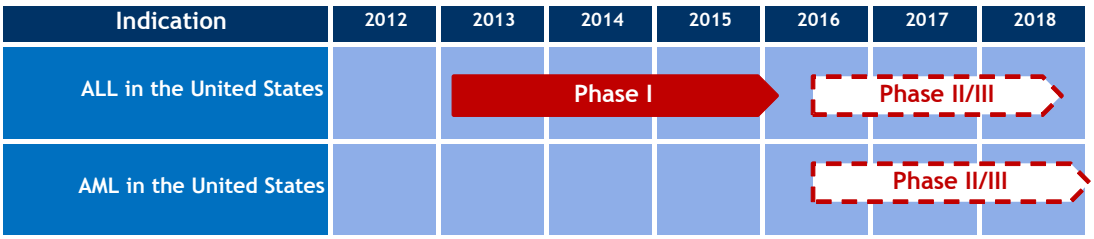
6.7. DEVELOPMENT OF ERYASP™ FOR LEUKEMIA IN THE UNITED STATES

ERYTECH's goal is to develop ERYASP™ in the United States, which represents a large potential market for ALL and AML.

ERYTECH plans to capitalize on the clinical studies already completed or underway in Europe and replicate the clinical development of ERYASP™ in the United States. On March 21, 2013 ERYTECH obtained approval from the FDA (Investigational New Drug or IND) to begin a phase Ib clinical trial for ALL and should start recruiting its first patients in the second quarter of 2014. The estimated cost of this phase Ib clinical trial is around €4 million and the Company expects to finance it with funds raised from the initial public offering. This study will also make it possible to pursue clinical development for ALL and AML alone or in a partnership. Further clinical development may include phase II/III studies for ALL and AML and could make it possible to file a marketing approval application by 2018-2019.

ERYTECH has established a close partnership with the American Red Cross in Philadelphia. Under this agreement, the American Red Cross will provide red blood cells, a classified production area and staff trained by ERYTECH, under the supervision of an ERYTECH representative sent to Philadelphia.

Development plan in the United States



Phase Ib clinical trial in patients over the age of 40 for the first-line treatment of ALL
ERYTECH launched a phase Ib clinical trial in the United States for patients aged over 40 with the Philadelphia chromosome for the first-line treatment of ALL, in combination with standard chemotherapy (CALGB chemotherapy in the United States), in a sample of 12 to 18 patients with escalating doses (50 to 150 IU/kg). The Company received the green light for this study from the FDA in 2013.

This multicenter, non-randomized clinical trial strictly in the United States aims primarily to validate the toxicity, safety and efficacy profile of ERYASP™, in combination with standard chemotherapy. This phase Ib study will be the first clinical trial conducted by ERYTECH in the United States. As a toxicity study, the results will also be used in the phase I AML study.
Study protocol:
The objective of this clinical trial is to determine the toxicity profile of ERYASP™ when administered in combination with standard chemotherapy in subjects over 40 years old in the first-line treatment of ALL without the Philadelphia chromosome.

This study also aims to assess ERYASP™'s safety profile as well as its pharmacokinetics and pharmacodynamics. The clinical trial and patient follow-up will take place at no more than 6 specialized centers.

Clinical development may continue after phase Ib

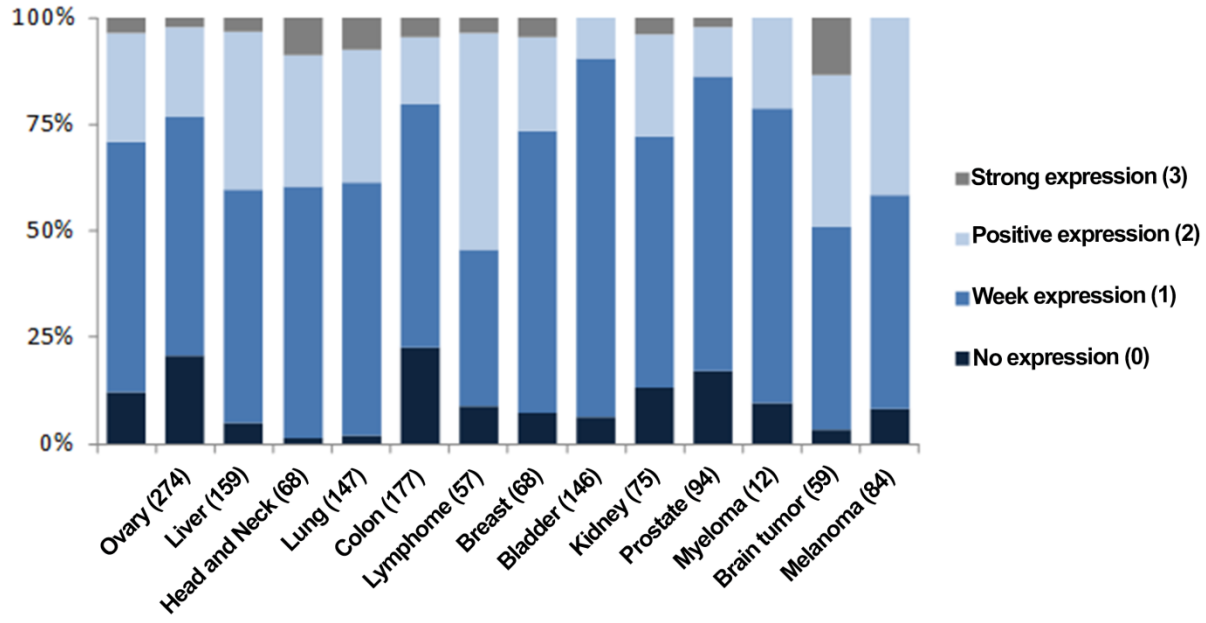
Based on the phase Ib clinical trial for ALL, ERYTECH can continue the clinical development of ERYASP™ for ALL and AML through two phase II/III studies alone or with a partner. ERYTECH believes that filing for MA could occur in 2018/2019.

The phase II/III protocols will be finalized based on the results of the phase Ib study in the United States, clinical results in Europe, and discussions with the authorities.

6.8. POTENTIAL NEW INDICATIONS OF ERYASP™: SOLID TUMORS

As for leukemia, the rationale for treating tumor cells deprived of asparagine synthetase (see figure 1 in Section 6. Illustration of the "Starving tumor" concept) is also applicable to solid tumors as long as they do not produce asparagine synthetase and need to consume asparagine contained in plasma. Thus, ERYTECH conducted a study in collaboration with the MD Anderson Cancer Center to assess the proportion of tumors potentially sensitive to asparaginase, i.e., tumors that produce little or no asparagine synthetase.

Sensitivity of some solid tumors to asparagine deprivation



Source: Dufour et al., "Pancreatic Tumor Sensitivity to Plasma L-Asparagine Starvation," Pancreas, 2012

ERYTECH conducted a phase I study for pancreatic cancer to demonstrate the safety of ERYASP™. This clinical trial demonstrated that ERYASP™ was well tolerated even at high doses. These results are even more interesting since the currently available L-asparaginase forms have pancreatitis as a possible side effect. With these initial clinical results for solid tumors, ERYTECH plans to continue to develop ERYASP™ for pancreatic cancer and expand this development to other solid tumors of interest.

ERYTECH is developing new potential indications for ERYASP™ outside that of leukemia. Early preclinical and clinical results suggest that ERYASP™ may also be effective against certain solid tumors for which treatment options are currently limited. ERYTECH is launching a phase II study whose cost is estimated at about €3 million and will be financed by funds raised from the initial public offering.

Clinical phase I dose-escalation study of ERYASP™ for pancreatic cancer as last-line treatment
From 2009 to 2010 (12 months), ERYTECH conducted a phase I, non-randomized, national dose-escalation clinical trial in 12 patients. This clinical trial demonstrated that ERYASP™ is well tolerated in this highly fragile population, even at the highest dose (150 IU/kg).

Study protocol:
The primary objective of this clinical trial was to determine the maximal tolerated dose of ERYASP™ in patients with pancreatic cancer. For ethical reasons, and where there are standard treatments, clinical studies have been conducted only in patients considered at the "last line," i.e., patients for whom no therapy has allowed them to enter into remission.

This clinical trial also aimed to determine the general tolerance profile of ERYASP™ by assessing patient toxicity. The purpose of the study was to evaluate the pharmacodynamic and pharmacokinetic parameters of ERYASP™ and the patient's tumor response via tumor markers and tumor volume, after failure of first or second-line gemcitabine chemotherapy, which is the standard treatment.

The clinical trial protocol included gradually increasing doses of ERYASP™ which took place in cohorts of 3 patients. For this dose escalation, four doses of ERYASP™ were tested (25 IU/kg, 50 IU/kg, 100 IU/kg and 150 IU/kg).

The study protocol stipulated that the maximum tolerated dose would be the dose that causes toxic effects in at least one-third of patients. Three patients were scheduled to be included for each dose tested and at the end of each dose, switching to the next dose was to be validated by an Independent Monitoring Board. For each stratum, the inclusion of the second patient was only done once sufficient monitoring of the first patient included was complete, which was at least 4 weeks.

Results:
This phase I study in patients with pancreatic cancer demonstrated good tolerance and a lack of toxicity for ERYASP™ even at the highest dose (150 IU/kg).

Continuation of clinical development is being considered

With these initial clinical results for solid tumors, ERYTECH plans to continue to develop ERYASP™ for pancreatic cancer and expand this development to other solid tumors of interest, such as liver cancer or bladder cancer.

ERYTECH also validated an immunohistochemistry test using tumor tissue to detect whether the tumor produces asparagine synthetase and therefore whether it is resistant or sensitive to asparaginase.

Moreover, the Company entered into an exclusive license agreement with the NIH to develop a companion test to determine tumor sensitivity to asparaginase. This test could be used in clinical studies and be commercially developed with an industrial partner.

On May 6, 2014, the ANSM (Agence Nationale de Sécurité du Médicament - the French national drug safety agency) granted authorization to begin a Phase II study as second line treatment for patients suffering from pancreatic cancer. In this study of approximately 100 patients, ERYASP™ will be added to and compared with standard treatment with 2 to 1 randomization. The primary criteria for evaluation will be progression-free survival (PFS) at four months. Patients will be stratified based on the expression of aspariginase synthetase (ASNS) in their primary tumor. Week expression of ASNS is considered to be an indicator of the tumors sensitivity to aspariginase. ERYTECH estimates that close to 70% of patients will be negative in ASNS and could be responsive to treatment. Patient recruitment should begin in the second quarter of 2014.

6.9. ERYTECH'S ENCAPSULATION TECHNOLOGY

6.9.1. The innovative approach to encapsulate therapeutic enzymes

ERYTECH's proprietary technology is based on the encapsulation of therapeutic molecules in red blood cells also called erythrocytes. The administration of red blood cells is completely managed and controlled by the hospital staff. In addition, it is a biocompatible carrier with a long half-life in the body of about one month and its elimination by the cells of the reticuloendothelial system is well known.

Because the red cell membrane protects its contents from the external environment, i.e., the body, and vice versa:

- The encapsulated molecule is protected from the body's defense reactions or interactions with it, which can lead to inactivation, degradation or to its rapid elimination,
- The body is protected against attack from the contents and as a result, side effects are reduced,

This results in an increase of the therapeutic index (toxicity offset by efficacy). For example, in the case of asparaginase, for a given level of efficacy, patients receive a dose 10 times lower when it is encapsulated using ERYTECH's technology.

ERYTECH's technology can transform the red blood cell into a cellular bioreactor. The red blood cell has the natural property of being able to absorb certain amino acids freely circulating in the blood. The therapeutic enzyme encapsulated in the red blood cell can interact and break down the amino acid in question.

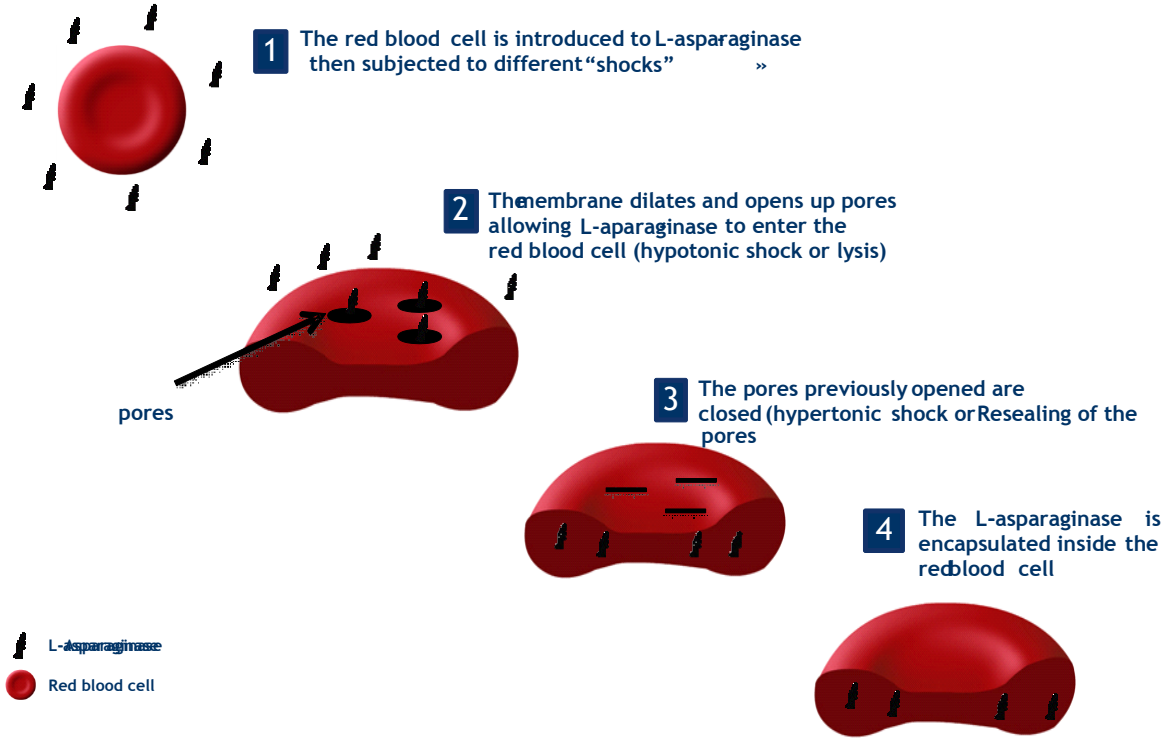
6.9.2. Automated and strong industrialized encapsulation process

The process of encapsulation inside red blood cells is based on a concept of reversible hypotonic lysis as shown in the diagram below:
Red blood cells are subjected to a low-ionic strength medium (hypotonic medium) and swell until they reach a critical volume when the membrane is distended to the point of becoming permeable to macromolecules.

Pores form on the surface of the membrane allowing molecules to enter the erythrocyte.

Restoration of the isotonicity of the suspension medium results in the closing of the pores, rendering the membrane impermeable to macromolecules. Only permeability to very small elements (less than 200 Daltons) is retained. The molecule is thus permanently encapsulated.

Principle of the encapsulation process



The osmotic fragility of one sample of red blood cells to another varies. Thus, the membrane distension capacity and therefore the encapsulation capacity varies. However, osmotic fragility variation may be offset by hypotonic lysis parameters. Thus, variations in the amount of the product encapsulated are reduced. This is the heart of ERYTECH's process patent (*see section 11 on Intellectual Property*)

ERYTECH has successfully developed this encapsulation process to produce loaded erythrocytes in a reproducible, reliable and economical way on a large scale, regardless of the initial characteristic and origin of the red cells used. Over 300 ERYASP™/GRASPA® bags have already been produced and transfused in five clinical trials conducted by ERYTECH.

An automated and industrialized encapsulation process

Specifically, the major competitive advantages of the production process are:
its speed: the fully automated preparation of the product requires only 3 hours
its stability: 72 hours to deliver (at a temperature of 2-8°C) the drug

reproducibility: consistent quality loaded erythrocytes are produced, regardless of the initial characteristics and the origin of the red blood cells used. Various control steps help ensure the quality of the product before release by the Qualified Person (Pharmacist)
safety: supply of transfusion quality red blood cells from blood banks operating, according to the highest quality standards and quality control processes increased at each stage of production

ERYTECH's production unit is based in Lyon and the production staff includes 6 people. Production meets the highest pharmaceutical production standards (cGMP) and is ISO 9001 certified. In particular, product batches are fully traceable from blood collection and separation of red blood cells performed by the blood banks that supply ERYTECH to the patient. The Company has "Pharmaceutical Facility" and "Operating Facility" status, which allows it to operate in the European market.

6.9.3. Organized production in the United States for future clinical trials

In anticipation of clinical trials in the United States, ERYTECH deployed a qualified production unit in Philadelphia in partnership with the American Red Cross (ARC). The American Red Cross (ARC) is the leading blood bank in the world. It is a federal agency located in all states in the United States of America and its primary activity is collecting, classifying and distributing bags of red blood cells for transfusion.

The ARC is a service provider to produce GMP (Good Manufacturing Practice) batches of ERYASP™ for clinical trials. The ARC also provides the raw material, the bag of red blood cells. Since ERYTECH's analytical method and process were the subject of an industrial transfer, the operations performed at the U.S. site are similar to those at the French site in compliance with FDA regulations. ERYTECH oversees production and controls for this unit jointly with the ARC.

This agreement with the ARC does not include any transfer of rights to technology or ERYASP™ and allows ERYTECH to produce the quantities needed for clinical trials planned in the United States.

6.10. TEDAC AND OTHER PROJECTS UNDER DEVELOPMENT

ERYTECH's technology platform is versatile and opens up many possibilities for developing new drugs. The efficacy of the technology has been demonstrated mainly with L-asparaginase, but it is possible to encapsulate other enzymes, molecules or proteins in red blood cells. ERYTECH is exploring these promising research projects which are described in more detail below:

TEDAC

TEDAC is a research and development project meant to treat cancers resistant to radiation/chemotherapy conducted by ERYTECH in association with other companies and organizations: Diaxonhit, Inserm, Université Paris-Diderot [Paris-Diderot University] and AP-HP [Public Assistance - Hospitals of Paris].

The purpose of this project is to develop innovative enzyme therapies targeting the metabolic environment of tumors, provide individual care to patients with chemotherapy or radiation-resistant cancer thanks to the development of screening, and monitoring tests. This project will also enable the Company to develop a new range of therapeutic solutions by combining anti-cancer enzymes efficiently and safely by acting on the complete metabolic environment of the tumor. Over time, the goal is to offer a solution including a test predicting response to treatment, one or more suitable enzyme therapies, as well as a test to monitor therapeutic efficacy.

The first proof of concept evaluations in tumor sections are underway. Maintaining this rate of development and provided the results are positive, an initial clinical trial may be considered at the very end of 2015. This made it possible to identify a new candidate medicinal product, ERY-MET (See below).

This project has a total cost of 22.6 million euros (including 14.3 million euros attributable to ERYTECH) and will take place over 8 years; 10.7 million euros is being provided by Oséo (BPI) to fund it under the "Strategic and Industrial Innovation" program, 7 million euros of which (i.e. 48% of the amount of the project attributable to ERYTECH) will be paid to ERYTECH. €2.1 million in grants and €4.9 million in repayable advances.

ERY-MET

Tumor cells, unlike healthy cells, are dependent for their growth on the presence of certain amino acids in their environment, as they are unable to produce them themselves. The complete or partial suppression of these amino acids in circulating blood thereby deprives tumor cells of the nutrients necessary for their growth and may induce their death by "starving" them. The therapeutic enzymes which can suppress these amino acids circulating in the blood often have a short half-life and are frequently associated with high levels of side effects. However, by encapsulating them in red blood cells, it is possible to extend their half-life and to reduce their toxicity to patients.
This principle was demonstrated in clinical trials with ERYASP™/GRASPA®, ERYTECH's flagship product currently in phase III for acute lymphoblastic leukemia (ALL). ERY-ASP is composed of aspariginase encapsulated in red blood cells. It acts by systematically depleting asparagine.
In parallel with the development of ERYASP/GRAPSA®, ERYTECH has conducted in-depth research as part of the TEDAC Project to identify other therapeutic enzymes capable of starving tumors and whose encapsulation in red blood cells would be relevant. The TEDAC Project program has received financial support from Bpifrance in the amount of 7 million euros.[20]
The TEDAC Project made it possible to identify a new drug candidate, ERY-MET, composed of methionine-y-lyase (MGL) encapsulated in red blood cells. MGL breaks down methionine, an amino acid, and may thus starve very many types of tumors sensitive to the elimination of this amino acid.
In its natural form, MGL has a very short half-life and is highly dependent on a co-factor to be effective. However, this co-factor has the special characteristic of being naturally present within red blood cells. With its exclusive encapsulation technology, ERYTECH demonstrated good stability of MGL in red blood cells, and the increase in its half-life to several days compared to some hours in its free-form.
On the basis of these promising preclinical results, the company continues its preclinical development for the purpose of completing a clinical trial. The production industrialization phase will begin in the coming months in order to allow a phase I trial in men in 2015.

Vaccin'ERY System®

This is the development of a new anti-tumor vaccine using the Vaccin'ERY System® technology by intra-erythrocyte encapsulation of tumor antigens and adjuvant(s) to enable in situ activation of immune cells and generate an immune response.

The use of red blood cells as tumor-specific antigen carriers makes it possible for them to be delivered specifically and simultaneously to dendritic cells, immune cells. Red blood cells are processed to direct themselves toward dendritic cells which will capture them, the phagocytes, and thus incorporating the antigens associated with the tumor cells. These results in a classic immune response, i.e., the immune cells introduce these antigens to lymphocytes which are stimulated to specifically become cells responsible for destroying the tumor.

Furthermore, this technology also makes it possible to consider the encapsulation of adjuvants in order to optimize the efficacy of the vaccination.

[20] In this program, Diaxonhit and INSERM U773 are ERYTECH's partners in the development of new tumor *ex vivo* models and the diagnostic tests to identify responsive patients and in monitoring the results in treated patients.

Tol'ERY

Red blood cells can be modified to more specifically target "tolerogenic" cells, i.e., that induce tolerance such as Kupffer cells in the liver. Thus, the tolerogenic cells phagocytose the loaded red blood cells in one immunogenic protein and will generate a tolerogenic response vis-à-vis the immunogenic protein. The purpose is to give the body the ability to make proteins normally not well tolerated tolerable and can induce immune reactions (allergy). ERYTECH Pharma has already achieved very encouraging results for its innovative strategy of inducing immune tolerance (patent pending). This technology is also applicable to autoimmune diseases.

ENHOXY®

ENHOXY® could be a product capable of rapidly and effectively improving the oxygenation of tissues so as to avoid or significantly diminish the sickle deformation, and thereby healing and preventing an acute episode. It consists in the encapsulation of a molecule that will make it possible to allow a greater salting out of oxygen in the presence of the hypoxic cells or tissues, compared to a normal red blood cell.Preclinical results in the study were presented at different international conferences and resulted in strong interest.

TEDAC (including ERY-MET), Vaccin'ERY®, Tol'ERY® and ENHOXY® are research programs and they are not yet undergoing clinical development. These projects constitute a long-term growth shift for the Company but could lead to partnerships depending on the results obtained. The resources allocated to these products will be determined according to the priority development objectives for ERYASP™/GRASPA® for acute leukemia and solid tumors.

6.11. THE PHARMACEUTICAL INDUSTRY'S INTEREST IN ORPHAN DRUGS

The market for orphan disease therapies was estimated at $50 billion in 2011, or about 6% of the global pharmaceutical market. Over the 2001-2010 period, this market grew rapidly with an estimated 26% CAGR, compared to 20% for other drugs (source: Thomson Reuters).

Rare or orphan diseases are characterized by having a low incidence rate. In the United States, the definition used by the FDA includes diseases affecting fewer than 200,000 people and in Europe, those affecting fewer than 5 patients per 10,000 persons (EMA definition). Approximately 6,800 orphan diseases have been identified[21] and each year, several hundred new orphan diseases are discovered.

Although the orphan drug designation has been established since 1983 by the FDA in the United States (Orphan Drug Act) and since 2000 by the EMEA [sic: EMA] in Europe, only in the last decade have applications for orphan drug designation and the interest in this market segment increased sharply. The number of drugs that have obtained orphan drug designation in the United States has more than doubled over the past 10 years, from 208 in 2000-2002 to 425 in 2006-2008. (Source: Tufts Center for the Study of Drug Development study). Since 1983, more than 2,000 drugs have received this designation and 350 were approved. These figures confirm clear success in the implementation of this specific regulation, which has since been adopted in Japan, South Korea, China and Singapore.

The interest of large pharmaceutical groups has grown steadily since the mid-2000s and the last decade has been the most productive for the development of orphan drugs. The number of transactions, in the form of acquisitions or partnership agreements involving pharmaceutical groups, has clearly increased since 2010. For example, following a licensing agreement with Protalix Therapeutics on a treatment for Gaucher's disease signed in December 2009, Pfizer decided to make orphan drugs one of the group's development focus points and created an R&D division specialized in the study of rare diseases in June 2010. Similarly, after signing a strategic agreement with Isis Pharmaceuticals in April 2010 and an exclusive partnership agreement with Prosensa, including the marketing of a treatment for Duchenne muscular dystrophy in October 2009, GlaxoSmithKline created a dedicated division called GSK Rare Diseases. Finally, Sanofi accessed this market in February 2011 with the acquisition of Genzyme, one of the first companies to have organized its business model around orphan diseases, selling in particular Cerezyme and Fabrazyme.

Examples of transactions in the field of orphan diseases

Date	Purchaser	Target	Amount
Dec. 2007	Recordati	Orphan Europe	$193 million
Jan. 2010	Sigma-Tau	Enzon Pharmaceuticals	$327 million
Jan. 2010	Biovitrum	Swedish Orphan	$500 million
Sept. 2010	Pfizer	FoldRx	$200 million
Oct. 2010	GSK	Amicus Therapeutics (20%)	$260 million
April 2011	Sanofi	Genzyme	$19.5 billion
Mar. 2012	Shire	FerroKin Biosciences	$325 million

21 Source: Cliff Mintz, PhD, "Orphan Drugs: Big Pharma's Next Act?" Life Science Leader, October 2010

June 2012	Jazz Pharmaceuticals	EUSA Pharma	$700 million
Dec. 2012	Recordati	Portfolio of 10 Lundbeck U.S. products	$100 million
Aug. 2013	Amgen	Onyx Pharmaceuticals	$10.4 billion
Nov. 2013	Shire	ViroPharma	$4.2 billion
Jan. 2014	Jazz Pharmaceuticals	Gentium	$1.0 billion

Source: Mergermarket, press

Orphan diseases represent a promising segment of the pharmaceutical industry given the significant unmet medical needs. In addition, the business model for these drugs has strong appeal for pharmaceutical companies of all sizes, particularly thanks to easy market access, a period of market exclusivity and data protection, high prices and reduced sales and promotional efforts. A number of biotechnology companies such as Genzyme have also successfully developed around this orphan disease model.

6.12. ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY POLICY

See appendix 2 of the Reference Document

7. ORGANIZATION CHART

As of the date of this document, the Company does not have any branches or secondary facilities.
It wholly owns a subsidiary: ERYTECH Pharma, Inc., created in Delaware (US) on April 9, 2014. The purpose of the subsidiary is to:

- Research, manufacture, import, distribute, and market experimental medicinal products, medicinal products, devices, and equipment;
- Provide any and all consulting services associated therewith;
- And generally, all financial, commercial, industrial and civil operations, including operations involving movables or real property, which may be directly or indirectly associated with one of the specified objectives or may be likely to facilitate the achievement thereof.

Its directors are Mr. Gil BEYEN (President) and Pierre-Olivier GOINEAU (Treasurer and Secretary).
Its share capital is one dollar.

8. REAL ESTATE PROPERTY, MANUFACTURING PLANTS AND EQUIPMENT

8.1. REAL ESTATE PROPERTY

The Company leases the premises located at Bâtiment Adénine – 60 avenue Rockfeller – 69008 Lyon. It does not own any real estate.

The items pertaining to these leases are summarized in the table below:

Address	Nature of the premises	Date of entry into force of the lease	Term	Rent
Bâtiment Adénine 60 Avenue Rockefeller 69008 Lyon France	Commercial (Laboratories and Offices)	24/09/2007	23/09/2016	**€408,106 excluding tax for rent and rental charges** Re-invoicing share of property tax

In addition, the Company owns the following significant assets:

Type of equipment	Year of acquisition	Value, net of taxes
Electronic Document Management	2010	50,587.53
	2004	19,000.00
	2006	22,125.00
	2007	39,535.00
	2008	63,589.60
	2009	28,000.00
General systems and upfits	2007	42,599.92
	2008	47,089.01
Systems for the production site	2008	615,413.56
	2009	130,319.70
Computer systems	2013	29,500.42
	Total	**1,087.778.74**

The Company also uses a significant number of pieces of equipment located at the production or preclinical research site, funded by leasing-purchase agreement or "lease-back":

Type of equipment	Year of acquisition	Value, net of taxes
Equipment dedicated to production	2010	1101,104.49
	2011	40,000.00
	2013	66,340.00
	Total	**216,444.49**

8.2. ENVIRONMENTAL CONSTRAINTS THAT MAY AFFECT THE USE OF ASSETS

With the exception of the risks described in section 4.2 *"Risks related to health, safety and the environment"*, the Company's business activity has no environmental impact that could affect the use of its tangible assets.

9. REVIEW OF EARNINGS AND FINANCIAL POSITION

9.1. OVERVIEW

The Company's primary activity is research and development in the areas of treatment for acute leukemia and other orphan diseases.

Since its founding, the Company has focused its efforts on the following:

- The development of a patented technology based on the encapsulation of molecules in red blood cells, offering an innovative approach to the treatment of acute leukemia and other solid tumors. The development of the main product, ERYASP™ /GRASPA®, which began when the Company was founded, led to the issuing of 13 patent families held in its own name. The Company has also developed a patented industrial process capable of producing clinical batches GRASPA®, and able to meet demand upon commercialization of the product.
- The implementation of clinical research programs initially aimed to validate GRASPA® in terms of safe use and toxicology through a phase I/II clinical trial of acute lymphoblastic leukemia (ALL) in adult and pediatric patients experiencing relapses of ALL. Based on the results obtained, the Company conducted a phase II clinical trial that also demonstrated the safety of the product and its efficacy in patients over 55 years for ALL. The Company has initiated a phase II/III clinical trial after which ERYTECH expects to file an application for marketing approval in Europe for GRASPA® for ALL. The Company also initiated a phase IIb study for acute myeloid leukemia (AML) in Europe, a phase Ib study for ALL in the United States, and a phase II study for pancreatic cancer in France.

The Company's business model is to develop its products and obtain marketing approval in Europe and the United States. ERYTECH's business partners will ensure the distribution of ERYASP/GRASPA® first in Europe and then of ERYASP™ in the United States and the rest of the world. ERYTECH has the ability to support the initial years of selling GRASPA® in Europe through its production unit in Lyon

9.2. COMPARISON OF THE LAST TWO YEARS

Comparison of the last two fiscal years below concerns the financial statements presented following IFRS. The financial statements produced pursuant to French standards are commented in chapter XX.

9.2.1. Operating profit breakdown

9.2.1.1. Sales revenue and other income from activity

Earnings from the Company's ongoing operations were €5,737 k for 2012 and €1,802 k for 2013. These earnings were mainly generated by the research tax credit, grants related to preclinical research programs in partnership with structures such as BPI FRANCE, the Ministry of Industry through the DGCIS or the Agence Nationale de la Recherche. Fiscal year 2012 produced earnings of €5,000 k corresponding to the payment of an advance flat fee (*upfront*) following the signing of a marketing agreement for GRASPA® with Orphan Europe from the Recordati group.

as of Dec. 31 in thousands of €	**2012**	**2013**
Sales revenue	-	-
Other earnings	5,737	1,802
including Research Tax Credit	*813*	*1,367*
Earnings from ongoing activities	**5,737**	**1,802**

The Research Tax Credit increased sharply due to the very significant increase of expenses incurred in preclinical research as well as in new clinical studies, following fund raising.

9.2.1.2. Operating expenses

Cost of sales

There is no cost of sales as of December 31, 2013 related to the manufacture of batches of GRASPA®. Costs related to the manufacture of ERYASP™ as part of preclinical studies or clinical trials are included in the fees for R&D and clinical studies.

Expenditures for research and development

In accordance with IAS 38, "Intangible Assets," research expenditures are accounted for in the period during which they are incurred.

An intangible asset internally generated relating to a development project is booked as an asset if, and only if, the following criteria are met:

- Technical feasibility required to complete the development project;
- Intention to complete the project, use or sell it;
- Demonstration of the probability of future economic benefits related to the asset;
- Availability of appropriate resources (technical, financial and other) to complete the project;
- Ability to reliably assess the expenditures attributable to the development project underway.

The initial assessment of the development asset is the sum of expenditures incurred from the date on which the development project meets the criteria above. When these criteria are not met, development expenditures are accounted for in the period in which they are incurred.

According to IAS 38, "Intangible Assets," development costs must be accounted for as intangible assets when specific conditions relating to technical feasibility, marketability and profitability are met. Given the considerable uncertainty related to the development projects conducted by the Company, these conditions are only met when the regulatory procedures necessary for the marketing of products have been finalized. Most of the expenditures being incurred before that stage, the development costs, are accounted for in the period in which they are incurred.

Over the period presented, the total amount of expenditures for research and development increased sharply from €3,340 k in 2012 to €5,328 k in 2013. Research and development efforts have focused primarily on the TEDAC program, phase II/III clinical studies for ALL in pediatric and adult patients, the launching of a phase II study for ALL in the U.S., as well as a phase II study for solid tumors in France.

Research and development expenditures during the period presented are listed by type as follows:

as of Dec. 31 in thousands of €	**2012**	**2013**
R&D costs	1,623	2,503
including staffing costs	*932*	*1,332*
Clinical studies	1,393	2,462
including staffing costs	*428*	*815*
Intellectual property cost	445	363
including staffing costs	*50*	*98*
Total R&D costs	**3,461**	**5,328**

R&D costs mainly include costs related to preclinical studies and fees for consultants and scientists. These costs rose sharply in 2013, due to increased staff specifically for R&D and the acceleration of the TEDAC program.

Costs related to clinical studies primarily include costs of raw materials related to the purchase of supplies necessary for the production of clinical batches of GRASPA®, the staff dedicated to ERYTECH's clinical studies, as well as the outsourcing of monitoring and other services.

This table shows the significant increase in the clinical trials item from 2012 to 2013, due to the high level of clinical activity as mentioned above.

Costs related to intellectual property decreased slightly from 2012 to 2013 due to the internalization of a portion of this activity through the hiring of a person dedicated to protecting the Company's intellectual property. Moreover, ERYTECH continues to work with a specialized firm, Cabinet Lavoix, to protect its intellectual property.

General expenses

General expenses primarily include the costs of administrative staff, overhead costs for the headquarters, external expenses such as accounting, legal, human resources, marketing and communications expenses, as well as travel expenses (excluding scientific conferences).

They totaled €3,436 k and €3,587 k for the years ending December 31, 2012 and 2013, respectively.

as of Dec. 31 in thousands of €	**2012**	**2013**
Overhead and general costs	3,436	3,587
including staffing costs	*1,190*	*1,840*

The Company has managed its overhead and general expenses, while increasing its staff costs related to the hiring of a new Chairman of the Board of Directors and the staff dedicated to marketing GRASPA® among other expenses.

Personnel costs – Share warrants (BSA) and Founder's Warrants (BSPCE)

Share options were allocated to the directors, to certain employees, as well as to members of the board of directors in the form of Share Warrants ("BSA") or Founder's Warrants ("BSPCE") during the extraordinary general meeting of 05/21/2012. The exercise price for the warrants awarded is equal to the market price of the shares at the date of exercise.

These warrants may only be effectively exercised if a triggering event occurs (such as M & a or IPO). Since the Company has been listed on NYSE Euronext since May 6, 2013, the warrants may, in fact, be exercised at any time.

The Share warrants and Founder's Warrants allocated in 2013 are acquired immediately, hence their accounting treatment rrepresenting their full market value posted as a charge for the fiscal year (no spreading out over any eventual acquisition period).

9.2.1.3. Net income breakdown

Earnings and expenses

The net financial income was a loss of €1,099 k for 2013 instead of €1,090 k in 2012.

Net cost of debt includes interest charges on financial liabilities (cost of gross financial liabilities integrating financial costs, issue costs on financial liabilities) consisting of loans and other financial liabilities (including overdrafts and liabilities on finance leases), less income from cash and cash equivalents. Other financial income and expenses consist of other fees paid to banks for financial transactions, and the impact on the income from marketable securities.

The breakdown of the item is shown in the table below:

as of Dec. 31 in thousands of €	**2012**	**2013**
Interest on leasing-purchase agreements	(9)	(5)
Financial charges	(1,069)	(1,115)
Net cost of debt	**(1,079)**	**(1,120)**
Income (expenses) from financial instruments	2	20
Other financial income	4	3
Other financial CHARGES	(18)	(3)
Other income and financial charges	**(12)**	**20**
Total	**(1,090)**	**(1,100)**

The main conclusion from this table for the period presented is as follows:
- Interest on leasing-purchase agreements declined slightly from 2012 to 2013 due to the expiration of leasing-purchase agreements.
- Bank interest increased significantly in 2013: the Company's financial expenses increased from €1,069 k in 2012 to €1,115 k in 2013 due to the increase in fair value of convertible bonds observed until the completion of the IPO.
- This resulted in an upward shift of the net cost of debt, which rose from €1,079,000 in 2012 to €1,120,000 in 2013.
- Earnings on financial instruments related to interest on deposit accounts.

Corporate taxes

Given the deficits over the past 3 years, the Company has not recorded corporate tax expenses.

9.2.1.3 Net income and net income per share

The loss per share issued (weighted average number of shares outstanding during the fiscal year) amounted to €0.69 for 2012 (taking into account the division of the face value of shares decided by the General Meeting of April 2, 2013) and €1.74 for the fiscal year ending 2013.

9.3. NON-DEDUCTIBLE EXPENSES

The Company has made the following tax add-backs to its earnings:
- Tax on company passenger vehicles for €4,044,
- Excess depreciation on passenger vehicles rented for €8,302

9.4. BALANCE SHEET ANALYSIS

9.4.1. Non-current assets

Net non-current assets amounted to €1,005 k as of December 31, 2012 and €910 k as of December 31, 2013, respectively.
Non-current assets include tangible and intangible assets (concessions, patents, licenses, software), non-current financial assets (deposits and bonds) and deferred taxes.

as of Dec. 31 in thousands of €	2012	2013
Intangible assets	30	14
Tangible assets	771	813
Financial assets	80	83
Other non-current assets		
Deferred tax assets	125	
Total non-current assets	**1,005**	**910**

In 2013, there was an increase in tangible assets mainly dedicated to the production site.

Moreover, financial assets mainly consisting of deposits and bonds, have remained relatively stable over the last three fiscal years.

Loss carry forwards were capitalized only up to the amount of deferred tax liabilities; the amounts capitalized were not significant.

9.4.2. Current assets

Net current assets amounted to €9,139 k and €17,039 k in 2012 and 2013 respectively.

In 2013, the amount of net current assets increased significantly due to the fact that the IPO strengthened the Company's cash flow and due to the increase in the RTC (research tax credit) tax debt from the very significant increase in research activity.

as of Dec. 31 in thousands of €	2012	2013
Stock	116	138
Clients and related accounts	0	87
Other current assets	1,148	1,701
including *Research Tax Credit*	*813*	*1,367*
including *tax and other receivables*	*186*	*204*
including *charges accrued in advance*	*149*	*101*
including *other subsidies to be received*		*29*
Cash and cash equivalents	7,875	15,113
Total current assets	**9,139**	**17,039**

9.4.3. Equity

Equity was mainly affected by:
- the capital increase following the IPO,
- conversion of convertible bonds,
- the impact of IFRS 2 on share-based payments,
- as well as the earnings from the period noting a loss of €8,144 k.

9.4.4. Non-current liabilities

This is basically the non-current portion related to convertible bonds issued by the Company, repayable advances received and for a lesser amount of pension liabilities under IAS19.

as of Dec. 31 in thousands of €	2012	2013
Provisions - Non-current portion	97	117
Financial liabilities - Non-current portion	6,472	731
including *repayable advances*	*759*	*510*
including *Leasing-purchase agreements*	-	*220*
including *convertible bonds*	*5,739*	-
Deferred tax liabilities	125	-
Other non-current liabilities	-	-
Total non-current liabilities	**6,694**	**848**

The Company issued convertible bonds for €4,000 k in 2011 and subscribed early shareholders of the Company (estimated at the fair value of €5,739 k in 2012 including interest accrued in the accounts under IFRS) through Idinvest Partners Auriga Partners. These convertible bonds were fully converted at the time of the initial public offering in May 2013.

9.4.5. Current liabilities

This balance sheet item mainly includes short-term liabilities vis-à-vis third parties, tax and social security liabilities (employees and corporate organizations) and the non-current portion of sums related to repayable advances granted by OSEO (see point 7.9.1 of the appendix, section 20.1 chapter XX) and, finally, deferred revenue.

as of Dec. 31 in thousands of €	2012	2013
Provisions - Current portion	107	-
Financial liabilities - Current portion	4,627	281
Trade payables and related accounts	1,274	1,421
Other current liabilities	1,468	1,812
including *repayable advances*	-	-
including *deferred revenue*	*943*	*649*
Total current liabilities	**7,476**	**3,515**

The Oséo assistance concerns the TEDAC, FEDER, and GRASPANC projects

Total current liabilities declined sharply from 2012 to 2013.

The Company had issued convertible bonds for €5,000,000 in 2012 (estimated at €4,412 k as of 12/31/2012) benefiting Recordati under the partnership agreement with this group. These convertible bonds were fully converted at the time of the initial public offering.

10. CAPITAL RESOURCES AND CASH

10.1. Information on the Company's capital, liquidity and capital resources

Also refer to the notes accompanying the financial statements prepared according to the IFRS standards contained in chapter 20 of the Reference Document. As of December 31, 2013 the amount of cash and cash equivalents held by the Company amounted to €15,113 k, versus €7,875 k as of December 31, 2012.

Cash and cash equivalents include current financial instruments and liquid assets held by the Company (excluding money-market mutual funds and unpaid short-term bank deposits). These liquid assets are used to fund the Company's business activities, in particular expenses for research and development and clinical trial programs.

Moreover, the company also retains the potential fruition of the liquidity contract for which the management budget was €600 k as of December 31, 2013.

From its founding in 2004 until December 31, 2013, the Company received the following sources of funding:

- several rounds of financing by issuing new shares in several categories: ordinary shares, Class P, U and A preferred shares for total gross proceeds of €18 million as of December 31, 2012,
- initial public offering of the Company for total gross proceeds of €16.6 million,
- the granting of repayable advances by Oséo for a total of 5,711 k€, of which 878 k€ was received by December 31, 2013, (however, no payment in 2013 – see below)
- reimbursement of the research tax credit to a total of 4,208 k€,

The financial status is presented below:

as of Dec. 31 in thousands of €	**2012**	**2013**
Cash and cash equivalents (a)	7,875	15,113
Current financial liabilities (b)	4,627	281
including convertible bonds	*4,412*	-
Non-current financial liabilities (c)	6,472	731
including convertible bonds	*5,739*	-
Financial debt (b+c)	11,100	1,012
Net financial debt (b) + (c) - (a)	3,225	(14,101)
Net financial debt excluding convertible bonds	**(6,927)**	**(14,101)**

* The convertible bonds were converted at the time of the May 2013 initial public offering.

Capital financing

As of December 31, 2013, the Company had received a total of €34 million during successive rounds of financing and following the initial public offering of the Company.

In addition to ERYTECH's rounds of financing, the Company also issued convertible bonds in 2011 in the amount of 4,000 k€ which were subscribed for an equal amount by Auriga Partners and Idinvest as well as convertible bonds in the amount of 5,000 k€ in 2012 which had been subscribed by Recordati. The conversion of these bonds took place in May 2013 during the initial public offering of the Company.

Financing by repayable advances

The Company has not taken any bank loans in the 2 fiscal years presented. However, during 2011 and 2012 it did receive 878 k€ out of a total of 5,711 k€ given as conditional advances which were the subject of three aid contracts reimbursable for innovation with OSEO / BPI France.

The Company had no new transfers in the year 2013: only one contract is still ongoing (TEDAC) and thus is in a phase of assistance payout, but the corresponding expenses allowing for new drawdowns on funds have not been reached. However, the Company is clearly within the planned schedule of the TEDAC project. The expenses incurred are lesser than planned in the initially submitted budget, as, in the end it was not necessary to go beyond that in order to achieve the initial steps of the project.

Financing by research tax credit

The Company benefits from the provisions of articles 244 quater B and 49 septies F of the French General Tax Code pertaining to the research tax credit (RTC). Since the Company has not initiated any R&D expenditures up to the granting of the marketing approval for treatments that have been the subject of clinical developments, the RTC is fully accounted for in other operating earnings.

10.2. Cash flow

Cash consumption associated with operating activities for years ending December 31, 2012 and 2013 amounted to a positive flow of €621 k and a negative flow of €6,473 k, respectively.

The table below shows the net cash flows generated by Company activity over the past two fiscal years:

(in thousands of €)	31.12.2012 (12 months)	31.12.2013 (12 months)
Net income	**(2,172)**	**(8,145)**
Expenses (income) not affecting cash		
- Depreciation (write backs) and provisions of non-current assets	292	287
- Depreciation (write backs) and provisions of current assets		(107)
- Expenses (income) as share-based payments	66	581
- Investment grants written back to income	1	
- Gains and losses on disposals		
Operating subsidies	1,115	(1,661)
Cost of net financial debt	1,079	1,120
Income tax expense (current and deferred)	8	(40)
Internal financing capacity before financial results and tax	**389**	**(7,965)**
Taxes paid		
Changes in working capital needs related to business activities	232	1,492
Net cash flow generated by business activities	**621**	**(6,473)**

In order to assess the comparability of fiscal years, it should be noted that net cash flow generated by business activities in 2012 takes into account the upfront payment of €5,000,000 following the signing of the marketing agreement for GRASPA® with Orphan Europe of the Recordati group.

This same net cash flow generated by the activity was also the subject of a change in presentation of the Research Income Tax Credit in the TFT between 2012 and 2013. The details of the impact of this change in presentation can be seen in point 20.3.2 of this document, with the principle being to record the claimed research income tax credit for the year in the line “Operating subsidy” and exclude it from variation in working capital requirement.

The need for working capital for business activities increased significantly in 2013 due to the increased activity of the Company in both preclinical and clinical research. The impact of IFRS 2 leading to the recording of an expense of €581 k as share-based payments should be noted for 2013.

Cash consumption associated with investment activities for years ending December 31, 2012 and 2013 amounted to €14,000 and €289,000 respectively.
The table below shows the net cash flows over the past two fiscal years:

Cash flow related to investment transactions	**12/31/2012 (12 months)**	**12/31/2013 (12 months)**
Acquisition of assets	*(55)*	*(431)*
- Intangible assets	(4)	(9)
- Tangible assets	(48)	(418)
- Financial assets	(3)	(3)
Sale of assets	*41*	*142*
- Intangible assets	5	
- Tangible assets	36	142
- Financial assets		
Receipt of subsidies		
Impact of scope changes		
Net cash flow generated by investment transactions	**(14)**	**(289)**

Cash consumption associated with financing activities for years ending December 31, 2012 and December 31, 2013 amounted to a positive flow of €5,039,000 in 2012 and a positive flow of €13,999,000 in 2013, respectively.

The table below shows the net cash flows over the past two fiscal years:

Cash flows from financing activities	**31.12.2012 (12 months)**	**31.12.2013 (12 months)**
Increase in cash capital		16,551
Costs of cash capital increase		(2,014)
Loan issue	5,063	193
Costs of loan issue		
Repayment of loans	(15)	(130)
Treasury shares		(600)
Interest paid	(8)	(2)
Net cash flow generated by financing activities	**5,039**	**13,999**

Net cash flows from financing activities are from the initial public offering of the Company in 2013, and the issuance of bonds in 2012.

10.3. Information on the borrowing requirements and funding structure

The structure of financing received by the Company from its founding through December 31, 2013 is summarized in paragraph 10.1 above.

The main requirements of the reimbursable advances that were granted to the Company as of December 31, 2013 are disclosed in the appendix to the IFRS statements inserted in chapter 20 of the first part of the Prospectus.

10.4. Restriction on the use of capital

The Company faces no restrictions on the availability of its capital.

10.5. Sources of financing needed for the future

The Company has available cash of €12.7 million at the end of March 2014 covering its needs for over a year. Other than the expected 2014 payments to repay the 2013 RTC, which would represent an additional resource of €1.4 million, the Company has not received any new funding.

11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

11.1. Research and development activity

See sections 6.5 and 6.7 of the Reference Document for clinical development.

See sections 6.5 and 6.10 for Research & Development (R&D) activity.

11.2. Intellectual property

Patents and other intellectual property rights are of the utmost importance in the Company's business sector and constitute the main barrier to entry for competitors. The Company also relies on trade secrets, and confidentiality agreements are signed to protect its products, technologies and manufacturing process. Subject to what is stated in section 4.2 (Risks related to intellectual property), the Company's intellectual property is not, to its knowledge as of the date of this Reference Document, being challenged by a third party.

11.2.1. Patents

11.2.1.1. In its own name

As of June 2, 2014, ERYTECH Pharma's patent portfolio consists of 13 patent families held in its own name.

Technology/products	Family	Title	Filing date	Status
Production process	2	Lysis/resealing process and device for incorporating an active ingredient in erythrocytes	05/08/2004	Issued in Japan Issued in Europe Issued in Australia Issued in China Issued in the United States Issued in Korea Issued in India
		Process for stabilizing suspensions of erythrocytes encapsulating the active ingredient, suspensions obtained	07/05/2013	PCT application filed National applications filed
ERYASP™/GRASPA®	3	Medication for the treatment of pancreatic cancer	24/12/2007	Issued in France Granted in Europe Issued in Australia Issued in Singapore National/regional phases for other territories
		Test for predicting neutralization of asparaginase activity	07/11/2008	Issued in Europe Issued in Australia Issued in Singapore National/regional phases for other territories
		Medication for the treatment of acute myeloid leukemia	21/03/2012	PCT (Patent Cooperation Treaty) application filed National applications filed

Technology/products	Family	Title	Filing date	Status
		Erythrocytes containing Arginine deiminase	25/04/2005	Issued in Europe, Japan, China and Australia Review phase under way in the United States
TEDAC	2	Pharmaceutical composition comprising erythrocytes encapsulating an enzyme	12/02/2014	Priority application filed in France
Immune modulation platform	2	Composition to induce specific Immune Tolerance	27/10/2009	PCT application filed
		Composition and therapeutic anti-tumor vaccine	08/08/2007	Issued in France Issued in Australia Issued in Singapore Issued in Israel National/regional phases for other territories
ENHOXY®	1	Method for assaying inositol hexaphosphate	04/03/2009	Issued in France National/regional phases for other territories
Other earnings	3	Formulation and method for the prevention and treatment of skeletal manifestation of Gaucher's disease	13/02/2008	Issued in Europe Issued in Israel Other national/regional phases
		Formulation and method for the prevention and treatment of bone metastases and other bone diseases	10/03/2008	Issued in France Issued in China Issued in Australia Issued in Hong Kong National/regional phases for other territories
		Composition of erythrocytes encapsulating phenylalanine hydroxylase and therapeutic use thereof	10/02/2013	

The Company's intellectual property strategy aims to secure and perpetuate its exclusive use by filing and obtaining patents on its production process, its products and/or their therapeutic uses as well as diagnostic tests or assay methods directly related to the use of its products.

Prior to each filing, a detailed analysis of the prior art is done in order to satisfy the patentability criteria while seeking a robust and broad scope, in connection with the proposed use.

So-called "main" patents are those that protect the Company's key products and technologies, while the others are considered "secondary."

The "main" patents and the current stage of their process are discussed below:

- Patents on the production process

- **Process patent entitled "Lysis/resealing process and device for incorporating an active ingredient in erythrocytes":**

This is the Company's main patent covering its technology for the encapsulation of therapeutic molecules. The innovation developed by ERYTECH is based on taking into account key physiological parameters of erythrocytes to obtain a reproducible product. The initial application covers both the production process, the device for its implementation as well as all directly resulting products.

This patent was issued in France, Japan, Australia, South Korea, India and China without any significant changes being made to the claims. In Europe, the process claims had to be separated from the device claims due to inventive unit reasons. An initial European patent was thus issued for the claims covering the production process and the directly resulting products. It currently covers more than 20 countries of the European Patent Organization. The claims covering the device for the implementation of the process were included in a divisional application currently under review by the European Patent Office.
In the United States, the process claims also had to be separated from the device claims. An initial U.S. patent was issued for the claims covering the production process, according to U.S. law and the Patent Term Adjustment. The term of this patent was extended by about four additional years, which includes protection in the United States until April 2029. The claims covering the device for the implementation of the process were included in a divisional application currently under review by the United States Patent Office. Review is also under way for other jurisdictions (including Canada).

This patent was licensed by the Company to Orphan Europe as part of an exclusive license and distribution contract (*see also chapter 22 of the Reference Document*) for the development and distribution of GRASPA® in the EU-27. This contract covers the indications of ALL and AML.

The European patent issued was the subject of opposition proceedings before the European Patent Office. Following the withdrawal of the adverse claimant, the European Patent Office concluded opposition proceedings and upheld the patent in force without any changes to the claims (*See also section 4.2(9) of the Reference Document*). This decision was made known to ERYTECH on February 7, 2014.

- **The process patent entitled, "Process for stabilizing a suspension of erythrocytes encapsulating the active ingredient, suspensions obtained":**

This patent application covers an improvement in ERYTECH Pharma's encapsulation process to improve the stability of the erythrocyte suspensions obtained. The application was extended through the PCT process in addition to several direct national filings.

- Patents on products and/or their therapeutic uses.

- **Patent entitled "Erythrocytes containing Arginine deiminase":**

This patent covers erythrocytes encapsulating the enzyme arginine deiminase and any related pharmaceutical compositions. Arginine deiminase encapsulated in erythrocytes is an enzyme therapy developed under the TEDAC project. This enzyme is capable of breaking down arginine and thus acting on the metabolism of certain tumor cells by depriving them of a nutrient that is essential for them.

This patent was issued in Europe, Japan, China and Australia without significant changes to the claims. The scope obtained is therefore broad, since product claims not restricted to a particular therapeutic use are included in the claims issued. This patent is under review in the United States.

- **Patent pertaining to a pharmaceutical composition comprising erythrocytes encapsulating an enzyme:**

This patent, filed under the TEDAC project had priority filing status in France on 02/10/2014 and will be extended internationally by the PCT.

- **Patent entitled "Medication for the treatment of pancreatic cancer":**

This patent covers the use of ERYASP™ for the treatment of pancreatic cancer. It was issued in France, Australia and Singapore, granted in Europe, and is under review in other territories (Japan, USA and Canada in particular).

- **Patent entitled "Medication for the treatment of Acute Myeloid Leukemia":**

This patent covers the use of GRASPA® for the treatment of acute myeloid leukemia. It was the subject of a priority application filed in the United States and it was extended by the PCT, plus some direct national filings.

This patent was licensed by the Company to Orphan Europe as part of an exclusive license and distribution contract (*see also chapter 22 of the Reference Document*) for the development and distribution of GRASPA® in the EU-27. This contract covers the particular indication of AML.

- **Patent entitled "Composition to induce specific immune tolerance":**

This patent application covers the technology to induce a specific immune tolerance developed by ERYTECH. The proposed scope is broad, because the application covers both a composition capable of inducing immune tolerance with respect to a therapeutic protein or peptide and a composition capable of inducing immune tolerance with respect to an autoantigen. This patent application was extended internationally via the PCT.

- **Patent entitled "Composition and therapeutic anti-tumor vaccine":**

This patent covers a composition of erythrocytes incorporating a tumor antigen and/or adjuvant and its use as a therapeutic cancer vaccine. The proposed scope is broad because it is not limited by the nature of the antigen, the adjuvant, or their combination.
This patent was issued in France, Australia and Singapore and is under review in other territories (Europe, Japan, USA and Canada in particular).

* * *

The duration of a patent is 20 years from its filing date. However, in the pharmaceutical field, supplementary protection certificates may be granted in the major industrialized countries, generally extending protection for a non-renewable term of up to five years.

The Company has a policy of regularly filing patent applications to protect its technologies, products and production process.

The Company's strategy is, in fact, to systematically file priority applications in France and/or the United States. For other countries, the Company uses a procedure known as "Patent Cooperation Treaty" (PCT) that makes it possible to validly file for more than 100 countries: PCT filing is done one year after the priority filing. This PCT application is subsequently converted into national or regional filings to cover countries or groups of countries selected according to the desired geographic coverage. Some countries not accessible by PCT may be subject to direct national filings.

With regard to intellectual property, the objective of the Company's strategy is to strengthen its leading position in the use of red blood cells for therapeutic purposes. Its portfolio of filed patents covers 13 different patent families. Of these 13 patent families, 8 are already protected by at least one issued patent.

The inventions of the Company's employees are governed by employment contracts. Upon discovery of a patentable invention, each employee agrees to reveal and recognize that this invention or discovery, as part of its mission, is the property of ERYTECH, which holds all rights. A supplemental remuneration policy for each additional invention was implemented and a confidentiality clause is contained in the employment contracts. Inventions of non-salaried consultants are governed by specific contractual provisions, as the consultants are systematically bound by confidentiality clauses and generally include waiving all rights they might have to the inventions in which they may participate.

An internal procedure ensures the proper use of laboratory notebooks so that ERYTECH's intellectual property rights can be justified if necessary and in the event there is an invention. These laboratory notebooks are regularly signed and dated by a bailiff, then stored on the Company's premises.

Scientific and technological monitoring has also been implemented at ERYTECH in order to monitor:
- scientific programs that could influence the Company's R&D programs and that could identify new opportunities;
- the emergence and development of complementary or competitive technologies of the Company.

11.2.1.2. Licenses

The NIH (National Institutes of Health) has granted an exclusive license to ERYTECH on intellectual property covering a diagnostic method for predicting the efficacy of L-asparaginase in a patient (*see also Chapter 22 on major contracts in the Reference Document*). This intellectual property based on developments of the National Cancer Institute includes an issued U.S. patent (U.S. 7,985,548) and a patent application under review at the USPTO.

11.2.2. Trademarks

The Company filed the following trademarks:

	TRADEMARK	DESIGNATED COUNTRIES	No.	DATE
1	ERY*tech Pharma*	France	03 3 264 900	December 26, 2003 (Renewed)
		European Community	00 3 921 319	July 5, 2004
		Albania	947 762	November 26, 2007
		Bosnia and Herzegovina		
		China		
		Croatia		
		Former Yugoslav Republic of Macedonia		
		Liechtenstein		
		Monaco		
		Serbia		
		Switzerland		
		Australia		
		United States		
		Iceland		
		Japan		
		Turkey		
		Singapore		May 14, 2008
		Belarus		December 18, 2013
		Algeria		
		Egypt		
		Georgia		
		Russia		
		Ukraine		
		Montenegro		
		Norway		
		Iran		
		Republic of Korea		
		Morocco		
		Israel	226 985	February 3, 2010
		Canada	1 387 023	March 12, 2008
		Kosovo	KS/M/2013/ 1211	December 17, 2013
2		France	39 11 751	April 10, 2012
		European Union	1127934	June 20, 2012

	TRADEMARK	DESIGNATED COUNTRIES	No.	DATE
		Australia		
		South Korea		
		United States		
		Israel		
		Iceland		
		Monaco		
		Russia		
		Singapore		
		Switzerland		
		Turkey		
		Montenegro		October 26, 2012
		Norway		
3	GRASPA	France	06 3 421 435	April 6, 2006
		Albania	947 759	November 26, 2007
		Bosnia and Herzegovina		
		China		
		Croatia		
		Former Yugoslav Republic of Macedonia		
		Liechtenstein		
		Monaco		
		Serbia		
		Switzerland		
		Australia		
		European Community		
		United States		
		Iceland		
		Japan		
		Republic of Korea		
		Turkey		
		Singapore		May 14, 2008
		Russia		June 20, 2012
		Montenegro		October 26, 2012
		Norway		
		Belarus		December 18, 2013
		Egypt		
		Georgia		
		Morocco		
		Ukraine		

	TRADEMARK	DESIGNATED COUNTRIES	No.	DATE
		Israel	226992 226993 226994	February 3, 2010
		Canada	1 387 024	March 12, 2008
		Kosovo	KS/M/2013/ 1212	December 17, 2013
4	ERYASP	France	13 397 6584	January 23, 2013
5	Cleav'ERY System	France	06 3 402 981	January 12, 2006
		European Community	947760	November 26, 2007
		Switzerland		
		United States		
6	Oxygen'ERY System	France	06 3 402 941	January 12, 2006
		European Community	947 761	November 26, 2007
		Switzerland		
		United States		
7	Vaccin'ERY System	France	07 3 533 090	October 22, 2007
		European Community	967450	May 14, 2008
		Switzerland		
		U.S.		
8	ERYCAPS	France	07 3 546 157	December 21, 2007
		European Community	972 047	July 8, 2008
		Switzerland		
		United States		
9	Deliv'ERY System	France	06 3 402 968	January 12, 2006
10	EryDexone	France	06 3 459 689	October 26, 2006
11	ERYTECH Pharma Deliv'ERY System	France	07 3 543 340	December 10, 2007
12	ENHOXY	France	11 3 819 125	March 23, 2011
		European Union	1,110,463	10 February 2012
		United States		
		China		
		Switzerland		
		Australia		
		Iceland		
		Japan		
		Republic of Korea		
		Turkey		

TRADEMARK	DESIGNATED COUNTRIES	No.	DATE
	Israel		
	Singapore		
	Russia		June 20, 2012
	Monaco		

None of the Company's trademarks above are subject to a third party trademark license, except under distribution agreements with the Teva Group and Orphan Europe, for the trademark GRASPA® (*see also chapter 22 on major contracts* in the Reference Document).

The Company has established global monitoring of its main trademarks, namely ERYTECH Pharma® and GRASPA®. .

11.2.3. Domain Names

The Company filed the following domain names:

Domain Name	Expiry
erytech.com	July 20, 2015
erytech.fr	May 5, 2014
erytech.eu	September 30, 2014

12. TREND INFORMATION

12.1. Main trends since the end of the last fiscal year

See year 2014 of Section 5.1 of the Reference Document.

It should be noted that as of March 31, 2014, cash and cash equivalents came to 12.7 million euros compared to 15.1 million euros at the end of 2013.

During the first quarter of 2014, ERYTECH did not book any revenues from activities.

12.2. Known trends, uncertainties, requests for commitments or reasonable events that could affect the Company's prospects

None.

13. FORECASTS OR ESTIMATES OF EARNINGS

The Company does not wish to report on forecasts of earnings because the assumptions on which these forecasts would be built would include elements that are too vague as of the preparation date of this document.

14. ADMINISTRATIVE AND MANAGEMENT BODIES

A summary description of the primary stipulations of the Company's bylaws and rules of procedure pertaining to specialized committees is found respectively in sections 21.9 and 16.5 of the Reference document.

Please note that the Company was in the form of a corporation with an Executive Board and a Supervisory Board starting on September 29, 2005. In a general meeting on April 2, 2013, the Company modified its mode of governance to the current one, that being a corporation with a Board of Directors.

14.1. EXECUTIVE OFFICERS AND DIRECTORS

14.1.1. Composition of the Board of Directors

The Company has the following directors:

Last name, first name, age	Term of office	Position
Gil Beyen 52 years old	1st appointed: The General meeting of April 2, 2013 (he had been chairman of the Supervisory Board since 2012) Term expires: The ordinary general meeting of 2016 voting on the financial statements for the fiscal year ending December 31, 2015.	Chairman of the Board of Directors and Chief Executive
Pierre-Olivier Goineau 46 years old	1st appointed: The general meeting of April 2, 2013 (he had been a member of the Executive Board since 2005, Chief Executive Officer from 2005 to 2010, and Chairman of the Executive Board since 2010). Term expires: The Ordinary General Meeting of 2016 voting on the financial statements for the fiscal year ending December 31, 2015.	Vice President of the Board of Directors and Chief Operating Officer
Yann Godfrin 42 years of age	1st appointed: The general meeting of April 2, 2013 (he had been a member of the Executive Board since 2005, Chairman of the Executive board from 2005 to 2010, and Chief Executive Officer since 2010). Term expires: The Ordinary General Meeting of 2016 voting on the financial statements for the fiscal year ending December 31, 2015.	Director and Chief Scientific Officer

Last name, first name, age	Term of office	Position
Galenos SPRL, represented by Sven Andreasson, 61 years old 25 rue Jean-Baptiste Meunier, B 1050 Ixelles, Belgium Independent director(1)	1st appointed: The general meeting of April 2, 2013 (chairman of the Supervisory Board from 2009 to 2011, Vice President of the Supervisory Board since 2011) Term expires: The general meeting of 2016 voting on the financial statements for the fiscal year ending December 31, 2015.	Director
Kurma Partners S.A., represented by Vanessa Malier 41 years old 5-7 rue de Montessuy 75007 Paris, France	1st appointed: The General meeting of April 2, 2013 (member of the Supervisory Board since 2011) Term expires: The general meeting of 2016 voting on the financial statements for the fiscal year ending December 31, 2015.	Director
Philippe Archinard 54 years old 47 rue Professeur Deperet, 69160 Tassin-La-demi-Lune. Independent director (1)	1st appointed: The General meeting of April 2, 2013 (member of the Supervisory Board since 2005) Term expires: The general meeting of 2016 voting on the financial statements for the fiscal year ending December 31, 2015.	Director

(1) Independent member as understood by the Middlenext Corporate Governance Code for small and mid-caps of December 2009.

The Chairman and Chief Executive Officer, Mr. Gil Beyen, the Vice President and Chief Operating Officer, Mr. Pierre-Olivier Goineau, and the Chief Scientific Officer, Mr. Yann Godfrin have as their professional address the Company's headquarters, 60 avenue Rockefeller – 69008 Lyon.

The professional addresses of the other directors are those shown on the table above.

There are no family relationships between the persons listed above.

None of these people, over the course of the last five years:
- has been convicted of fraud;
- has been associated with a bankruptcy, seizure, or liquidation in his/her capacity as executive officer or director;
- has been prevented by a court from acting in a capacity as a member of a board of directors, executive board, or supervisory board of an issuer or participating in the management or conduct of business and of an issuer, and
- has not been subject to a management prohibition; and
- has not been the subject of indictment or official public sanction pronounced by the statutory or regulatory authorities, including by designated professional bodies.

During the fiscal year ending December 31, 2013, the following modifications were made concerning the former Supervisory Board:
- The AURIGA Partners Company, for which Mr. Franck Lescure was the permanent representative, resigned from his position as a member of the Supervisory Board on January 11, 2013.
- The company AXA INVESTMENT MANAGERS PRIVATE EQUITY EUROPE, a member of the Supervisory Board from December 22, 2006 until May 6, 2013, did not wish to be appointed to the Board of Directors on May 6 ,2013.

During the fiscal year ending December 31, 2013, the following modification was made concerning the Board of Directors:

- Mr. Marc Beer resigned from his position as a director on December 20, 2013 (resignation acknowledged by the Board of Directors on January 22, 2014).

14.1.2. Composition of Senior Management

The Chairman and Chief Executive Officer of the Company is Mr. Gil Beyen.

The Vice President and Chief Operating Officer of the Company is Mr. Pierre-Olivier Goineau. Mr Goineau is also Deputy General Manager of the Company.

The Company has two other Deputy General Managers, Mr. Yann Godfrin, Chief Scientific Officer and Mr. Jérôme Bailly, the Qualified Person (Pharmacist).

Together, these people form the Company's Senior Management.

The biographies of the officers are presented below in section 14.1.4.

14.1.3. Other corporate duties

The Company's current executive officers and directors have also acted as officers and/or occupied the following positions:

Last name	Other positions or terms as corporate officers	Other duties performed as executive officers or other positions outside of the Company over the last five years and which have ceased as of this day
Gil Beyen	Manager of Gil Beyen BVBA Manager of AXXIS V&C BVBA	Director at BIO.be
Pierre-Olivier Goineau	Chairman of France Biotech Manager of SCI du Grand Tambour (a real estate company)	N/A
Yann Godfrin	Member of the Supervisory Board for the NODEA MEDICAL company	N/A
Galenos SPRL, represented by Sven Andreasson	Chairman of XImmune AB, Lund Director of Immunicum Chairman of Cantargia AB	Chairman and CEO of Beta-Cell NV Chairman of Unibioscreen SA Board Member of TiGenix NV
Kurma Partners S.A., represented by Vanessa Malier	Member of the Board of directors of Domain Therapeutics Director and Member of the Supervisory Board of SafeOrthopaedics Director and Member of the Supervisory Board of Meiogenics Member of the Board of Directors of Genticel* Director at STAT Diagnostica Director at Umecrine Mood Member of the Supervision Committee at PathoQuest Director and Chairman of the Supervision Committee at Key Neurosciences Member of the Board of Directors of AM Pharma Member of the board of Bioalliance Pharma* Member of the Strategy Committee at ABM Medical	Member of the Board of Directors of Theradiag Member of the Board of Directors of Blink Observer at ABM Medical Member of the Board of Cellectis Member of the Board of Novagali Member of the Board of Vivacta Director of Vivalis Chairman of the Strategy Committee at PathoQuest Member of the Board of Directors of Prosensa Member of the Board of Directors of Adocia Member of the Board of Directors of Integragen Member of the Board of Directors of Indigix Member of the Board of Directors of Zealand Pharma Member of the Board of Directors of Auris Director at Hybrigenics
Philippe Archinard	Director and Chairman and Chief Executive Officer of Transgene TSGH's permanent representative on the board of ABL Inc Chief Executive Officer of TSGH Permanent representative on the Board of Directors of Finovi for Lyonbiopôle	

Last name	Other positions or terms as corporate officers	Other duties performed as executive officers or other positions outside of the Company over the last five years and which have ceased as of this day
	Permanent representative on the Board of Directors of Synergie Lyon Cancer for Lyonbiopôle Director at Biomérieux* Chairman of Lyonbiopôle Director of CPE Lyon, representative of FPUL Vice President of BioAster	
Jérôme Bailly	Manager of GELFRUIT SARL (France)	

* Listed companies

14.1.4. Experience with administrative and managerial bodies

The experience of each of the Company's executive officers and directors is described below.

– **Gil Beyen, Chairman and Chief Executive Officer, Chairman of the Board of Directors, Chief Executive Officer:**

Gil was the Co-founder and Chief Executive Officer (CEO) of TiGenix (NYSE Euronext: TIG BB) for 12 years. Before creating TiGenix, he had directed the Life Sciences division at Arthur D. Little in Brussels. He holds a masters in bioengineering from the University of Louvain (Belgium) and an MBA from the University of Chicago (USA).

– **Pierre-Olivier Goineau,Vice President of the Board of Directors and Chief Operating Officer:**

Before co-founding the company, Pierre-Olivier was a Senior Consultant for Strategy and Development at KPMG in Lyon, France where he was in charge of the Healthcare division. Chairman of the board of directors at France Biotech, the French biotechnology association. Pierre Olivier has a DEA (master's equivalent) in Management Sciences and a Master's degree in Pharmaceutical Industry Management from the IAE in Lyon, France.

– **Yann Godfrin, Chief Scientific Officer and Director:**

Before co-founding the company, Yann was the R&D director at Hemoxymed Europe. He was also an industrial development consultant for BioAlliance Pharma and Hemosystem. Yann holds a Doctor in Life and Health Sciences from the University of Nantes, a degree in Biomedical Engineering from the Technological University of Compiegne and a Master's degree in Clinical Development of Health Products from the University of Lyon, France. He is the inventor of many patents and co-author of many scientific publications. He is a member of several scientific societies.

– **Jérôme Bailly, Qualified Person (Pharmacist):**

Before joining the company in 2007, Jérôme was the Director of QA/Production at Skyepharma and Laboratoire Aguettant. Jérôme holds a Doctor in Pharmacy degree, and a diploma in Chemical Engineering, specializing in Biopharmaceutical Engineering: cellular production from École Polytechnique de Montréal (the polytechnic school of Montréal).

– **Galenos, represented by Mr. Sven Andreasson, Director:**

Sven is the former Chairman and Chief Executive Officer of Isconova AB (Uppsalam SuèdeBeta-Cell NV (Brussels), Active Biotech AB (Lund, Sweden) and several companies within the Pharmacia group. He has much experience in international biotechnology companies and in the pharmaceutical industry. Sven holds a Bachelor of Science and Business Administration and Finance from the Stockholm School of Economics and Business Administration.

– **Kurma Partners S.A., represented by Ms. Vanessa Malier, Director:**

Before joining Kurma Partners, Vanessa was R&D Vice President for Strategic Planning at Ipsen. Vanessa began her career in venture capital in 1998 as an analyst at CDC Innovation and then joined a startup based in California where she was Business Development Manager. In 2003, Vanessa joined Ipsen as a Strategy Consultant for the CEO. In 2005, Vanessa was named Project & Product Leader for Febuxostat, which was registered in Europe in 2008. In 2009, Vanessa was named Senior Director, Business Development Oncology, and acquired the European rights of an active ingredient in Phase III. Vanessa holds a degree in Biology from the Ecole Normale Supérieure of Cachan as well as a degree in Immunology from the Pasteur Institute. After spending 15 years in the biotechnology and pharmacy industry, namely in positions involving portfolio management, cross-border project management, global marketing strategy, and business development, Vanessa joined Kurma in September 2013.

– **Mr. Philippe Archinard, Director:**

Philippe was appointed General Manager of Transgene on December 7, 2004, after spending 15 years with Biomérieux in various positions including directing the American subsidiary. Philippe has been CEO of the Innogenetics company since March 2000. He is a chemical engineer and holds a PhD in biochemistry from the University of Lyon completed by the Harvard Business School's Program of Management PMD.

14.2. POTENTIAL CONFLICTS OF INTEREST AND AGREEMENTS

The executive officers and directors are shareholders in the Company and/or holders of securities providing access to the capital of the Company *(see also section 17.2 of the Reference Document)*.

Related agreements are described in sections 16.2 and 19.2 of the Reference Document. However, it is noted that the agreement entered into with the GIL BEYEN BVBA Company was terminated as of April 30, 2013.

To the company's knowledge, there are no current or potential conflicts of interest between the duties, for the Company, and the private interests and/or duties of persons comprising the administrative, management, and Senior Management bodies, as referenced in section 14.1 "Executive officers and directors" supra.

15. REMUNERATION AND BENEFITS

15.1. Remuneration and in-kind benefits allocated to the Company's corporate officers for the last fiscal year

In accordance with the law of July 3, 2008, this information is established with reference to the corporate governance code for small and medium-sized companies, as published in December 2009 by MiddleNext. All the tables (from 1 to 10) of the "AMF Guidelines - Guide to preparing reference documents" are presented below.

The positions held at this date by the below-indicated persons are outlined in detail in Chapter 14 - Administrative, Management, and Supervisory Bodies of this Reference Document.

Table no. 1

Summary table of remuneration and BSPCE (founder's share warrants) allocated to each executive corporate officer			
	2011 fiscal year	**2012 fiscal year**	**2013 fiscal year**
Gil Beyen – Chairman & CEO			
Remuneration due in relation to the fiscal year (details in table 2)			€164,736
Valuation of options allocated during the fiscal year (details in table 4)			€239,811
Valuation of performance shares allocated during the fiscal year (details in table 6)			
TOTAL			**€404,547**
Pierre-Olivier Goineau - Chairman of the Executive Board, then Vice President and Chief Operating Officer			
Remuneration due in relation to the fiscal year (details in table 2)	€155,954	€185,648	€251,007
Valuation of options allocated during the fiscal year (details in table 4)		€43,861	€107,089
Valuation of performance shares allocated during the fiscal year (details in table 6)			
TOTAL	**€155,954**	**€229,509**	**€358,096**
Yann Godfrin –General Manager, then Deputy General Manager and Chief Scientific Officer			
Remuneration due in relation to the fiscal year (details in table 2)	€155,954	€185,678	€251,110
Valuation of options allocated during the fiscal year (details in table 4)		€43,861	€107,089
Valuation of performance shares allocated during the fiscal year (details in table 6)			
TOTAL	**€155,954**	**€229,539**	**€358,199**
Jérôme Bailly –General manager, then Deputy General Manager and Qualified Person (Pharmacist)			
	€52,469	€59,187	€62,644

Remuneration due in relation to the fiscal year (details in table 2)			
Valuation of options allocated during the fiscal year (details in table 4)	€1,230	€7,576	€21,929
Valuation of performance shares allocated during the fiscal year (details in table 6)			
TOTAL	**€53,699**	**€66,763**	**€84,573**
Véronique Sezanne– General Manager and Qualified Person (Pharmacist)			
Remuneration due in relation to the fiscal year (details in table 2)	€60,404	Resignation on 11/09/2011 (Supervisory Board)	Resignation on 11/09/2011 (Supervisory Board)
Valuation of options allocated during the fiscal year (details in table 4)	€1,640		
Valuation of performance shares allocated during the fiscal year (details in table 6)			
TOTAL	**€62,044**		

Table no. 2

Summary table of the remuneration package for each executive corporate officer						
Gil Beyen	**2011 fiscal year**		**2012 fiscal year**		**2013 fiscal year**	
	Amounts due (5)	**Amounts paid (6)**	**Amounts due (5)**	**Amounts paid (6)**	**Amounts due (5)**	**Amounts paid (6)**
Fixed remuneration (1)					€164,736	€164,736
Variable remuneration (1) (2)					€	€
Special remuneration (1)(4)						
Attendance fees						
Benefits in kind (3)					€	€
TOTAL					**€164,736**	**€164,736**
Pierre-Olivier Goineau	**2011 fiscal year**		**2012 fiscal year**		**2013 fiscal year**	
	Amounts due (5)	**Amounts paid (6)**	**Amounts due (5)**	**Amounts paid (6)**	**Amounts due (5)**	**Amounts paid (6)**
Fixed remuneration (1)	€116,303	€116,303	€115,737	€115,737	€165,771	€165,771
Variable remuneration (1) (2)	€30,000	€30,000	€60,000	€60,000	€75,000	€75,000
Special remuneration (1)(4)						
Attendance fees						
Benefits in kind (3)	€9,651	€9,651	€9,911	€9,911	€10,236	€10,236
TOTAL	**€155,954**	**€155,954**	**€185,648**	**€185,648**	**€251,007**	**€251,007**

Yann Godfrin	**2011 fiscal year**		**2012 fiscal year**		**2013 fiscal year**	
	Amounts due (5)	**Amounts paid (6)**	**Amounts due (5)**	**Amounts paid (6)**	**Amounts due (5)**	**Amounts paid (6)**
Fixed remuneration (1)	€115,712	€115,712	€115,737	€115,737	€164,996	€164,996
Variable remuneration (1) (2)	€30,000	€30,000	€60,000	€60,000	€75,000	€75,000
Special remuneration (1)(4)						
Attendance fees						
Benefits in kind (3)	€10,242	€10,242	€9,911	€9,911	€11,114	€11,114
TOTAL	**€155,954**	**€155,954**	**€185,648**	**€185,648**	**€251,110**	**€251,110**

Jérôme Bailly	**2011 fiscal year**		**2012 fiscal year**		**2013 fiscal year**	
	Amounts due (5)	**Amounts paid (6)**	**Amounts due (5)**	**Amounts paid (6)**	**Amounts due (5)**	**Amounts paid (6)**
Fixed remuneration (1)	€47,469	€47,469	€52,510	€52,610	€55,293	€55,293
Variable remuneration (1) (2)	€5,000	€5,000	€5,000	€5,000	€5,000	€5,000
Special remuneration						
Attendance fees						
Benefits in kind (4)			€1,677	€1,677	€2,351	€2,351
TOTAL	**€52,469**	**€52,469**	**€59,187**	**€59,187**	**€62,644**	**€62,644**

Véronique Sezanne	**2011 fiscal year**		**2012 fiscal year**		**2013 fiscal year**	
	Amounts due (5)	**Amounts paid (6)**	**Amounts due (5)**	**Amounts paid (6)**	**Amounts due (5)**	**Amounts paid (6)**
Fixed remuneration (1)	€59,404	€59,404	Resignation on 11/09/2011 (Supervisory Board)		Resignation on 11/09/2011 (Supervisory Board)	
Variable remuneration (1) (2)	€1,000	€1,000				
Special remuneration (1)(4)						
Attendance fees						
Benefits in kind (3)						
TOTAL	**€60,404**	**€60,404**				

(1) Components of gross remuneration before taxes

The variable remuneration is for objective-based bonuses. The goals correspond to the Company's strategic goals. This strategy consists, in the medium-term, in the success of the GRASPA®/ERYASP™ project, obtaining positive results over time and pursuant to the planned budget. The goals are thus directly associated with:

- *achieving positive results ahead of schedule in phase III of ALL in Europe, phase IIIB for AML in Europe, phase IB in ALL in the United States and phase II in pancreatic cancer*
- *cash balance conditions, greater than the specified budget.*

The reaching of these goals has been strictly defined by the Board of Directors, following an opinion by the Compensation and Appointments committee.

(2) The benefits in kind are composed of: vehicle rental, gas cards, as well as an unemployment insurance policy with the Garantie Sociale des Chefs et Dirigeants d'Entreprise (French GSC; unemployment insurance provider for corporate leaders)

(3) *The benefits in kind are composed of a vehicle rental*

Table no. 3

*Table on attendance fees and other re*muneration received by non-executive corporate officers			
Non-executive corporate officers	**Amounts paid during the 2011 fiscal year**	**Amounts paid during the 2012 fiscal year**	**Amounts paid during the 2013 fiscal year**
Sven Andreasson			
Attendance fees	€29,000	€9,000	€12,958
Other remuneration (1) (2)	€44,637		€5,250
Marc Beer			
Attendance fees	€4,750	€3,500	€8,333
Other remuneration			
Lennart Bruce			
Attendance fees	€4,500		
Other remuneration (1) (3)	€4,691		
Philippe Archinard			
Attendance fees	€5,250	€2,750	€13,083
Other remuneration			
Alain Maiore			
Attendance fees	€1,500	€7,875	€7,875
Other remuneration			
Gil Beyen			
Attendance fees			
Other remuneration (1) (4)		€393,900 (5)	€87,500
TOTAL	**€94,328**	**€417,025**	**€160,262**

(1) The amounts corresponding to fees and out-of-pocket expenses, paid by the Company (see Special Auditors' Reports on the regulated agreements).
(2) Amounts paid to GALENOS SPR, a company controlled by Sven Andreasson
(3) Amounts paid to VICKEN PHARMA CONSULTING, a company controlled by Lennart Bruce
(4) Amounts paid to GIL BEYEN BVBA, a company controlled by Gil Beyen
(5) Of which €241,500 pertains to success fees. ("success fee")

Table no. 4

Share subscription or share call options and other financial instruments giving access to the capital, allocated during the fiscal years 2010 to 2013 to each executive corporate officer by the issuer and by any group company						
Name of executive corporate officer	**Plan no. and date**	**Type of option (call or subscription)**	**Valuation of options according to the method adopted for IFRS accounts**	**Number of options allocated during the fiscal year**	**Exercise price for each new subscribed share***	**Period of exercise**
Gil Beyen	2012 Founder's share warrants (BSPCE) 05/21/2012	Subscription	Fair value (Black & Scholes) IFRS 2	5,632 in 2013	€7,362	Lapses on 05/20/2020
Pierre-Olivier Goineau	2012 Founder's share warrants (BSPCE) 05/21/2012	Subscription	Fair value (Black & Scholes) IFRS 2	2,515 in 2013	€7,362	Lapses on 05/20/2020
Pierre-Olivier Goineau	Founder's share warrants (BSPCE) 05/21/2012	Subscription	Fair value (Black & Scholes) IFRS 2	2,478 in 2012	€7,362	Lapses on 05/20/2020
Yann Godfrin	Founder's share warrants (BSPCE) 05/21/2012	Subscription	Fair value (Black & Scholes) IFRS 2	2,515 in 2013	€7,362	Lapses on 05/20/2020
Yann Godfrin	Founder's share warrants (BSPCE) 05/21/2012	Subscription	Fair value (Black & Scholes) IFRS 2	2,478 in 2012	€7,362	Lapses on 05/20/2020
Jérôme Bailly	Founder's share warrants (BSPCE) 05/21/2012	Subscription	Fair value (Black & Scholes) IFRS 2	515 in 2013	€7,362	Lapses on 05/20/2020
Jérôme Bailly	Founder's share warrants (BSPCE) 05/21/2012	Subscription	Fair value (Black & Scholes) IFRS 2	428 in 2012	€7,362	Lapses on 05/20/2020
Jérôme Bailly	Founder's share warrants (BSPCE) Executive 22/12/2006	Subscription	Fair value (Black & Scholes) IFRS 2	75 in 2011	€7,362	Lapses on 12/22/2016, canceled by the new plan of 05/22/2012
Jérôme Bailly	Founder's share warrants (BSPCE) Executive 22/12/2006	Subscription	Fair value (Black & Scholes) IFRS 2	50 in 2010	€7,362	Lapses on 12/22/2016, canceled by the new plan of 05/22/2012
Véronique Sezanne	Founder's share warrants (BSPCE) Executive 22/12/2006	Subscription	Fair value (Black & Scholes) IFRS 2	100 in 2011	€7,362	Lapses on 12/22/2016, canceled by her resignation
Véronique Sezanne	Founder's share warrants (BSPCE) Executive 22/12/2006	Subscription	Fair value (Black & Scholes) IFRS 2	200 in 2010	€7,362	Lapses on 12/22/2016, canceled by her resignation

** Pursuant to the decision to divide by 10:1 at the nominal share value (decision of the general shareholder' meeting of April 2, 2013), the terms and conditions of the warrants were modified to take this modification into account. As such, the exercise price, previously €73,62, is now set at €7,362.*

Table no. 5

Share subscription or call options exercised during the fiscal year by each executive corporate officer			
Name of executive corporate officer	Plan no. and date	Number of options exercised during the fiscal year	Exercise price
n/a	n/a	n/a	n/a
TOTAL	n/a	n/a	n/a

Table no. 6

Performance shares allocated to each corporate officer						
Performance shares allocated by the general shareholders' meeting during the fiscal year to each corporate officer by the issuer and by any group company (list of names)	Plan no. and date	Number of shares allocated during the fiscal year	Valuation of shares according to the method adopted for the consolidated financial statements	Date of acquisition	Date of availability	Performance conditions
n/a	n/a	n/a	n/a	n/a	n/a	n/a
TOTAL	n/a	n/a	n/a	n/a	n/a	n/a

Table no. 7

Performance shares that became available for each corporate officer	Plan no. and date	Number of shares that became available during the fiscal year	Conditions for acquisition
n/a	n/a	n/a	n/a
TOTAL	n/a	n/a	n/a

Table no. 8

HISTORICAL ALLOCATION OF SHARE SUBSCRIPTION OR CALL OPTIONS (1)				
INFORMATION ON THE SUBSCRIPTION OR CALL OPTIONS				
Date of general shareholders' meeting	Plan no. 1	Plan no. 2	Plan no. 3	Etc.
Date of board of directors' meeting or executive board meeting, where applicable	n/a	n/a	n/a	n/a
Total number of shares that can be subscribed or called up, the number of which can be subscribed or called up by:	n/a	n/a	n/a	n/a
The corporate officers				
Gil Beyen	n/a	n/a	n/a	n/a
Pierre-Olivier Goineau	n/a	n/a	n/a	n/a
Yann Godfrin	n/a	n/a	n/a	n/a
Starting point for exercise of options	n/a	n/a	n/a	n/a
Expiry date	n/a	n/a	n/a	n/a
Subscription or call price	n/a	n/a	n/a	n/a
Methods of exercise (where the plan includes multiple tranches)	n/a	n/a	n/a	n/a
Number of shares subscribed at [...] (most recent date)	n/a	n/a	n/a	n/a
Cumulative number of share subscription or call options canceled or lapsed	n/a	n/a	n/a	n/a
Share subscription or call options remaining at year end	n/a	n/a	n/a	n/a

Table no. 9

SHARE SUBSCRIPTION OR CALL OPTIONS AND Founder's share warrants (BSPCEs) GRANTED TO THE TOP TEN BENEFICIARY NON-CORPORATE-OFFICER EMPLOYEES, AND OPTIONS EXERCISED BY THESE PERSONS	Total number of options allocated/ of shares subscribed or called up	Average weighted price	Plan no. 1 *(1)*	Plan no. 2 *(2)*
Options granted, during the fiscal year, by the issuer and any company included within the option assignment perimeter, to the ten employees of the issuer and of any company included within this perimeter, for whom the number of options thus granted is the highest (global information)	3 375	n/a	3 375	0
Options held in relation to the issuer and the aforesaid companies, exercised, during the fiscal year, by the ten employees of the issuer and these companies, for whom the number of options thus called up or subscribed is the highest (global information)	0	n/a	0	0

(1) Founder's share warrants $(BSPCE)_{2012}$
(2) Founder's share warrants $(BSPCE)_{2014}$

Table no. 10

HISTORICAL ALLOCATION OF FREE SHARES				
INFORMATION ON FREE SHARES ALLOCATED				
Date of general shareholders' meeting	Plan no. 1	Plan no. 2	Plan no. 3	Etc.
Date of board of directors' meeting or executive board meeting, where applicable	n/a	n/a	n/a	n/a
Total number of shares allocated free of charge, of which the number assigned to:	n/a	n/a	n/a	n/a
The corporate officers				
Gil Beyen	n/a	n/a	n/a	n/a
Pierre-Olivier Goineau	n/a	n/a	n/a	n/a
Yann Godfrin	n/a	n/a	n/a	n/a
Date of share acquisition	n/a	n/a	n/a	n/a
End date of retention period	n/a	n/a	n/a	n/a
Subscription or call price	n/a	n/a	n/a	n/a
Number of shares subscribed at [...] (most recent date)	n/a	n/a	n/a	n/a
Cumulative number of shares canceled or lapsed	n/a	n/a	n/a	n/a
Shares allocated free of charge remaining at year end	n/a	n/a	n/a	n/a

Table no. 11

Conditions for remuneration and other benefits granted to the executive corporate officers only								
Executive corporate officers	**Employment contract**		**Supplementary pension plan**		**Indemnities or benefits due or likely to be due because of discontinuation or change of position**		**Indemnities pertaining to a non-competition clause**	
	Yes *(1)*	**No**	**Yes *(2)***	**No**	**Yes *(3)***	**No**	**Yes *(4)***	**No**
Gil Beyen Chairman and Chief Executive Officer		**X**	**X**		**X**			**X**
Pierre-Olivier Goineau Vice President and Chief Operating Officer		**X**	**X**		**X**			**X**
Yann Godfrin Chief Scientific g Officer		**X**	**X**		**X**			**X**
Jérôme Bailly Qualified Person (Pharmacist)	**X**		**X**			**X**	**X**	

(1) Jérôme Bailly benefited from an employment contract since November 15, 2007, prior to his first appointment on December 21, 2011 in his capacity as a corporate officer. He was considered, by the Supervisory Board, then by the Board of Directors, to have continued this employment contract after the aforesaid appointments, as this contract covers separate missions under his term as Director of Pharmaceutical Operations, missions pursuant to which he is subject to a subordination relationship.

(2) Subscription to the supplementary pension plan with fixed contributions, within the scope of a collective pension policy stipulated by the Company with AXA. Investment in individual accounts paid for by the 5% pension contribution by employees, gross subject to deductions of 2.50% of costs, on the "Horizon" mutual funds managed by AXA.

(3) Indemnity in an amount equal to one year of remuneration + GSC policy only for Mr. Godfrin and Mr. Goineau.

(4) Indemnity equal to 1/3 of the average monthly wage received during the last three months of presence at the company ERYTECH Pharma over 18 months.

In addition, the executive corporate officers likewise benefit from a supplementary plan for healthcare and social security expenses (see also sections 16.2 and 19.2 of the Reference Document) and profit-sharing (see also section 17.4 of the Reference Document).

15.2. Amounts allocated or identified by the Company for the payment of pensions, retirement, or other benefits

The Company has not allocated monies to the payment of pensions, retirement, and other benefits to the benefit of corporate officers and/or executive corporate officers who do not moreover benefit (or who have not benefited) from a severance or hiring bonus.

15.3. Share subscription warrants, founder subscription warrants, and other securities giving access to the capital, assigned to directors and executive officers.

The BSAs (share warrants) and BSPCEs (founder's share warrants) granted to corporate officers or executive corporate officers are outlined in a precise list in chapter 17.2 of the Reference Document.

15.4. Summary statement of transactions by executive officers and persons mentioned in article L.621-18-2 of the Monetary and Financial Code involving shares of the Company conducted during the past fiscal year

On October 15, 2013, Marc Beer exercised 1,084 share subscription warrants (BSA_{2012}) at a unit price of €73.62 (*see also section 21.5 of the Reference Document).*

16. OPERATION OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

The Company possesses a Board of Directors, a Management Committee, a Remuneration Committee, an Audit Committee and a Scientific Board.

16.1. Term of office for directors

Refer to section 14.1.1 "Remuneration of the Board of Directors" in this Reference Document.

16.2. Statements of service associating members of the Board of Directors and Senior Management with the Company

Refer to section 14.2 of this Reference Document.

16.3. Corporate governance, internal audit, and risk management

The Company complies with all provisions of the corporate governance code for small and mid-caps published by Middlenext in 2009 and validated as a coat of reference by the Autorité des Marchés Financiers (the French financial markets regulator).

For the fiscal year ending December 31, 2013, in addition to the information found in the present section, the statement respecting application of the guidelines in the Middlenext Code is as follows:

Guidelines from the MiddleNext Code	Adopted
I. Executive power	
R 1: Total employment contract and term as officer	**X**
R 2: Definition and transparency in remuneration for executive corporate officers	**X**
R 3: Severance pay	**X**
R 4: Supplemental pension plans	**X**
R 5: Stock options and awards of free shares	**X**
II. The power of "oversight"	
R 6: Implementation of rules of procedure for the board	**X**
R 7: Professional ethics for members of the board	**X**
R 8: Composition of the board – Presence of independent members on the board	**X**
R 9: Selection of board members	**X**
R 10: Term for which board members are elected	**X**
R 11: Notice to board members	**X**
R 12: Implementation of committees	**X**
R 13: Meetings of the Board and of committees	**X**
R 14: Remuneration for directors	**X**
R 15: Implementation of an evaluation of work by the Board	**X**

The Company believes that its organization and the procedures implemented (including, namely, the Board of Directors' Rules of Procedure, regularly revised by the directors in order to ensure its relevance

and compliance with the Middlenext Code) make it possible to comply with all of the recommendations in the Code.

16.3.1. ISO certification

Certificate FR09/01496

SYSTEM CERTIFICATION

The management system of

ERYTECH PHARMA

60 avenue Rockefeller
69008 LYON
France

was audited and certified pursuant to the requirements of

ISO 9001 : 2008

for the following activities

Research, development, manufacture, and sale of cell-based medicinal products for the side of Lyon

Research, development, manufacturing and sale of cell based medicinal products for the site of Lyon.

This certificate is valid from July 30, 2012 until July, 30, 2015 and shall remain valid up until a satisfactory decision at the conclusion of the follow-up audits.
Date for renewal of certification: April 29, 2015
Version 2. Certified since July 2009
Authorized by

SGS ICS
29, avenue Aristide Briand, 94111 Arcueil Cedex, France
T +33 (0) 41 87 7524 F +33 1 73 01 71 29 www.sgs.com
Page 1 of 1

This document has been issued by the company in compliance with its general terms and conditions for Certification, accessible at http://www.sgs.com/Terms-and-Conditions We direct your attention to the clauses limiting liability, indemnification, and forum selection found in our general terms and conditions of service. The authenticity of this document may be verified at http://www.sgs.com/[illegible] Any unauthorized modification, alteration, or [illegible] to the content or form of this document is illegal and such acts are subject to prosecution as provided by law.

16.3.2. Chairman's report on internal audits

A. CONDITIONS FOR PREPARING AND ORGANIZING THE WORK OF THE BOARD OF DIRECTORS

As part of its initial public offering, the Company modified its governance to create a Board of Directors instead of the Executive Board and the Supervisory Board.

The Company had previously been formed as a French corporation with an Executive Board and a Supervisory Board.

During its meeting on May 6 ,2013, the Board of Directors adopted rules of procedure which were last updated on April 25, 2014. These rules of procedure may be consulted on the Company's website. They specify the role and composition of the Board, the principles of conduct, and the obligations of the members of the Board of Directors towards the Company and the procedures for the operation of the Board of Directors and the committees, the rules for determining the remuneration of their members. Each member of the Board of Directors agrees to devote the necessary time and attention to his/her duties. He/she shall inform the Board of any situations he/she may find himself in which present a conflict of interest. Furthermore, the rules of procedure incorporate current regulations pertaining to the dissemination and use of privileged information and specify that the members must abstain from engaging in transactions involving the Company's shares when they possess privileged information. Each member of the Board of Directors is required to inform the Company and the AMF of any transactions involving the Company's shares which he/she performs whether directly or indirectly.

After having examined the provisions of the code of corporate governance for listed companies developed by MiddleNext in December 2009, particularly the elements presented in the heading "points of vigilance," the Board of Directors, in its meeting on May 6, 2013, decided to adopt rules of procedure in which it is stated that the Company shall comply with the MiddleNext Code as a corporate code of governance for the Company.

The MiddleNext Code may be viewed at the following website:
http://www.middlenext.com/IMG/pdf/Code_de_gouvernance_site.pdf.

The guidelines in the MiddleNext Code have since been applied by the Company as is specified below. Please note that the guideline pertaining to stock options and the awarding of free shares is not applicable to the Company inasmuch as no stock options or free shares have been awarded by the Company to its executive officers.

A.1. Composition of the Board:

During the fiscal year ending December 31, 2013, the following modifications were made concerning the former Supervisory Board:

- The AURIGA Partners Company, for which Mr. Franck Lescure was the permanent representative, resigned from his position as a member of the Supervisory Board on January 11, 2013.
- The company AXA INVESTMENT MANAGERS PRIVATE EQUITY EUROPE, a member of the Supervisory Board from December 22, 2006 until May 6, 2013, did not wish to be appointed to the Board of Directors on May 6, 2013.

During the fiscal year ending December 31, 2013, the following modification was made concerning the Board of Directors:

- Mr. Marc Beer resigned from his position as a director on December 20, 2013 (resignation acknowledged by the Board of Directors on January 22, 2014).

By virtue of legal provisions and those in the bylaws, the Board of directors is composed of no fewer than three directors and no more than eighteen. Directors are appointed, reappointed to their position, or

removed by the Company's ordinary general meeting. Their term of office, in accordance with article 17 of the bylaws, is three years.

As of December 31, 2013, the Board of Directors was composed of six members, namely:

Last name	**Date of appointment or co-optation**	**Expiration of the term on**
Mr. Gil Beyen (Chairman and Chief Executive Officer)	6/05/2013	2016
Mr. Pierre-Olivier Goineau (Vice President and Chief Operating Officer)	6/05/2013	2016
Mr. Yann Godfrin (Chief Scientific Officer)	6/05/2013	2016
Mr. Sven Andreasson	6/05/2013	2016
Mr. Philippe Archinard	6/05/2013	2016
KURMA PARTNERS represented by Mr. Alain Munoz	6/05/2013	2016

Please note that the Board of Directors, during its meeting on January 22, 2014, recognized:
- the resignation of Mr. Sven Andreasson from his position as director and member of the Remuneration Committee and the Appointments Committee. The GALENOS company, represented by Mr. Sven ANDREASSON was co-opted as a replacement for Mr. Sven Andreasson;
- The replacement of Mr. Alain Munoz by Ms. Vanessa Malier as the permanent representative of KURMA PARTNERS. After spending 15 years in the biotechnology and pharmacy industry, namely in positions involving portfolio management, cross-border project management, global marketing strategy, and business development, Vanessa joined KURMA in September 2013.

These directors were appointed to the Board of Directors because of their knowledge of the Company's activities, their technical and general skills and abilities, as well as their aptitude to fulfill the directors' duties required within that Board.

The Company is aware of the provisions provided in the act of January 27, 2011 pertaining to balanced representation of men and women on boards of directors. The Company's Board of directors is composed of five men and one woman, that being a proportion of women below 20% of the members of the Board of Directors. The Company shall make sure that it is complying with the provisions of this law, which call for reaching a proportion of women on the Board of Directors (i) at least equal to 20% following the first ordinary general meeting held after January 1, 2014 and (ii) at least equal to 40% following the first ordinary general meeting following January 1, 2017.

In accordance with the MiddleNext Code, the Board of Directors includes several independent directors, the GALENOS company and Philippe Archinard who meet the criteria of independence defined by the MiddleNext Code.

The criteria specified by the Middlenext Code make it possible to show that the members of the Board are independent, as characterized by the lack of a significant financial, contractual, or familial relationship capable of altering independent judgment, namely:
- they are neither an employee nor an executive corporate officer of the Company or a company within its group, and they have not been one of the above over the course of the last three years;
- they are not significant clients, suppliers, or bankers for the Company or its group or for which the Company or its group represent a significant share of business;
- they are not major shareholders of the Company;
- they do not have any close family connection with an officer or a major shareholder;
- they were not an auditor of the Company over the last three years.

The list of Company directors, including the positions held in other companies, is shown in paragraph 14.1.2 of the Reference document.

On May 6, 2013, the Board of Directors voted to appoint Mr. Gil Beyen as Chairman of the Board of Directors and Chief Executive Officer.

In his capacity as Chairman, he is tasked with organizing and directing the work of the Board of Directors, which he reports to the General Meeting, and overseeing the correct operation of the corporate bodies. In his capacity as Chief Executive Officer, he provides and is responsible for the Company's Senior Management, he represents the Company in its relations with third parties, and is vested with all powers conferred by law to act in all situations in the name of the Company.

On May 6, 2013, Mr. Pierre-Olivier Goineau, Mr. Yann Godfrin and Mr. Jérôme Bailly were each nominated Deputy General Managers. The Deputy General Managerpossess, with regard to third parties, the same powers as the chief executive officer.

A.2. Attendance fees and other remuneration

The Company applies all of the guidelines in the Middlenext Code pertaining to the remuneration for executive corporate officers and for that of non-executive directors.

Detailed information pertaining to this remuneration and the presentation thereof appears in chapter 15 of the Reference Document established for the year 2013.

During the ordinary and extraordinary general meeting of the Company on April 2, 2013, the total annual amount of attendance fees allocated to the directors was set at 60,000 euros, applicable to the current fiscal year.

A.3. Frequency of meetings

Article 19 of the bylaws provides that the Board shall meet as often as required for the interest of the Company.

During the fiscal year ending December 31, 2013:
- The Supervisory Board met seven times,
- and, since the listing of the Company's shares on the NYSE Euronext Paris stock market, the Board of Directors has met six times, on May 6, 2013, May 24, 2013, July 18, 2013, August 28, 2013, September 16, 2013, and December 3, 2013.

The number of meetings of the Board of Directors during the fiscal year ending December 31, 2013 complies with the guidelines in the MiddleNext Code which provides for a minimum of four meetings annually.

The agenda for the meetings of the Board of Directors during this fiscal year is shown below in paragraph A.7.

The attendance rate of the members of the Supervisory Board and then the Board of Directors during the fiscal year ending December 31, 2013 was 86%.

A.4. Notices of meetings to directors

The directors were summoned with reasonable advance notice of meetings pursuant to article 19 of the bylaws.

Pursuant to article L.225-238 of the Commercial Code, the Statutory Auditors were given notice to appear at the meetings of the Board, which examined and approved the interim financial statements (half-yearly financial statements) as well as the annual financial statements.

A.5. Notice to directors

All documents and information necessary for the directors' mission were provided to them at the same time as the notice of meeting or delivered at the beginning of each meeting of the Board of Directors.

The Board of Directors is assisted by three permanent committees whose powers and procedures are specified in the rules of procedure: the Audit Committee, the Remuneration and Appointments Committee, and the Scientific Board.

A.6. Conduct of meetings

The meetings of the Board of Directors occur at the headquarters or at any other location indicated in the notice of meeting, pursuant to article 19 of the bylaws.

A.7. Approved decisions

During the past fiscal year, the following main subjects were addressed by:

- the Supervisory Board:
  - The budget for year 2013;
  - The distribution of attendance fees for the year 2012;
  - Remuneration for members of the Executive Committee;
  - The annual financial statements and the report on the fiscal year ending December 31, 2012;
  - Decisions to be made for the purpose of the ordinary and extraordinary General Meeting of April 2, 2013;
  - Ratification of the preliminary document drawn up for the purpose of admission to trading the initial public offering of shares in the company ERYTECH PHARMA on the Euronext Paris stock market;
  - Raising capital through an offering to the public.

- The Board of Directors:
  - Appointment of the Chairman of the Board of Directors;
  - The choice of the procedures for providing Senior Management;
  - Appointment of executive officers;
  - The conditions for remuneration of executive officers;
  - Appointment of members of the Remuneration and Appointments Committee;
  - Capital raised associated with exercise of the 2012 share warrants;
  - The list of beneficiaries of the 2012 share warrants and the 2012 founder's share warrants;
  - The modification in the characteristics of the 2012 share warrants and the 2012 founder's share warrants;
  - The half-yearly accounts and the half-yearly financial report;
  - The continuation of the Company.
  - Professional equality.

A.8. Minutes of the meetings

Minutes of the meetings of the Board of Directors are drawn up following each meeting and immediately sent to all directors. They are approved at the beginning of the following board meeting.

A.9. Evaluation of the Board of Directors

The Chairman, once per year, shall ask the directors for an opinion about the operation and preparation of the work by the Board. At the Board of Directors meeting of April 25, 2014, the Chairman asked members on the Remuneration and Appointments Committee to issue a reasoned opinion about these subjects. On the basis of this opinion, the directors shall express themselves during the next Board of Directors meeting.

A.10. Specialized committees

ERYTECH has pursued a policy of information pertaining to corporate governance, as well as transparency in remuneration for all of its primary executive officers.

Accordingly, in 2007, a Scientific Board was formed and in 2008, an Audit Committee and a Remuneration and Appointments Committee were formed to assist the Supervisory Board which then became the Board of Directors in its considerations and its decisions. These committees are described in the rules of procedure, which was last updated by the Board of Directors on April 25, 2014.

The Board of Directors establishes the composition and powers of the committees which conduct their activities under its responsibility. These powers may involve delegating powers to a Committee which are expressly allocated to it by law or by the bylaws or by any other shareholder agreement enforceable as against the Company.

These Committees are purely internal to the Company. They do not have any inherent power and particularly no decision-making power. Their role is strictly advisory.

Each Committee reports on its missions to the Board of Directors.

The Board of Directors then has sole discretion to assess any follow-up it intends to make with respect to the findings presented by the Committees. Each director remains free to vote as he or she sees fit, without being bound by studies, investigations, or reports from the Committees, nor any of their recommendations.

Each Committee shall include no fewer than two members and no more than ten members. Members are appointed personally by the Board of Directors based on their experience and may not be represented. The Committees may be composed solely of directors or even include outside persons. The composition of these Committees may be modified at any time by a decision of the Board of Directors.

The term of office for the Committee members coincides with that of their term as directors when they are board members. The term of a Committee member may be renewed at the same time as that of the director. For Committee members who are not part of the Board of Directors, the term of office is set at one (1) year, automatically renewable.

Committee meetings are held at the Company's headquarters or at any other location decided by the Committee Rapporteur. However, Committee meetings may be held, if necessary, by teleconference or videoconference.

For the correct operation of the Committees and their administrative process, the Rapporteur of each Committee:
- Draws up the agenda for each meeting according to the needs expressed by the Board of Directors;
- Formally serves notice to the members; and
- Directs discussion.

Within each Committee, the Rapporteur appoints one person who shall be tasked with writing minutes following each meeting. The minutes shall be sent to the Chairman of the Board of Directors. The minutes shall be kept by the Company. The reports on the work and recommendations from each Committee shall be presented by the Rapporteur to the Board of directors.

In its field of competence, each Committee issues recommendations, proposals, and opinions.

Confidentiality:

Because information communicated to the Committees or to which the Committee members have access for their missions is confidential in nature, Committee members are required to adhere to the strictest confidentiality in matters pertaining to the Board of Directors with regards to any third party and identical to that applicable to directors. This provision also applies to any outside persons who might be invited.

A.10.1. Audit Committee

This committee is composed of two members appointed for the duration of their term as director. A third member is currently being recruited by the Board of Directors.

The Audit Committee must meet at least once per year.

The Audit Committee's mission is to monitor the existence and efficacy of the Company's financial audit and risk control procedures on an ongoing basis. This committee is tasked with:
- examining the annual and half-yearly company financial statements;
- validating the relevance of the accounting methods and choices;
- verifying the relevance of financial information published by the Company;
- assuring the implementation of internal control procedures;
- verifying the correct operation of internal controls with the assistance of internal quality audits;
- examining the schedule of work for internal and external audits;
- examining any subject capable of having a meaningful financial and accounting impact;
- examining the state of significant disputes;
- examining off-balance-sheet commitments and risks;
- examining the relevance of risk monitoring procedures;
- examining any regulated agreements;
- directing the selection of statutory auditors, their remuneration, and ensuring their independence;
- verifying the correct performance of the statutory auditors' mission;
- establishing the rules for the use of statutory auditors for work other than auditing accounts and verifying the correct execution thereof.

The Audit Committee may conduct visits or interviews of any directors of operational or functional entities useful to fulfill its mission. It may also hear from statutory auditors, even outside the presence of the executive officers. It may make use of outside experts with prior approval from the Board of Directors.

Currently, the members of the audit committee are:
- The GALENOS company, represented by Mr. Sven Andreasson, rapporteur and independent member (*see also section A.1 of the report*).
- Mr. Philippe Archinard, independent member.

The experience of the members of the Audit Committee is presented in section 14.1.3 of the Reference Document.

Please note that these two members:
- were named to replace previous members (specifically Mr. Franck Richard, Mr. Jean-Marie Barbereau, and Henri Biscarrat) whose terms of office on the Board of Directors ended on 01/22/2014.
- possess *specific skills and abilities in financial and accounting domains based on their experience of almost 25 years in the pharmaceutical industry and Senior Management positions which they have held and continue to hold (see also section 14* of the Reference Document).

The previous members of the committee met twice during the fiscal year ending December 31, 2013.

Among the points discussed during these meetings:
- The annual financial statements and the report on the fiscal year ending December 31, 2012;
- The half-yearly accounts and the half-yearly financial report;
- The continuation of the Company.

A.10.2. Remuneration and Appointments Committee

The Remuneration and Appointments Committee is composed of three members, two of whom are independent members, pursuant to the provisions of the rules of procedure:
- Mr. Philippe Archinard, rapporteur and independent member;
- The GALENOS company, represented by Mr. Sven Andreasson and independent member, and
- The KURMA PARTNERS, represented by Ms. Vanessa Malier.

The experience of the members of the Remuneration and Appointments Committee is presented in section 14.1.3 of the Reference Document.

This committee hears directors about the evaluation of the Company's performance in light of the defined goals. Additionally, and particularly, this committee performs the following duties:
- It formulates recommendations and proposals concerning (i) the various components of remuneration, pension and health insurance plans for corporate officers and directors, and defines in particular, (ii) the procedures for establishing the variable portion of their remuneration; (iii) and formulates recommendations and proposals concerning a general policy for awarding share warrants and founder's share warrants;
- It examines the amount of attendance fees and the system for distributing them between the directors taking into account their dedication and the tasks performed within the Board of Directors;
- It advises and assists as necessary the Board of Directors in the selection of senior executives and the establishment of their remuneration;
- Assessing any increases in capital reserved to employees;
- Assisting the Board of Directors when selecting new members;
- Ensuring the implementation of structures and procedures to allow the application of good governance practices within the Company;
- Preventing conflicts of interest within the Board of Directors;
- Implementing the Board of Director's evaluation procedure.

The Committee met twice during the fiscal year ending December 31, 2013.

Among the points discussed during these meetings:
- Remuneration for members of the Executive Committee;
- Appointment of the Chairman of the Board of Directors;
- The choice of the procedures for providing Senior Management;

- Appointment of executive officers;
- The conditions for remuneration of executive officers;
- The issuance of a new capital incentive plan.

A.10.3. Scientific Board

The members of the Scientific Board were selected because of their scientific expertise in the fields of activity engaged in and developed by the Company.

The Board is thus primarily composed of persons from outside the Company, it meets at least once per year to evaluate, from a scientific point of view, (i) the conduct and evolution in research programs conducted by the Company (ii) the Company's development strategy, particularly given therapeutic needs and market needs and (iii) any risks which might be posed by the research and development programs of the Company's competitors.

The six members of this Board were appointed for a term of one (1) year, automatically renewable (except for the Chief ScientificOfficer who is the rapporteur and automatically a member).

The members of the Scientific Board as well as their relations with the Company are detailed in the table below:

Last name	Connection with the Company	Member of the Scientific Board since
Dr. Yann Godfrin	Chief Scientific Officer	2007
Pr. Eric Raymond	Consultant	2009
Dr. Philip L. Lorenzi	Consultant	2010
Dr. Bridget Bax	Consultant	2012
Prof. Arthur E. Frankel	Consultant	2012
Dr. Kurt Gunter	Consultant	2012

The experience of Dr. Yann Godfrin is presented in section 14.1.3 of the Reference Document.

Prof. Eric Raymond, MD, PhD,
Head of the Cancer Treatment Department (SIHC) at the University Hospital of Beaujon-Bichat (Paris), Prof. Raymond is an expert in oncology. He has published more than 100 articles and is a member of several international associations of experts in oncology.
Prof. Raymond holds an advanced Master's degree (DEA) in Biomedical Engineering with a specialization in bio-imaging from the University of Créteil.

Dr. Philip L. Lorenzi, MD, PhD
Currently, he is the Laboratory and Research Supervisor in the Department of Bioinformatics and Computational Biology at MD Anderson Cancer Center, Houston, Texas, United States. He is an expert in pharmacogenomics, systems pharmacology, and translational research, specializing in the identification of biomarkers associated with the use of L-asparaginase in chemotherapy.

Dr. Bridget Bax, PhD (Doctor of sciences)
Bridget Bax is an associate professor at London Metropolitan University and conducts her research in the Department of Clinical Development Sciences at the Saint George Hospital.
She is an expert in metabolic diseases and enzyme replacement therapy.

Prof. Arthur E. FRANKEL, MD, PhD
Arthur E. Frankel heads the Hematology/Oncology Department of the Scott & White Cancer Institute in Texas and is a professor at the Texas Health Science Center, College of Medicine. He is interested in the involvement of amino acids in cancer and particularly in their reduction as a therapy against cancer.

Dr. Kurt Gunter, MD, PhD

Kurt Gunter is chairman of the International Society of Cellular Therapy until 2014 and, since March 2013, has been Chief Medical Officer of Cell Medica (U.K.). Until the end of March 2013, he headed the Department of Regenerative Medicine at the Hospira Inc. in Chicago (USA). He is an expert in the development of medicine and particularly with respect to regulatory aspects. He was Acting Deputy Director at the FDA (Food and Drug administration) of the CBER (Center for Biologics Evaluation and Research).

B. INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES WITHIN THE COMPANY

B.1. Conceptual framework for internal control and risk management

Data warehouse

The Company relies on the AMF's framework of reference (guideline 2010-16) pertaining to risk management and internal control mechanisms, AMF guideline no. 2010-15 of December 7, 2010 pertaining to the AMF's additional report on corporate governance, remuneration of executive officers, and internal controls for small and mid-cap companies referring to the MiddleNext Code, and AMF guideline 2013-17 entitled Chairmen's Reports on Internal Control and Risk Management Procedures – Consolidated presentation of guidelines contained in the annual reports from the AMF.

B.2. Risk management

Goals:

- Promotes reaching the Company's goals *(see also section B.4 of the report infra*);
- Analyze and process risks currently identified by the Company and presented in chapter 4 of the 2013 Reference Document, namely:
  - Maintain a high level of product quality and safety;
  - Protect the Company's interests;
  - Secure the Company's processes.

Components of the mechanism:

The responsibilities for risk management lie with the Vice President and Chief Operating Officer, Mr. Pierre-Olivier Goineau.

The risk management mechanism particularly provides:

- Risk analysis (identification, analysis, and treatment of the risk PO-QUAL-007 the last version of which is dated 05/23/2011);
  - processes and especially the Production process, as well as;
  - physical security and information systems;
  - the Company's assets and reputation.
- A risk management procedure (PG-QUAL-017 the last version of which dates from 03/29/2012) encompassing, namely:
  - the role:
    - of the process managers;
    - of the Quality Assurance department and the Qualified Person (Pharmacist).
  - The management of the mechanism, namely via the management process (PG-MAQ-A3 of 09/02/2013) and the continuous improvement process (PG-MAQ-A4 of 07/30/2013) and management reviews (PG-QUAL-012 the last version of which dates from 06/25/2013).
  - appropriate communication for its implementation by both external and internal actors.

B.3. Internal control

Goals of internal control:

Internal control is one of the Company's mechanisms which is intended to ensure:
- compliance with laws and regulations;
- application of the instructions and orientations established by Senior Management;
- the correct operation of the Company's internal processes, particularly those intended to assist in the protection of its assets;
- reliability of financial information;
- and, generally speaking, contributes to the mastery of its activities, the efficacy of its operations, and the efficient use of its resources.

By contributing to the prevention and mastery of risks that the goals established by the Company will not be reached *(see also section B.4 below in the report*), the internal control mechanism plays a key role in the conduct and steering of its various activities.

However, internal controls cannot provide an absolute guarantee that the Company's objectives shall be reached.

Components:
In collaboration, particularly with the Audit Committee (*see also below, section B.4.4 of the report*), the responsibility for internal control lies with the Vice President and Chief Operating Officer, Mr. Pierre-Olivier Goineau.

The internal audit mechanism provides:
- an organization including a clear definition of responsibilities, possessing adequate skills, abilities, and resources *(see also section B.4.4 of the report infra*), relying on procedures, information systems, tools, and appropriate practices (*see also section B.4.1 of the report infra*);
- The internal dissemination of relevant and reliable information (namely via an electronic document management system), the knowledge of which allows each person to exercise his/her responsibilities;
- a system intended to survey and analyze the primary identifiable risks with regard to the Company's goals and ensure the existence of procedures to manage these risks;
- control activities proportionate to the stakes inherent to each process, designed to reduce risks likely to affect the achievement of the Company's goals;
- ongoing monitoring of the internal control mechanism as well as regular examination of its operation.

B.4. Scope of risk management and internal control

B.4.1. Procedures pertaining to financial information

The Company has, in particular, implemented the following organization to limit risks in terms of managing finance and bookkeeping matters:
- The Company's Senior Management, and more particularly, personnel within the Corporate Division are attentive with regard to improving internal controls and integrating recommendations from external auditors and the Audit Committee,
- The Company has implemented several procedures to manage the Procurement process. In these procedures, the resources to prevent risks inherent to the size of the Company and which are associated with internal separation between production and supervision of financial statements have already been provided,
- A certified public accountant participates to verify the statements presented according to IFRS norms for fiscal years 2012, 2013 and 2014.

B.4.2. Quality policy (PG-MAQ-A1):

ERYTECH Pharma develops and provides patients, clients, and partners with products that combine safety, quality, and technology.

ERYTECH Pharma, specialty pharma, commercializes drugs and therapeutic solutions intended for the treatment of serious pathologies, orphan indications for fragile patients in the fields of hematology, oncology, and immunology.

These technologies and products represent a new generation of drugs using red blood cells as a vector for therapeutic agents. They seek to:

- Provide a therapeutic solution where alternatives are lacking;
- Improve the therapeutic index of current treatments;
- Improve patient comfort.

ERYTECH's management has always sought to offer the best possible service and the best advice in order to fully respond to the needs and requirements of hospital-based healthcare professionals. This orientation allows it to guarantee its development and its continued existence.

The application of this quality policy involves all of the company's department. It is reflected by the establishment and the tracking of shared goals.

ERYTECH Pharma's quality goals for the year 2014 are:

1. Finalize the implementation of the Client Relation process integrating Sales & Business Development components;
2. Engage in CSR (Corporate Social Responsability) certification and ISO 26000;
3. Actively integrate risk management into the "Measure, analyze, and improve" process so as to develop proactive continuous improvement;
4. While complying with good manufacturing practices, improve productivity in the production unit;
5. Optimize the R&D process so as to make it more efficient.

B.4.3. Quality System and the Management's commitment:

In order to correctly implement this policy, the Company relies on its existing quality system, certified ISO 9001 and described in the Quality Manual.

With the goal of having this policy applied, executive officers personally commit and delegate to the Quality Assurance department (in collaboration with the relevant departments) the implementation and monitoring of the quality system. Directly under management, it must report on the operation of the system. It relies on process managers for efficient management of the quality system.

Management also undertakes to deploy all current resources to personally ensure the implementation and efficacy of the quality system during management reviews and meetings of the Management Committee.

The company's evolution from a research and development structure towards a structure that integrates sales requires modification in the current system to account for new client demands by striving to achieve operational excellence, with collective involvement in this undertaking.

Actors in risk management and internal control

Senior Management:
Senior Management is tasked with defining, providing impetus, and overseeing the most appropriate mechanism for the Company's conditions and activity.
In this framework:
- It ensures that the necessary corrective actions are undertaken;
- It informs the Board of Directors about the important points.

Senior Management is responsible for reporting on the essential characteristics of the risk management and internal control mechanism to the Audit Committee.
The members of Senior Management are:
- Mr. Gil Beyen, Chairman and Chief Executive Officer;
- Mr. Pierre-Olivier Goineau, Vice President and Chief Operating Officer;
- Mr. Yann Godfrin, Chief Scientific Officer;
- Jérôme Bailly, Qualified Person (Pharmacist).

The duties of the members of Senior Managementare specified below in section C.

Management Committee
The members of the Management Committee are responsible for keeping Senior Management regularly informed of any malfunctions, deficits, and difficulties.
The Management Committee is composed of Senior Management and of:
- Mr. François Fossiez, Director of Production;
- Ms. Françoise Horand-Phothirah, Director of R&D Operations.

The Audit Committee:
In accordance with the Rules of Procedure of the Board of Directors dated 04/25/2014, the Audit Committee is responsible for reporting to the Board of Directors on all major risks and/or weaknesses in the internal controls which might be capable of having a significant impact on accounting and financial information.

The Board of Directors:
As needed, the Board may make use of its general powers to engage in any audits and inspections it deems useful or take any other initiative it believes appropriate in the matter.

The statutory auditor:
The Statutory Auditor is responsible for presenting to the Audit Committee all major risks and/or weaknesses in the internal controls that he identifies when certifying the Company's financial statements and which could have a meaningful impact on the financial and accounting information.

The internal quality auditors:
Pursuant to procedure PG-QUAL-004, The last version of which dates from 02/21/2011, the Company trains and then appoints internal auditors in order to verify whether the procedures and/or processes have been followed and are effective.
Each year, Management defines a program for internal audits, with priority given to: activities having a direct connection to the pharmaceutical facility and patient safety.
Internal auditors are specifically responsible for reporting to the Quality Assurance department any deviation from the procedures and/or processes.

The Quality Assurance department:
The Quality Assurance department is responsible for reporting to Senior Management, specifically, any significant deviation from the quality policy and/or procedures and/or processes.

External auditors or certifying bodies or regulatory authorities:
Accordingly:
- The Agence Nationale de la Sécurité du Médicament [National Agency for the Safety of Drug and Healthcare Products] (ANSM) *the European Medicines Agency* (EMA) and the *Food and Drug Administration* (FDA) and;
- the ISO auditor (*International Organization for Standardization*);

participate in risk management through their audits and/or controls.

B.5. Areas for improvement/Outlooks for change

In 2014, the Company will strive to further improve follow-up to risk analysis action plans and better coordinate internal controls with risk management.

C. POWERS OF THE CHIEF EXECUTIVE OFFICER

Please note that there has been no limitation made to the powers of Mr. Gil Beyen, Chief Executive Officer.

On May 6, 2013, the Board of Directors stated that:
- Mr. Pierre-Olivier Goineau is especially in charge of the following activities: strategy, organization and management of operations, internal control, finance, administration, legal, human resources, sales and partnerships;
- Mr. Yann Godfrin is especially tasked with the activities of scientific strategy, preclinical research and development, clinical and regulatory affairs;
- Mr. Jérôme Bailly, in turn, had his powers established pursuant to article R.5124-36 of the French Public Health Code.

Refer also to section 14.1.2 of the Reference Document, "Composition of Senior Management".

D. ATTENDANCE AT THE GENERAL MEETING OF SHAREHOLDERS AND INFORMATION PROVIDED IN ARTICLE L.225-100-3 OF THE COMMERCIAL CODE

There are no specific procedures pertaining to the shareholder participation in the general meeting of shareholders outside of those provided in article 27 of the bylaws.

The information referenced in article L.225-100-3 of the Commercial Code (concerning elements that may have an impact where there is a public take-over bid for the Company) is shown in the section 16.6 of the Reference Document.

16.4. ELEMENTS CAPABLE OF HAVING AN IMPACT IN THE EVENT OF A PUBLIC OFFERING

16.4.1. Capital structure of the Company

See chapter 18 of the Reference document

16.4.2. Restrictions resulting from the bylaws respecting the voting rights and transfers of shares or clauses of which the Company has been informed in application of article L.233-11 of the Commercial Code

Retention commitment by financial shareholders (Auriga and Idinvest)

The financial shareholders of the Company (collectively holding 69.9% of the share capital prior to the initial public offering, for which delivery versus payment occurred on May 6, 2013) made a retention

commitment to Bryan, Garnier & Co. and Gilbert Dupont concerning their holdings of shares in the Company as well as those that they shall hold following the exercise of the diluting securities which provide access to the share capital over (i) 50% of said Shares that they possess up until 360 days have elapsed starting on May 6, 2013*and (ii) 25% of said Shares (not including those resulting from convertible debentures for that period) which they hold until 540 days have elapsed, it being specified that the following are excluded from the scope of these retention commitments (a) any operation involving Company shares as part of a public offering involving Company shares, (b) shares resulting from an increase in capital by offsetting claims, (c) any operation involving Company shares subscribed as part of the Offer, or acquired over the market following the initial listing of Company shares, and (d) any transfer from one investment fund to another investment fund managed by the same management company or to a third party, provided that the transferee has made an equivalent commitment to Bryan, Garnier & Co. and Gilbert Dupont for the remaining duration of the retention commitment.

*However, please note that due to demand, Idinvest, with the approval of the banks Bryan Garnier & Co. and Gilbert Dupont, on February 12, 2014, made an early transfer of one portion of the shares for which the retention commitment was to expire on May 6, 2014.

Retention commitment by the shareholders who provided startup capital (Cap Decisif and Amorçage Rhone Alpes).

The shareholders of the Company who had provided startup capital (collectively holding 9.8% of the share capital prior to the initial public offering, for which delivery versus payment occurred on May 6, 2013) made a retention commitment to Bryan, Garnier & Co. and Gilbert Dupont concerning their holdings of shares in the Company as well as those that they shall hold following the exercise of the dilutive securities which provide access to the share capital over 25% of said Shares that they possess until 360 days have elapsed starting on May 6, 2013, it being specified that the following are excluded from the scope of these retention commitments (a) any operation involving Company shares as part of a public offering involving Company shares, (b) any operation involving Company shares subscribed as part of the Offer, or acquired over the market following the initial listing of Company shares, and (c) any transfer from one investment fund to another investment fund managed by the same management company or to a third party, provided that the transferee has made an equivalent commitment to Bryan, Garnier & Co. and Gilbert Dupont for the remaining duration of the retention commitment. For the case in which shareholders would wish to transfer shares free of any transfer commitment, these shareholders have also made a commitment to Bryan, Garnier & Co and Gilbert Dupont to act in a coordinated manner and to privilege transfers of blocks of shares outside of the market.

Retention commitment by the principal managers

Mr. Pierre-Olivier Goineau and Mr. Yann Godfrin have made a retention commitment respecting (i) 100% of the shares that they hold until 360 days have elapsed starting on May 6, 2013, and (ii) respecting 25% of the shares that they hold until 540 days have elapsed starting on May 6, 2013.
Mr. Gil Beyen made a retention commitment respecting (i) 100% of the shares that he shall hold following the exercise of the diluting securities providing access to the share capital until 360 days have elapsed starting on May 6, 2013 and (ii) respecting 25% of the shares that he shall hold following the exercise of the diluting securities providing access to the share capital until 540 days have elapsed starting on May 6, 2013.

16.4.3. Direct or indirect stakes held in the Company's share capital of which it is aware by virtue of articles L.233-7 and L.233-12 of the Commercial Code

See chapter 18 of this Reference Document.

16.4.4. Parties holding any securities involving special rights of control and description thereof

None

16.4.5. Control mechanisms provided in any system for employee shareholding, when the controller rights are not exercised by the latter

None.

16.4.6. Agreements between shareholders of which the Company is aware and which may result in restrictions to transfers of shares and the exercise of voting rights

None.

16.4.7. Rules applicable to the appointment and replacement of members of the board of directors as well as modification of the bylaws

The applicable rules in this matter are found in the bylaws and comply with the law.

16.4.8. Powers of the board of directors, particularly the issuance or redemption of shares

The Company's general meeting of April 2, 2013 authorized the Board of Directors to implement, subject to the condition precedent that the shares be listed on the Euronext Paris stock market, a share redemption program for the Company governed by the provisions of articles L.225-209 et seq. of the Commercial Code and trading practices authorized by the Autorité des Marchés Financiers (the French financial markets regulator) (*see section 21.2 of this Reference Document*).

16.4.9. Agreements made by the Company which have been modified or which shall end if there is a change in control of the Company.

- The characteristics of the share warrants/founder's share warrants contain procedures for early exercise subject to certain conditions if there is a change in control of the Company (*See also section 21.5 of this Reference Document*).
- See also chapter 22 of this Reference Document, "Major contracts."

16.4.10. Agreements providing for indemnities to members of the board of directors or employees if they resign or are dismissed without real or serious cause or if their employment is terminated due to a public offering

Pursuant to the "TEPA" law and the Middlenext Code of corporate governance, during its meeting of May 24, 2013, the Board of Directors established the terms for severance pay awarded to the company's executive corporate officers (specifically Mr. Gil Beyen, Mr. Pierre-Olivier Goineau, and Mr. Yann Godfrin).

This commitment provided that should the party in question leave the Company, that is to say in the event of:

- expiry of his term of office (except where renewal is rejected by the interested party) or
- removal (except for removal due to serious misconduct or gross negligence as this term is understood with respect to the case law of the companies section of the Court of Cassation),

the party in question may claim an indemnity equal to 12 times the mean monthly remuneration (bonuses included) effectively received over the course of the 12 months preceding the removal decision or the expiration of the term of office (or concerning only Mr. Gil Beyen, the annual fixed remuneration

defined by the Board of Directors, should the removal be decided within 12 months following his appointment).

The decision by the Board of Directors on May 24, 2013, made with respect to the procedure for regulated commitments and agreements provided under the "TEPA" act, was published in its entirety on the Company's website. The commitment shall be approved by the General Meeting of shareholders on June 17, 2014 as a specific resolution pertaining to each of the executive corporate officers.

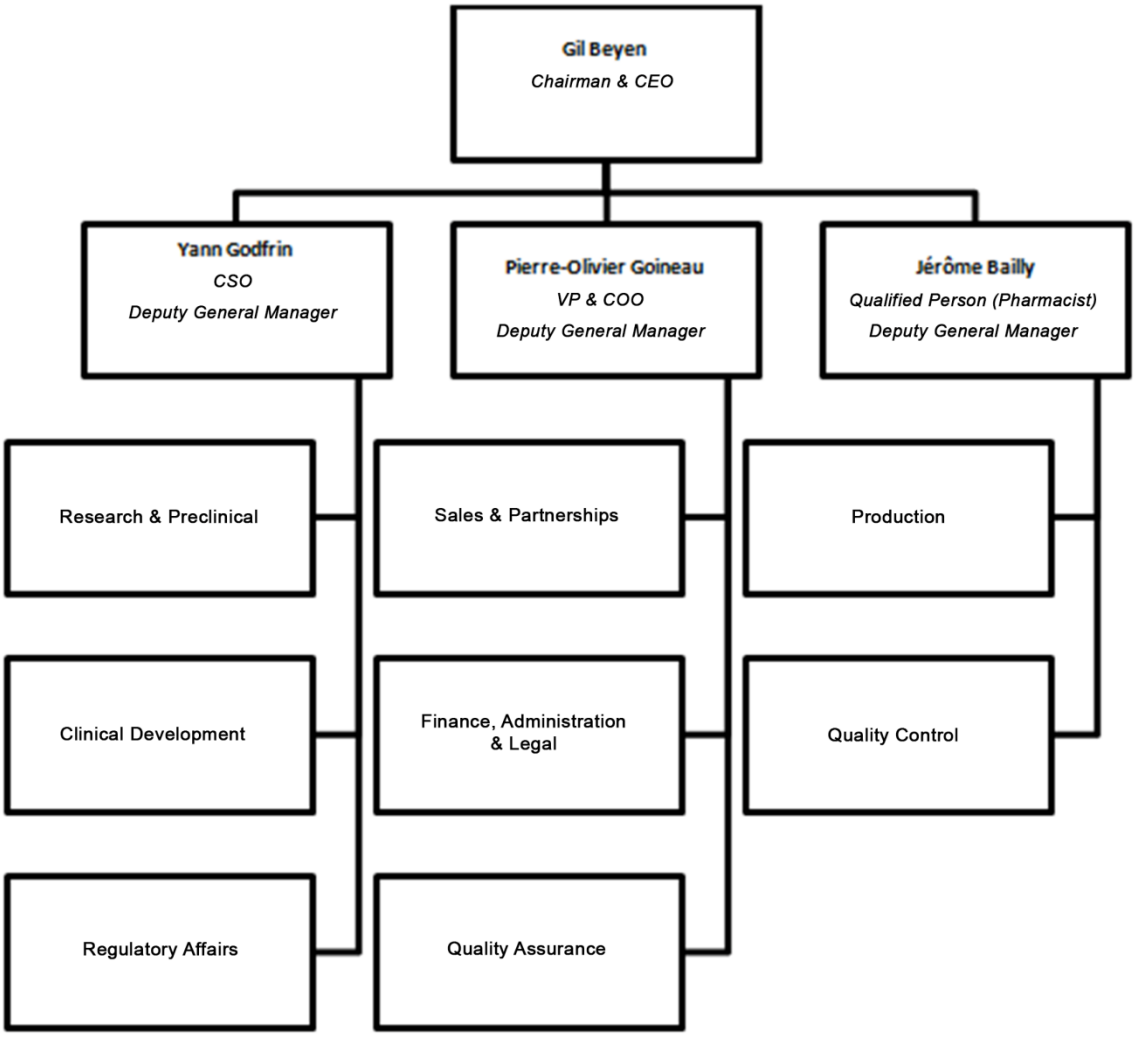
The Board of Directors decided that payment of severance pay is subordinate to the compliance, duly recorded by the Board of Directors at the time of or after the departure from the position, with the conditions associated with the performances of the party in question assessed with regard to those of the Company, defined on this day as being:
The right to receive the above indemnity is subordinate to observing the following performance conditions:

- Compliance with the Company's expenditure budget and
- At least one of the two following conditions:
  - at least one collaboration or licensing agreement underway;
  - at least one product in active clinical development phase by the Company.

17. EMPLOYEES

17.1 PERSONNEL

17.1.1. Organizational chart showing positions



17.1.2 Experience and positions of the principal managers

The experience and positions of the primary managers are described in section 14.1.4 supra

17.1.3. Personnel distribution

The Company's personnel included 40 people as of April 30, 2014.

- Change in personnel

The average size of the personnel has varied in the following proportions:

Year	mean personnel	change
2004	1	
2005	2	+ 100%
2006	8	+ 300%
2007	14	+ 75%

2008	24	+ 71%
2009	37	+ 54%
2010	41	+ 11%
2011	41	+ 0%
2012	38	- 7%
2013	36	- 5%

Source: Tax bundles, table 2058-C "miscellaneous information"

- Distribution by activity section

As of December 31, 2013, the company's personnel (including executive officers) was distributed based on the following sections:

Departments	**Personnel**
Business & Competitive Intelligence	4
Clinical Affairs	2
Finance	3
Legal	2
Administration	2
Public Relations/Investors	1
Production	6
Quality Assurance	3
Preclinical	14
Regulatory	2
Grand total	39

- Distribution by status

Status	**Number**
Management	21
Non-management	18
Grand total	**39**

17.1.4. Human Resources Management

The management of employees is of great importance for the Company. Indeed, the Company must retain qualified employees who possess strong skills and abilities as ERYTECH's business is, in fact, partially based on the quality and efficacy of its key employees.

The Company believes that it has good relations with its personnel.

The Company's employment contracts are controlled by the national collective-bargaining agreement in the pharmaceutical industry.

The Company has two employee representatives (one elected and one alternate) who meet with management every month.

The greatest share of the Company's employees are employed on the basis of permanent contracts; however, the Company does make use of employees on fixed-term and part-time contracts especially to satisfy the demands of periodic increases in business.

Insofar as the remuneration policy is concerned, the employment contracts may provide for, depending on the case, additional remuneration consisting of bonuses determined on the basis of goal attainment.

17.1.5. Organization of work time

The organization of work time at ERYTECH complies with all legal and regulatory provisions. The legal length of the workweek is 35 hours for full-time employees.

Senior executives are not covered by the laws respecting hours of work.

17.2. Stakes held by corporate officers

Based on the makeup of the share capital and the existing diluting elements as of the date of this document, stakes held by the company's executive corporate officers may be summarized as follows:

				Subscription warrants							
	Number of shares	% capital **	% voting right ***	Type of warrants	Creation date	Number remaining to be subscribed ****	Number subscribed and not exercised*****	Exercise price in € per new share issued*****	Last date for exercise	Maximum number of shares associated	Stocks options
Gil Beyen*	-	-	-	Share warrants (BSA) 2012	05.21/12	11,263	5,632	7.362	05/20/20	112,630	N/A
				Founder's share warrants (BSPCE) 2014	01/22/14	6,000	0	12.25	01/22/24	60,000	N/A
Pierre-Olivier Goineau*	263,490	4.7%	7.49 %	Founder's share warrants 2012	05/21/12	7,508	4,993	7.362	05/20/20	75,080	N/A
				Founder's share warrants 2014	01/22/14	3,000	0	12.25	01/22/24	30,000	N/A
Yann Godfrin*	292,990	5.27%	8.33 %	Founder's share warrants 2012	05/21/12	7,508	4,993	7.362	05/20/20	75,080	N/A
				Founder's share warrants 2014	01/22/14	3,000	0	12.25	01/22/24	30,000	N/A
Philippe Archinard*	-	-	-	Share warrants 2012	05/21/12	9,363	837	7.362	05/20/20	93,630	N/A
Sven dréasson*	-	-	-	Share warrants 2012	05/21/12		1,288	7.362	05/20/20		N/A
Jérôme Bailly*	-	-	-	Founder's share warrants 2012	05/21/12	N/A	943	7.362	05/20/20	N/A	N/A

* See details for positions currently held in Chapter 14 – Administrative and management bodies
** Registered shares
*** See also section 21.9.4 of the Reference Document
**** As delegated by the General Meeting
***** One warrant gives rights to 10 new shares

17.3. STAKE HOLDING BY COMPANY EMPLOYEES WHO ARE NOT CORPORATE OFFICERS

Based on the makeup of the share capital and the existing diluting elements as of April 30, 2014, stakes held by the company's employees who are not corporate officers may be summarized as follows:

				Subscription warrants							
	Number of shares and voting rights*	% capital*	% voting right*	Type of warrants	Creation date	Number remaining to be subscribed ***	Number subscribed and not exercised	Exercise price in € per new share issued	Last date for exercise	Maximum number of shares associated	Stocks options
Employees who are not officers or directors	3,650	0.066%	0.052 %	Founder's share warrants2012	05/21/2012	5,803	3,288	7.362	05/20/2020	58,030	N/A
				Founder's share warrants2014	01/22/2014	N/A	0	12.25	01/22/2024	N/A	N/A

* Registered shares
** See also section 21.9.4 of the Reference Document
*** As delegated by the General Meeting

17.4 INCENTIVE AGREEMENT

The Company has implemented an incentive agreement for the years 2014 to 2016 at the end of which 2.5% of the gross annual remuneration as of December 31 of each year may be distributed:

– Among the beneficiaries, in proportion to their gross remuneration and their length of employment (up to certain limits);
– Upon the achievement of performance goals.

The Company is today at a key stage in its development, the cycle of research and clinical trials that is entering into its final phase, before a potential introduction to the market. The next years will be, accordingly, decisive in achieving the objectives necessary for the culmination of many years of research, involving sustained and targeted efforts by all of its teams. The objectives may include, for example, depending on the year considered, achieving clinical objectives and/or maintaining quality certifications and/or the status of "Pharmaceutical facility".

18. MAJOR SHAREHOLDERS

18.1. DISTRIBUTION OF SHARE CAPITAL AND VOTING RIGHTS

Pursuant to the provisions of article L.233-13 of the Commercial Code, we are informing you of the identity of those shareholders who possess in excess of the threshold of 5% of the share capital and/or 5% of the voting rights.

The makeup of the Company's shareholders as of December 31, 2013 appears as follows on the basis of available information (see also Section 21.7 of this Reference Document):

Last name, first name/Company name		% Share capital	% voting rights*	Number of shares
FCPR AURIGA VENTURES III		18.317%	20.94%	1,018,212
RECORDATI ORPHAN DRUGS		7.754%	5.07%	431,034
AXA VENTURE FUNDS IV**		5.286%	6.92%	293,820
GODFRIN YANN		5.271%	6.90%	292,990
GOINEAU PIERRE-OLIVIER		4.740%	6.20%	263,490
ALLIANZ CROISSANCE 2005***		4.561%	5.31%	253,557
ALLIANZ INNOVATION 6***		4.116%	4.79%	228,801
ALLIANZ INNOVATION 7***		3.974%	4.63%	220,928
POSTE INNOVATION 8***		2.062%	2.40%	114,619
AMORCAGE RHONE ALPES		1.964%	2.59%	109,200
AXA PLACEMENT INNOVATION V**		1.883%	2.46%	104,680
FCPI CAPITAL CROISSANCE***		1.719%	2.00%	95,553
FCPI OBJECTIF INNOVATION ET PATRIMOINE***		1.613%	1.88%	89,682
FCPI OBJECTIF INNOVATION ET PATRIMOINE***		1.500%	1.75%	83,361
FCPI CAPITAL CROISSANCE 2***		1.500%	1.75%	83,361
MATIGNON DEVELOPPEMENT 1**		1.439%	1.88%	79,980
HOLDING ENTREPRISE ET PATRIMOINE***		0.927%	1.21%	51,530
Registered shareholders who possess no more than 0.5% share capital		1.248%	1.61%	69,372
BEARER SHARES (FLOATING)	Owned by the Company as part of the liquidity program****	0.95%%	0.623%	52,925
	OTHER BEARER SHARES	29.18%	19.09%	621,857
TOTAL		**100.00%**	**100.00%**	**5,558,952**

* Theoretical voting rights, abstracting voting rights associated with treasury shares as part of the redemption program which do not provide actual voting rights.
See also section 18.3 of the Reference Document
** Fund managed by ARDIAN, formerly AXA Private Equity
*** Funds managed by IDINVEST PARTNERS
**** See also Section 21.2 of this Reference Document

The Company did not experience any crossing of the threshold during the fiscal year ending December 31, 2013 (see also section 21.9.6 of the Reference Document).
Since December 31, 2013, the Company has received the following statements of thresholds being crossed:

- The 5% threshold was crossed by AXA Venture IV, when it dropped below it on February 13, 2014. On that date, AXA Venture Fund IV no longer held any shares or voting rights.
- IDINVEST PARTNERS fell below the 20% threshold on February 13, 2014. On that date, IDINVEST PARTNERS owned 17.8% of the share capital.
- AURIGA Venture III moved above the 25% voting rights threshold on February 28, 2014. On that date, AURIGA Venture III owned 1,147,522 shares, representing 1,908,342 voting rights, that being 20.64% of the share capital and 27.12% of the voting rights.

The makeup of the Company's shareholders as of April 30, 2014 appears as follows on the basis of available information:

Last name, first name/Company name		% Share capital	**% voting rights***	**Number of shares**
FCPR AURIGA VENTURES III		18.29%	25.27%	1,018,212
RECORDATI ORPHAN DRUGS		7.74%	6.12%	431,034
GODFRIN Yann		5.26%	8.32%	292,990
GOINEAU Pierre-Olivier		4.73%	7.48%	263,490
AMORCAGE RHONE ALPES		1.11%	1.75%	61,545
HOLDING ENTREPRISE ET PATRIMOINE**		0.93%	1.46%	51,530
Registered shareholders who possess no more than 0.5% share capital		0.89%	1,33%	49,563
Free Float	Company holdings as part of the liquidity program***	0.16%	0.129%	9,110
	Other bearer shares	60.88%	48.13%	3,389,098
TOTAL		100.00%	100.00%	5,566,572****

* Theoretical voting rights, abstracting voting rights associated with treasury shares as part of the redemption program which do not provide actual voting rights.
See also section 18.3 of the Reference Document
** Funds managed by IDINVEST PARTNERS The total number of shares (registered and bearer) owned by the Funds managed by IDINVEST PARTNERS is estimated at 989,543 on the basis of available information (that being 18.37% of the share capital and 16.35% of the estimated voting rights).
*** See also Section 21.9 of this Reference Document
**** Increase in capital later ordered by the Board of Directors on May 5, 2014.

18.2. MAJOR SHAREHOLDERS NOT REPRESENTED ON THE BOARD OF DIRECTORS

As of the date of this Reference Document, two major registered shareholders, namely Auriga Venture III and Recordati Orphan Drugs, are not represented on the Board of Directors. In effect, since 12/31/2013, Axa Venture Funds IV disposed of its shares.

18.3. SHAREHOLDER VOTING RIGHTS

In the ordinary and extraordinary general meetings of the Company, each share gives the right to one vote, except when there is a right for a double vote.

A double voting right is nevertheless assigned, in accordance with legal conditions, to all shares fully paid up for which evidence is provided, at the latest on the third day prior to the date of the shareholders' meeting, of nominal registration for at least two years in the name of the same shareholder, or in the name of a person holding such rights following a succession, a sharing of the community of property between spouses, or an inter vivos gift granted by a shareholder to his/her spouse or to a relative in the direct line of succession, or following a transfer resulting from a merger or a division of a shareholder company.
In the event of a capital increase through the incorporation of reserves, income, or issue premiums, the double voting right is granted, upon their issue, to nominal shares assigned free of charge to replace the previous shares already receiving such benefit.
The double voting right shall be duly withdrawn from any share having been converted to a bearer share or been subject to a transfer of ownership, except where this transfer results from a succession, a sharing of the community of property between spouses, or an inter vivos gift granted by a shareholder to his/her spouse or to a relative in the direct line of succession, or following a transfer resulting from a merger or a division of a shareholder company

18.4. CONTROL OF THE COMPANY

To the Company's knowledge:
no shareholder holds, whether directly or indirectly, a fraction of the share capital that would grant him/her/it the majority of voting rights in the Company's general meetings;
no agreement has been formed among the shareholders so as to confer to one shareholder the majority of voting rights in the Company;
no shareholder is able to dictate, on the basis of the voting rights that he/she/it holds, the decisions in the Company's general meetings of shareholders; and
no shareholder has the power to name or remove the majority of members in the Company's management or oversight bodies.

Furthermore, to the Company's knowledge, no shareholder or group of shareholders directly or indirectly holds more than 40% of the voting rights in the Company, capable of creating a presumption of control of the Company with regard to one of the shareholders or a group of shareholders.

18.5. SHAREHOLDERS' AGREEMENT

The shareholders' agreement dated December 22, 2006 entered into between the Shareholders of the Company, as amended on June 11, 2010, binding as of the registration date for the Reference document, became null and void starting on the day of the first listing of shares of the Company on Euronext Paris.

The shareholders have not indicated an intention to enter into a new shareholders' agreement.

18.6. CONCERTED ACTION

To the Company's knowledge, there is no concerted action among the shareholders.

18.7. AGREEMENTS CAPABLE OF RESULTING IN A CHANGE IN CONTROL

To the Company's knowledge, there are no agreements in place whose implementation might, at a later date, result in a change in control.

19. RELATED-PARTY TRANSACTIONS

All currently existing regulated agreements are mentioned in the special reports by the statutory auditor presented below.

Since the writing of the special report by the statutory auditor pertaining to the accounts for fiscal year 2013:
The Board of Directors, on January 22, 2014, approved an increase in the fixed gross annual remuneration for Mr. Jérôme Bailly, Deputy General Managerfor the Company, pursuant to his employment contract.
On April 25, 2014, the Board of Directors ratified the modification in the supplemental health insurance plan (VIVENS instead of GAN) particularly benefiting executive corporate officers (namely Mr. Gil Beyen, Pierre-Olivier Goineau, Yann Godfrin, and Jérôme Bailly) so as to decrease the payments made by the Company starting on January 1, 2014, without decreasing guarantees.

19.1. INTRA-GROUP TRANSACTIONS

Not applicable, as the Company does not have subsidiaries or stakes as of December 31, 2013.

19.2. RELATED PARTY TRANSACTIONS

19.2.1. Special report by the statutory auditor on regulated agreements – Fiscal year ending December 31, 2013

Erytech Pharma S.A.

Headquarters: 60 avenue Rockefeller - Bâtiment Adénine
69008 Lyon
Share capital: €555,895

Special report by the statutory auditor on regulated agreements

General Meeting to approve the financial statements for the fiscal year ending December 31, 2013

Ladies and gentlemen of the shareholders,

In our capacity as statutory auditor for your company, we hereby present to you our report on regulated agreements and commitments.
Our task is to inform you, on the basis of the information that has been provided to us, of the characteristics and essential mechanisms of those agreements of which we have been informed or which we have uncovered during our mission, while not discussing their usefulness and their merits, nor searching for the existence of other agreements and commitments. It is your responsibility, according to the terms of articles R.225-31 and R.225-58 of the Commercial Code to assess the interest presented by the formation of these agreements and commitments in order to approve them.

Furthermore, it is our job, as applicable, to provide you with the information specified in articles R. 225-31 and R.225-58 of the Commercial Code pertaining to the execution of agreements and commitments already approved by the general meeting over the course of the past fiscal year.

We have conducted the due diligence that we believed necessary in light of the professional doctrine of the Compagnie Nationale des Commissaires aux Comptes [National Company of Statutory Auditors] pertaining to this mission. This due diligence consisted in verifying that the data provided to us was consistent with the underlying documents from which they came.

AGREEMENTS REQUIRING APPROVAL BY THE GENERAL MEETING

Agreements and commitments authorized during the past fiscal year

In application of article L.225-88 and L.225-40 of the Commercial Code, we have been informed of the following agreements and commitments which received prior authorization from your Supervisory Board and your Board of Directors subsequent to the change in governance approved by the General Meeting on April 2, 2013.

With the Auriga Partners company:

- Entity concerned: Auriga Partners, shareholder possessing a fraction of voting rights greater than 10%.
- Nature and purpose: Compensation for the increase in capital by offsetting bond interest. This compensation was authorized by the Supervisory Board on April 4, 2013.
- Terms: Under this compensation, your company booked a charge in the amount of €120,000 for fiscal year 2013.

With the Idinvest Partners company

- Entity concerned: Idinvest Partners, a shareholder possessing a fraction of the voting rights greater than 10%.
- Nature and purpose: Compensation for the increase in capital by offsetting bond interest. This compensation was authorized by the Supervisory Board on April 4, 2013.
- Terms: Under this compensation, your company booked a charge in the amount of €120,000 for fiscal year 2013.

With Mr. Pierre-Olivier Goineau

- Person concerned: Mr. Pierre-Olivier Goineau, Chief Operating Officer of the Company.
- Nature and purpose: Severance pay, authorized by the Board of Directors on May 24 2013, in the case of:
  - expiry of a term of office (except where renewal has been refused by the interested party)
  - removal (except for removal due to serious misconduct or gross negligence as this term is understood with respect to the case law of the companies section of the Court of Cassation),

  Mr. Pierre-Olivier Goineau may claim an indemnity equal to twelve times his average monthly remuneration (bonuses included) effectively received during the twelve months prior to the revocation decision or expiry of his term of office.

  Payment of this indemnity shall be subject to the finding that the following performance conditions have been met:
  - Compliance with the Company's expenditure budget and
  - At least one of the two following conditions:
    - at least one collaboration or licensing agreement underway;
    - at least one product in active clinical development phase by the Company.

- Terms: No charge was booked in this respect by your company for the 2013 fiscal year.

With Mr. Yann Godfrin

- Person concerned: Mr. Yann Godfrin, Chief Scientific Officer of the Company.
- Nature and purpose: Severance pay, authorized by the Board of Directors on May 24 2013, in the case of:
  - expiry of a term of office (except where renewal has been refused by the interested party)
  - removal (except for removal due to serious misconduct or gross negligence as this term is understood with respect to the case law of the companies section of the Court of Cassation),

  Mr. Yann Godfrin may claim an indemnity equal to twelve times his average monthly remuneration (bonuses included) effectively received during the twelve months prior to the revocation decision or expiry of his term of office.

  Payment of this indemnity shall be subject to the finding that the following performance conditions have been met:
  - Compliance with the Company's expenditure budget and
  - At least one of the two following conditions:
    - at least one collaboration or licensing agreement underway;
    - at least one product in active clinical development phase by the Company.
- Terms: No charge was booked in this respect by your company for the 2013 fiscal year.

With Mr. Gil Beyen

- Person concerned: Gil Beyen, Chairman of the Board of Directors and Chief Executive Officer of the Company.
- Nature and purpose: Severance pay, authorized by the Board of Directors on may 24 2013, in the event of:
  - expiry of a term of office (except where renewal has been refused by the interested party)
  - removal (except for removal due to serious misconduct or gross negligence as this term is understood with respect to the case law of the companies section of the Court of Cassation),

  Mr. Gil Beyen may claim an indemnity equal to:
  - twelve times his average monthly remuneration (bonuses included) effectively received during the twelve months prior to the revocation decision or expiry of his term of office, or
  - the fixed annual remuneration established by the board of directors, in the event of revocation decided within twelve months following the appointment of Mr. Beyen.

  Payment of this indemnity is subject to the finding that the following performance conditions have been met:
  - Compliance with the Company's expenditure budget and
  - At least one of the two following conditions:
    - at least one collaboration or licensing agreement underway;
    - at least one product in active clinical development phase by the Company.
- Terms: No charge was booked in this respect by your company for the 2013 fiscal year.

With all of the Senior Management

- Persons concerned: Messrs. Gil Beyen, Pierre Olivier Goineau, Yann Godfrin, Jérome Bailly
- Nature and purpose: Your Supervisory Board, on January 24, 2013, and your Board of Directors, on May 24 2013, authorized the company to assume the cost of certain services and expenses benefiting the Senior Management, as shown in the table attached, expressed in euros
- Terms

Charge borne in 2013	Gil Beyen	Jérôme BAILLY	Pierre-Olivier GOINEAU	Yann GODFRIN
Traditional professional health insurance APGIS (PRC)	2,290	1,291	3,484	3,484
Additional health insurance (GAN)	971	626	1,481	1,481
Additional pension plan (AXA)	4,855	3,122	7,406	7,406
Supply of a company car and payment of fuel				
- Rents paid during the fiscal year	5,373			
- Amount of fuel paid for.	407	1,163		

Agreements and commitments authorized since the year-end

We have been informed of the following commitments which were authorized following the close of the last fiscal year and which were previously authorized by your Board of Directors:

With Mr. Jérôme Bailly

- Person concerned: Mr. Jérôme Bailly, Qualified Person (Pharmacist) of the Company.
- Nature and purpose: Modification in the fixed gross annual remuneration as part of Mr. Jérôme Bailly's employment contract, starting on January 1, 2014. This agreement was authorized by your Board of Directors on January 22, 2014.
- Terms: The fixed annual remuneration for Mr. Jérôme Bailly is set at €60,000, payable over 12 months.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING

Agreements and commitments approved during previous fiscal years

In application of articles R.225-30 and R.225-57 of the Commercial Code, we have been informed that the execution of the following agreements and commitments, already approved by the general meeting during previous fiscal years, were pursued in the past fiscal year.

With the Gil Beyen BVBA company

- Person concerned: Mr. Gil Beyen, Chairman of the Board of Directors and Chief Executive Officer.
- Nature and purpose: this contract was authorized by the Supervisory Board on January 21, 2012 and ended on April 30, 2013.

Your company entered into a permanent consultancy agreement with the Gil Beyen BVBA company starting in January 2012. This contract was intended to assist management in the search for financial partners and to contribute its expertise and assistance in the implementation of the company's strategy. In return for the delivery of these services, your company agreed to pay €1,200/day of work by Mr. Gil Beyen, with the average number of days being estimated at 12 per month, although in no case is would it be below or above a range of between 8 and 16 days.

Additional fees were also provided in the contract, particularly in the event that capital was raised, bonds were issued, shareholder loans, payment of advances or firm "milestones" contingent on commercial development (starting from a cumulative payment threshold of €15 million).

If the consultancy agreement was terminated by the Company for any reason other than wrongdoing by the consultant, ERYTECH SA would be required to pay to Gil Beyen BVBA an indemnity equal to three months of normal activity preceding the termination and at least €43,200 if the termination occurred within three months following the signature of the consultancy agreement.

Travel costs were borne by the consultant, except for exceptional travel costs incurred as part of his mission.

- Terms:

By virtue of this contract, for fiscal year 2012, your company booked fees in a total amount of €112,763 corresponding to:

- €95,463 for daily invoices,
- €17,300 for outlays

With Mr. Jérôme Bailly

- Person concerned: Mr. Jérôme Bailly, Qualified Person (Pharmacist)of the Company.
- Nature and purpose: Your company allocated fixed annual gross remuneration to Mr. Jérôme Bailly, Qualified Person (Pharmacist) of the Company, by virtue of his employment contract.
- Terms: By virtue of this contract, for fiscal year 2013, your company booked a charge of €54,600.

With the **Deputy General Managers**

- Persons concerned: Mr. Pierre Olivier Goineau, Mr. Yann Godfrin, and Mr. Jérôme Bailly
- Nature and purpose: on December 22, 2006 and December 21, 2011, your Supervisory Board authorized the company to assume the costs of certain services and expenses benefiting the Deputy General manager as shown in the attached table, expressed in euros
- Terms:

Charge borne in 2013	Pierre-Olivier GOINEAU	Yann GODFRIN	Jérôme BAILLY
Unemployment insurance with Association pour la Garantie Sociale des Chefs et Dirigeants d'entreprise (GSC)	5,619	5,619	
Provision of a company car and payment of fuel			
- Rents assumed during the fiscal year	8,770	9,235	5,878
- Amount of fuel paid for	1,773	1,889	

Lyon, April 28, 2014

KPMG Audit Rhône Alpes Auvergne

Gaël Dhalluin
Partner

19.2.2. Special report by the statutory auditor on regulated agreements – Fiscal year ending December 31, 2012

Erytech Pharma S.A.
Headquarters: 60 avenue Rockefeller
69008 Lyon
Share capital: € 315,355
Special report by the statutory auditor on regulated agreements
General meeting to approve the financial statements for the fiscal year ending December 31, 2012

Ladies and gentlemen of the shareholders,

In our capacity as statutory auditor for your company, we hereby present you our report on regulated agreements.

Our task is to inform you, on the basis of the information that has been provided to us, of the characteristics and essential mechanisms of those agreements of which we have been informed or which we have uncovered on the occasion of our mission, while not discussing their usefulness and their merits, nor searching for the existence of other agreements. It is your responsibility, according to the terms of article R225-58 of the Commercial Code to assess the interest presented by the formation of these agreements in order to approve them.

Furthermore, it is our job, where applicable, to provide you with the information specified in Article L.225-88 of the Commercial Code pertaining to the execution of agreements already approved by the general meeting over the course of the past fiscal year.

We have conducted the due diligence that we believed necessary in light of the professional doctrine of the Compagnie Nationale des Commissaires aux Comptes pertaining to this mission. This due diligence consisted in verifying that the data provided to us was consistent with the underlying documents from which they came.

AGREEMENTS REQUIRING APPROVAL BY THE GENERAL MEETING

Agreements and commitments authorized during the past fiscal year

In application of article L.225-88 of the Commercial Code, we have been informed of the following agreements which received prior authorization from your Supervisory Board.

With the Gil Beyen BVBA company

- Person concerned: Mr. Gil Beyen, Chairman of the Supervisory Board as of August 31, 2012 (ratification of his appointment proposed in the fourth resolution of the ordinary general meeting on April 2, 2013)
- Nature and purpose:

This contract was authorized by the Supervisory Board on January 21, 2012.

Your company entered into a permanent consultancy agreement with the Gil Beyen BVBA company starting in January 2012. This contract was intended to assist management in the search for financial partners and to contribute its expertise and assistance in the implementation of the company's strategy. In return for the delivery of these services, your company agreed to pay €1,200/day of work by Mr. Gil Beyen, with the average number of days being estimated at 12 per month, although in no case is would it be below or above a range of between 8 and 16 days.

Additional fees were also provided in the contract, particularly in the event that capital was raised, bonds were issued, shareholder loans, payment of advances or firm "milestones" contingent on commercial development (starting from a cumulative payment threshold of €15 million).

If the consultancy agreement was terminated by the Company for any reason other than wrongdoing by the consultant, ERYTECH SA would be required to pay to Gil Beyen BVBA an indemnity equal to three months of normal activity preceding the termination and at least €43,200 if the termination occurred within three months following the signature of the consultancy agreement.

Travel costs are borne by the consultant, except for exceptional travel costs incurred as part of his mission.

- Terms:

By virtue of this contract, for fiscal year 2012, your company booked fees in a total amount of €393,900 corresponding to:

- €152,400 for daily invoices,

- €91,500 on a lump sum basis, to which were added €150,000 as additional fees, described above, and representing 1% of the various payments effectively received.

Disbursement costs for fiscal year 2012 came to €33,657.

Agreements and commitments authorized since the year-end

We have been informed of the following commitments which were authorized following the close of the last fiscal year and which were previously authorized by your Supervisory Board.

With the Gil Beyen BVBA company
Person concerned: Mr. Gil Beyen, Chairman of the Supervisory Board as of August 31, 2012 (ratification of his appointment proposed in the fourth resolution of the ordinary general meeting on April 2, 2013)

- Nature and purpose:

This contract was authorized by the Supervisory Board on January 24, 2013.

Your company executed an addendum to the permanent consultancy agreement with the Gil Beyen BVBA company signed in January 2012. This addendum was intended to modify certain terms of the initial contract. Starting on February 1, 2013, and in return for the performance of these services, your company agreed to pay €1,400/day of work by Mr. Gil Beyen. The average number of days was estimated to be 15 per month and could not fall either below or above a range of between 12 and 18 days.

Additional fees were also provided in the contract, particularly in the event of raising capital, bonds, shareholder loans, advances or firm "milestones" contingent on commercial development (starting from a cumulative payment threshold of €10 million).
If the agreement were to be terminated by the Company for any reason other than wrongdoing by Gil Beyen BVBA, ERYTECH SA would be required to pay an indemnity equal to €70,000 if the termination were to occur prior to July 31, 2013 and €120,000 were the termination to occur after that date.

Travel costs are borne by the consultant, except for exceptional travel costs incurred as part of his mission.

- Terms:

Currently, your company has not received any invoices reflecting the fees in this new addendum.

AGREEMENTS ALREADY APPROVED BY THE GENERAL MEETING

In application of article R.225-57 of the Commercial Code, we have been informed that the execution of the following agreements, already approved by the general meeting during previous fiscal years, was pursued in the past fiscal year.

1. Unemployment insurance contract with the Association pour la Garantie Sociale des Chefs et Dirigeants d'Entreprise [Association for social welfare of corporate officers and directors] (GSC)

- Person concerned: Mr. Yann Godfrin
- Nature and purpose:

The formation of an unemployment insurance contract with Association pour la Garantie Sociale des Chefs et Dirigeants d'Entreprise (GSC), covering Mr. Yann Godfrin, Chief Executive Officer, was authorized by your Supervisory Board on September 29, 2005.

- Terms: The cost borne by the company in this regard during the fiscal year ending December 31, 2012 was €5,885.

2. Unemployment insurance contract with the Association pour la Garantie Sociale des Chefs et Dirigeants d'Entreprise (GSC)

- Person concerned: Mr. Pierre-Olivier Goineau
- Nature and purpose:

The formation of an unemployment insurance contract with Association pour la Garantie Sociale des Chefs et Dirigeants d'Entreprise (GSC), covering Mr. Pierre-Olivier Goineau, Chairman of the Executive Board, was authorized by your Supervisory Board on September 29, 2005.

- Terms: The cost borne by the company in this regard during the fiscal year ending December 31, 2012 was €5,885.

Lyon, March 18, 2013
KPMG Audit Rhône-Alpes Auvergne

Gaël Dhalluin
Partner

19.2.3. Special report by the statutory auditor on regulated agreements – Fiscal year ending December 31, 2011

Erytech Pharma S.A.
Headquarters: 60 avenue Rockefeller – 69008 Lyon
Share capital: € 315,355

Special report by the statutory auditor on regulated agreements
General meeting to approve the financial statements for the fiscal year ending December 31, 2011

Ladies and gentlemen of the shareholders,

In our capacity as statutory auditor for your company, we hereby present you our report on regulated agreements.

Our task is to inform you, on the basis of the information that has been provided to us, of the characteristics and essential mechanisms of those agreements of which we have been informed or which we have uncovered on the occasion of our mission, while not discussing their usefulness and their merits, nor searching for the existence of other agreements. It is your responsibility, according to the terms of article R. 225-58 of the Commercial Code to assess the interest presented by the formation of these agreements in order to approve them.
Furthermore, it is our job, where applicable, to provide you with the information specified in Article L.225-88 of the Commercial Code pertaining to the execution of agreements already approved by the general meeting over the course of the past fiscal year.
We have conducted the due diligence that we believed necessary in light of the professional doctrine of the Compagnie Nationale des Commissaires aux Comptes pertaining to this mission. This due diligence consisted in verifying that the data provided to us was consistent with the underlying documents from which they came.

AGREEMENTS REQUIRING APPROVAL BY THE GENERAL MEETING

We hereby inform you that we have received no notice of any agreement authorized during the past fiscal year to be submitted to the general meeting for approval in application of the provisions of article L.225-86 of the Commercial code.

AGREEMENTS ALREADY APPROVED BY THE GENERAL MEETING

In application of article R.225-57 of the Commercial Code, we have been informed that the execution of the following agreements, already approved by the general meeting during previous fiscal years, were pursued in the past fiscal year.

1. Unemployment insurance contract with the Association pour la Garantie Sociale des Chefs et Dirigeants d'Entreprise (GSC)

- Person concerned: Mr. Yann Godfrin
- Nature and purpose:

The formation of an unemployment insurance contract with Association pour la Garantie Sociale des Chefs et Dirigeants d'Entreprise (GSC), covering Mr. Yann Godfrin, Chief Executive Officer, was authorized by your Supervisory Board on September 29, 2005.

- Terms: The cost borne by the company in this regard during the fiscal year ending December 31, 2011 was €5,724.

2. Unemployment insurance contract with the Association pour la Garantie Sociale des Chefs et Dirigeants d'Entreprise (GSC)

- Person concerned: Mr. Pierre-Olivier Goineau
- Nature and purpose:

The formation of an unemployment insurance contract with Association pour la Garantie Sociale des Chefs et Dirigeants d'Entreprise (GSC), covering Mr. Pierre-Olivier Goineau, Chairman of the Executive Board, was authorized by your Supervisory Board on September 29, 2005.

- Terms: The cost borne by the company in this regard during the fiscal year ending December 31, 2011 was €5,724.

3. Consultancy agreement between your company and the Galenos company

- Person concerned: Mr. Sven Andreasson
- Nature and purpose:

Your company has called on Mr. Sven Andreasson's skills and abilities to assist management in general (value creation, strategy, management) and periodically for business development and mergers and acquisitions.

The financial terms are as follows: remuneration of €1,500, all taxes and charges included, per day worked (with no more than one day per month) and reimbursement of costs and expenses. If there is a merger/acquisition operation associated with the service, a progressive bonus of at least €120,000 will be attributed for an operation of €70 million. This contract was entered into in October 2009 and has a term of two years. It was authorized by your Supervisory Board on September 18, 2009.

- Terms: The cost borne by the company in this regard during the fiscal year ending December 31, 2011 was €44,637.32 including €31,500 in fees.

4. Consultancy agreement between your company and the VIKEN Pharma Consulting company

- Person concerned: Mr. Bruce Lennart
- Nature and purpose:

The consultancy contract between your company and the VIKEN Pharma Consulting company, whose representative is Mr. Bruce Lennart, member of the Supervisory Board until November 16, 2011, was authorized by your Supervisory Board on March 31, 2008. This contract has continued following the same terms as previous years. In return for the performance of the service, the ERYTECH Pharma SA company agreed to pay €1,500, all taxes and charges included, per day of work and to reimburse costs and expenses.

- Terms: The cost borne by the company in this regard during the fiscal year ending December 31, 2011 was €4,691.05 including €3,871.63 in fees.

Lyon, July 13, 2012
KPMG Audit Rhône-Alpes Auvergne

Gaël Dhalluin
Partner

20. FINANCIAL INFORMATION CONCERNING THE COMPANY'S EQUITY, FINANCIAL POSITION, AND RESULTS

20.1. FINANCIAL STATEMENTS PREPARED BASED ON IRFS STANDARDS FOR THE YEARS ENDING DECEMBER 31, 2012 AND 2013

INCOME STATEMENT

INCOME STATEMENT (€)	notes	12.31.2013 (12 months)	12.31.2012 (12 months)
Sales revenue			
Other income from activities	6.1	1,802,262	5,737,259
Income from regular operations		1,802,262	5,737,259
Research and development costs	6.2	(2,502,790)	(1,622,696)
Clinical studies	6.2	(2,461,836)	(1,392,612)
Intellectual property costs	6.2	(363,363)	(445,263)
Overhead and general costs	6.2	(3,587,200)	(3,436,376)
Results from regular operations		**(7,112,926)**	**(1,159,688)**
Regular operating results		**(7,112,926)**	**(1,159,688)**
Other operating income and expenses		27,776	85,608
Operating results		**(7,085,150)**	**(1,074,080)**
Net cost of debt		(1,119,787)	(1,078,586)
Other financial income and expenses		20,199	(11,732)
Financial results	**6.5**	**(1,099,589)**	**(1,090,318)**
Before-tax results		**(8,184,739)**	**(2,164,398)**
Income tax	6.6	40,018	(7,637)
NET INCOME		**(8,144,721)**	**(2,172,035)**
Basic earnings per share		(1.74)	(0.69) (*)
Diluted earnings per share	7.7	(1.74)	(0.69) (*)

(*) Basic and diluted earnings per share restated for the capital operations performed on April 2, 2013 and May 7, 2013 (see note 7.7)

TRANSITION FROM NET INCOME TO COMPREHENSIVE INCOME

Net income	(8,144,721)	(2,172,035)
Components recyclable in future as income		
none		
Components recyclable in future as income		
Actuarial differences on pension commitments (IA S 19)	5,755	(23,773)
Tax effect	(1,981)	8,185
Comprehensive income	(8,140,948)	(2,187,623)

BALANCE SHEET

ASSETS (in Euros)	notes	12/31/2013	12/31/2012
NON-CURRENT ASSETS		**910,132**	**1,005,270**
Intangible assets	**7.1**	14,277	29,593
Tangible fixed assets	**7.2**	812,947	771,431
Financial assets	**7.3**	82,908	79,670
Other non-current assets		0	0
Deferred tax assets		0	124,576
CURRENT ASSETS		**17,038,828**	**9,138,614**
Inventories	**7.4**	138,238	115,983
Clients and associated accounts		87,192	0
Other current assets	**7.5**	1,700,874	1,147,516
Cash and cash equivalents	**7.6**	15,112,523	7,875,115
TOTAL ASSETS		**17,948,960**	**10,143,884**

LIABILITIES (in Euros)		12/31/2013	12/31/2012
EQUITY		**13,586,634**	**(4,026,991)**
Capital	**7.7**	550,602	315,355
Premiums		42,741,059	17,767,715
Reserves		(21,560,305)	(19,938,026)
Net income		(8,144,721)	(2,172,035)
NON-CURRENT LIABILITIES		**847,689**	**6,694,118**
Provisions - portion at greater than one year	**7.8**	117,144	97,098
Financial liabilities - portion at greater than one year		730,545	6,472,444
Deferred tax liabilities		0	124,576
Other non-current liabilities		0	0
CURRENT LIABILITIES		**3,514,636**	**7,476,757**
Provisions - portion at less than one year		0	106,665
Financial liabilities - portion at less than one year		281,341	4,627,386
Supplier debts and associated accounts		1,421,436	1,274,244
Other current liabilities	**7.1**	1,811,858	1,468,462
TOTAL LIABILITIES		**17,948,960**	**10,143,884**

TABLE OF CHANGES IN SHAREHOLDERS' EQUITY

TABLES OF VARIATIONS IN EQUITY (in Euros)	Capital	Issue premium	Results	Reserves	Equity
12/31/2011	**315,355**	**17,767,715**	**(5,910,195)**	**(14,078,508)**	**(1,905,633)**
Issue of common shares					
Increase in issue premium					
Allocation of Results N-1			5,910,195	(5,910,195)	
Period results			(2,172,035)		(2,172,035)
Actuarial differences				(15,588)	(15,588)
IFRS 2 expenses				66,266	66,266
12/31/2012	**315,355**	**17,765,715**	**(2,172,035)**	**(19,938,025)**	**(4,026,990)**
12/31/2012	**315,355**	**17,765,715**	**(2,172,035)**	**(19,938,025)**	**(4,026,990)**
Issue of common shares	240,540				240,540
Increase in issue premium		24,567,623			24,567,623
Own shares held by the company	(5,294)	(594,279)		(34,639)	(634,212)
Convertible bonds		1,000,000			1,000,000
Allocation of Results N-1			2,172,035	(2,172,035)	
Period results			(8,144,721)		(8,144,721)
Actuarial differences				3,773	3,773
IFRS 2 expenses				580,621	580,621
12/31/2013	**550,602**	**42,741,059**	**(8,144,721)**	**(21,560,305)**	**13,586,634**

TABLE OF CASH FLOWS

(in euros)	12/31/2013 (12 months)	12/31/2012 (12 months)
Net income	(8,144,721)	(2,172,035)
Expenses (income) with no effect on the cash position		
- Allocations (reversals) to amortizations and provisions on non-current assets	286,962	292,088
- Allocations (reversals) to amortizations and provisions on current assets	(106,665)	
- Expenses (income) relating to payments in shares	580,621	66,266
- Portion of grant reported under Results		1,039
- Capital gains or losses from disposals		
Operating grants	(1,660,806)	1,115,342
Cost of net financial debt	1,119,787	1,078,586
Tax expense (payable and deferred)	(40,018)	7,637
Internal financing capacity before financial results and taxes	**(7,964,840)**	**388,923**
Taxes paid		
Variation in working capital requirements associated with business activity	1,491,607	232,479
Net cash flow generated by business activity	**(6,473,233)**	**621,402**
Cash flow related to investment operations		
Purchase of fixed assets	(430,638)	(55,345)
- Intangible assets	(9,009)	(4,079)
- Tangible fixed assets	(418,130)	(48,423)
- Financial assets	(3,238)	(2,843)
Disposal of fixed assets	142,040	41,292
- Intangible assets		4,948
- Tangible fixed assets	142,040	36,344
- Financial assets		
Grants cashed		
Effects of changes in perimeter		
Net cash flow generated by investment operations	**(288,598)**	**(14,053)**
Cash flow associated with financing operations		
Cash-based capital increases	16,551,137	
Cost of cash-based capital increases	(2,013,989)	
Bond issues	193,284	5,062,607
Cost of bond issues		
Bond redemptions	(130,000)	(15,000)
Own shares held by the company	(599,573)	
Interest paid	(1,621)	(8,486)
Net cash flow generated by financing operations	**13,999,239**	**5,039,121**
Changes in cash position	**7,237,408**	**5,646,470**
Cash position at year start	7,875,115	5,646,470
Cash position at year end	15,112,523	2,228,645
Variation in net cash position	**7,237,408**	**5,646,470**

ERYTECH PHARMA SA
Notes annexed to the IFRS financial statements

The present annex forms an integral part of the separate financial statements for the year ending December 31, 2013. The financial statements were issued by the board of directors on April 25, 2014.

1. DESCRIPTION OF THE COMPANY'S ACTIVITIES

The Company's primary activity is research and development in the areas of treatment for acute leukemia and other orphan diseases.

Since its founding, the Company has focused its efforts on the following:

- The development of a patented technology based on the encapsulation of molecules in red blood cells, offering an innovative approach to the treatment of acute leukemia and other solid tumors. Development of the main product, ERYASP™/GRASPA®, initiated upon creation of the Company, has lead to the issue of 10 patent families held by the Company. The Company has also developed a patented industrial process capable of producing clinical batches GRASPA®, and able to meet demand upon commercialization of the product.
- The implementation of clinical trial programs intended initially to validate GRASPA® in terms of safety of usage and toxicology through a phase I clinical trial on acute lymphoblastic leukemia (ALL) in adult and pediatric patients with a relapse of ALL. Based on the results obtained, the Company conducted a phase II clinical trial that also demonstrated the safety of the product and its efficacy in patients over 55 years for ALL. The Company has initiated a phase II/III clinical study, at the end of which ERYTECH intends to file an application for approval for the introduction of GRASPA® on the European market for the treatment of ALL. The Company has likewise initiated a phase I study on acute myeloid leukemia (AML).

The Company's business model is to develop its products up to the point of obtaining approval for their placement on the market in Europe and then in the United States. Commercial partnerships established by ERYTECH will allow for the distribution GRASPA® to be ensured first in Europe and then in the United States and in the rest of the world. ERYTECH has the capacity to ensure the supply of GRASPA® for the first years of its sale in Europe, through its production unit in Lyon.

2. FACTS CHARACTERIZING THE FISCAL YEAR

2.1 Introduction on the stock market

The Company became listed on the regulated market EURONEXT, compartment C. The first day of trading was May 7, 2013. The company decided to exercise the extension clause pertaining to the amount of the public offering (exclusive of the set-off of claims) for €16.7 million, to which a subscribed amount of €1 million was added for the set-off of claims. The conversion of convertible bonds, for a total of €10 million, €5 million of which were held by Recordati Orphan Drugs, brought the operation's total to €27.8 million.

The price applicable to the total offering and to the open price offer was set mid-range at €11.60. The entirety of the 1,524,334 new shares offered within the scope of the public offering was subscribed and allocated in the following manner:

- Total offering: 1,157,989 shares allocated to institutional investors (i.e., 80.4% of the total number of shares issued);
- Open price offer: 282,595 shares allocated to the public (i.e., 19.6% of the total number of shares issued).
- Set-off of claims: creation of 83,750 additional shares.

Based on a total of 5,539,952 shares admitted for trading and a value of €11.60 per share, the ERYTECH market capitalization totaled approximately €64.3 million at the end of the operation.

The introduction on the market generated the conversion of bonds held by the IDInvest and Auriga Partners funds, as well as those held by Recordati. The interest accrued on bonds held by the funds was also converted into shares (as Recordati's bonds had no coupon).
The introduction on Euronext also brought the company to nullify the anti-diluting instruments such as the fall-ratchet share warrants.

During the 2013 fiscal year, two new subscription warrant plans (a BSA - share subscription warrant - plan and a BSPCE – founder's share subscription warrant - plan) were allocated (see note 6.3).

2.2 Transformation of legal status and appointments

In addition to the transformation of the Company from a Société Anonyme [French corporation] (SA) with a Board of Directors and a Supervisory Board into an SA with a Board of Directors, Gil Beyen was appointed Chairman of the Board of Directors in a Board of Directors' decision on May 6, 2013.
Mr. Goineau was appointed Vice President of the Board of Directors in the same resolution, in addition to his appointment as Chief Operating Officer.

2.3 Liquidity agreement

On April 30, 2013, the company signed a liquidity agreement with the company Bryan Garnier. As of December 31, 2013 and pursuant to this agreement, 52,935 shares were recognized as shareholders' equity.

3. EVENTS SUBSEQUENT TO YEAR-END

The Company's share price significantly increased at the start of 2014, surpassing its introduction price of €11.60 in January. Due to this fact, the Company and Bryan Garnier signed an amendment to the liquidity agreement with view to proceeding with a partial re-absorption of instruments allocated, in the amount of €400,000 on March 25, 2014.

The Company created a subsidiary, Erytech Pharma Inc., in the United States, the legal existence of which began on April 9, 2014.

The Company had no other significant events subsequent to year-end.

4. BUSINESS CONTINUITY

The Company's loss-making situation is explained by the innovative nature of the products developed, therefore involving a multi-year research and development phase. The general accounting conventions were applied in compliance with the principle of prudence, in accordance with the underlying assumptions of:
- business continuity,
- permanence of accounting methods from one year to the next,
- independence of fiscal years,
and in accordance with the general rules for the preparation and presentation of annual financial statements.

5. ACCOUNTING PRINCIPLES AND METHODS

5.1 Framework

In application of the European regulation 1606/2002 of July 19, 2002, the financial statements for the company ERYTECH PHARMA are prepared in compliance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), as adopted by the European Union at the date of issue of the financial statements by the Board of Directors, as applicable at December 31, 2013.

This framework is available on the European Commission's website, at the following address: (http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm).

The accounting methods outlined below have been applied in a continuous manner to all the periods presented in ERYTECH's financial statements, after taking into account or with the exception of the new standards and interpretations described below.

5.2 New standards, amendments to standards, and interpretations applicable as of the fiscal year begun January 1st, 2013

IFRS 13 – "Fair Value Measurement"

This standard has the objective of improving consistency and reducing complexity by giving a definition of fair value as well as a single source of requirements for measuring fair value for all the IFRS. These requirements do not broaden the scope of utilization of fair value in accounting, but give instructions on the manner of application of this concept where such application is already required or permitted under other IFRS.

Amendment to IAS 19, "Employee Benefits"
This text notably contains the following changes:
- It primarily modifies the measurement methods for the long-term profitability of a plan's assets, which is based on the discount rate used to determine the current value of commitments. The "interest expense" and "interest income" components constitute the "net interest expense".
- It eliminates the option allowing for a disaggregation of actuarial differences using the "corridor" method. The new standard makes reporting the entirety of actuarial gains and losses in other items of the comprehensive income obligatory.
- It eliminates a disaggregation of the cost of unvested past services: these costs will be recognized immediately in the results.

Amendment to IAS 1 – Presentation of financial statements
The main impact for ERYTECH consists of modifying the presentation of its statement of comprehensive income in order to distinguish items that will subsequently, and under certain conditions, reclassified in the statement of comprehensive income and those that will not be reclassified.

Amendment to IFRS 7 – Disclosure – Set-off of Financial Assets and Liabilities
This amendment strengthens the additional disclosure obligations required in annex in the event of a set-off between financial assets and liabilities.

Annual improvements to the IFRS – 2009-2011 Cycle (issued in May 2012)
In May 2012, the IASB published a standard entitled IFRS Improvements 2009-2011 within the scope of its annual standards review and improvement process.

The application of these new texts had no effect on ERYTECH's 2013 financial statements.

5.3 Standards and interpretations published but not yet in force

Amendment to IAS 32 – Offsetting of Financial Assets and Liabilities
This amendment clarified the offsetting rules.

"Pack Consolidation":
IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements"; IFRS 12 "Disclosure of Interests in Other Entities"; amendments to IAS 27, "Separate Financial Statements", amendments to IAS 28, "Investments in Associates and Joint Ventures".

The European Union has set the date for obligatory application of the above-mentioned standards for fiscal years beginning on January 1, 2014, as compared to January 1, 2013, set by the IASB, with the exception of the amendment to IAS 32.

These texts should nevertheless have no significant impact on the ERYTECH financial statements.

5.4 Presentation

The statement of comprehensive income presents the classification of expenses and income per item, with the exception of other operating income and expenses.

The comparative information is presented using an identical classification.

The cash flow table was prepared according to the indirect method.

The financial statements are prepared in accordance with the principles of business continuity and the permanence of accounting methods.

5.5 Year-end

The company closed its annual accounts on December 31, 2013.

5.6 Use of estimates and judgment

Preparation of the financial statements in accordance with the rules prescribed by the IFRS requires the use of estimates and the formulation of hypotheses having an impact on the financial statement. These estimates can be revised where the circumstances on which they are based change. The actual results may therefore differ from the estimates initially formulated.

5.7 Intangible assets

Intangible assets generated internally – Research and development costs

In accordance with IAS 38, "Intangible Assets", research expenditures are accounted for in the period during which they are incurred.

An intangible asset internally generated relating to a development project is booked as an asset if, and only if, the following criteria are met:
- Technical feasibility required to complete the development project;
- Intention to complete the project, use or sell it;
- Demonstration of the probability of future economic benefits related to the asset;
- Availability of appropriate resources (technical, financial and other) to complete the project;
- Ability to reliably assess the expenditures attributable to the development project underway.

The initial assessment of the development asset is the sum of expenditures incurred from the date on which the development project meets the criteria above. When these criteria are not met, development expenditures are accounted for in the period in which they are incurred.

According to IAS 38, "Intangible Assets", development costs must be accounted for as intangible assets when specific conditions relating to technical feasibility, marketability and profitability are met. Given the considerable uncertainty related to the development projects conducted by the Company, these conditions are only met when the regulatory procedures necessary for the marketing of products have been finalized. Most of the expenditures being incurred before that stage, the development costs, are accounted for in the period in which they are incurred.

Other intangible assets

The other intangible assets are recognized at their cost, decreased by the aggregate amortizations and any losses in value. The amortization is calculated on a straight-line basis in function of the duration of the asset's use. The duration of use and the amortization method are reviewed at each year-end. All significant modifications to the anticipated use of the asset are recognized prospectively.

The other intangible assets are primarily composed of computer software and are amortized on a straight-line basis over 1 to 5 years.

An impairment is recorded where the asset's book value is greater than its recoverable value (see Note 7.1).

5.8 Tangible fixed assets

Fixed assets are recorded in the balance sheet at their purchase cost, composed of their purchase price and all directly associated costs sustained to place the asset in use and in a state of operation according to the usage intended by the company's management.

These assets are amortized according to the straight-line method, in function of their duration of use.

The primary durations of use adopted are as follows:
- Industrial equipment: 1 to 5 years;
- Systems and layout: 3 to 10 years;
- Office equipment: 3 years;
- Furniture: 3 to 5 years.

The duration of use of fixed assets, any residual values, and the amortization method are reviewed at each year-end result and, in the event of a significant change, in a forward-looking revision of the amortization plans.

In compliance with the IFRS, the different components of a single fixed asset having a different duration of use or procuring economic benefits for the company according to a different rhythm are recognized separately.

5.9 Impairment tests

According to the standard IAS 36, "Impairment of Assets", a loss in value must be recognized where the net book value is lower than the recoverable value. The recoverable value of an asset is the highest value between the fair value less disposal costs and the value in use.

The fair value less disposal costs is the amount that can be obtained from the sale of an asset in a transaction under conditions of normal competition between well-informed, consenting parties, less the disposal costs.

The value in use is the present value of estimated future cash flow anticipated from the ongoing use of an asset. The value in use is determined based on cash flows estimated based on budgets and plans, then discounted by adopting the long-term market rates after taxes that reflect the market estimates of the time value of money and the risks specific to the assets.

Amortizable fixed and intangible assets

Where new events or situations indicate that the book value of certain fixed or intangible assets may not be recoverable, this value is compared to its recoverable value, approached based on the value in use or its market value less disposal costs. Where the recoverable value is less than the net book value of these assets, the latter is changed to its recoverable value and a loss in the asset value is recognized under "provisions for impairment". The new value of the asset thus has a forward-looking amortization based on the new duration of the asset's residual life.

5.10 Other non-current financial assets

Non-current financial assets are initially recognized at their fair value, increased where applicable by the costs directly ascribable to their purchase, then further measured at the amortized cost. They cannot form the object of a loss in value where an objective indication of impairment exists. The loss in value is recognized in the profit or loss and is reversible where the recoverable value experiences a positive change in the future.

5.11 Inventories

In compliance with the IAS 2 standard for "Inventories", inventories are recognized at their cost or at their net realizable value, where this is lower. In the latter case, the loss in value is recorded under current operating income. Inventories are measured according to the FIFO method.

5.12 Lease agreements

A lease agreement is considered as being a finance lease where it transfers to the borrower substantially all the risks and benefits inherent in ownership of the asset. The other contracts are considered as being simple lease agreements.

The assets held within the scope of a finance lease are recognized in the balance sheet assets and liabilities under their fair value at the start of the contract or, where this is lower, at the discounted value of the minimum payments on the lease. These assets are then amortized in function of the anticipated duration of the asset's use.

5.13 Cash and cash equivalents

The item "cash and cash equivalents" in the balance sheet includes highly liquid securities for which the initial maturity is equal to or less than three months, considered equivalent to liquid assets. The fair value of these securities is very near their book value, given their short-term maturity.

5.14 Provisions and potential liabilities

A provision is recognized where the company has a current or implicit legal obligation resulting from a prior event, where the obligation can be reliably estimated, and where it is probable that an outflow of resources representing economic benefits will be necessary to discharge the obligation. The portion of a provision estimated as payable in less than one year is recorded under current liabilities, and the balance under non-current liabilities. The provisions are discounted where the impact is significant.

Provisions notably include:
- obligations pertaining to retirement indemnities and long-service awards,
- provisions for disputes.

Disclosure is made in the detailed notes on any potential assets and liabilities where the impact is significant, except where the probability of occurrence is low.

Provisions for retirement indemnities - defined benefit plans

In compliance with IAS 19, "Employee Benefits", within the scope of defined benefit plans, the post-employment benefits and other long-term benefits are measured every year using the projected unit credit method. According to this method, each service period gives rise to an additional unit of rights to benefits, and each of these units is measured separately to obtain the final obligation. This final obligation is then discounted.

These calculations primarily include:
- a theorized benefit payment date;
- a financial discount rate;
- an inflation rate;
- theorized wage increases, rate of employee turnover, and mortality.

The primary actuarial assumptions adopted at December 31, 2013 are described in note 7.8.

The positive or negative actuarial differences include the effects, on the commitment, of a change in calculation assumptions as well as adjustments to the obligation linked to experience. In compliance with the IAS 19 standard for "Post-Employment Benefits [employee benefits]", the company recognizes these actuarial differences under other items of the comprehensive income for post-employment benefits.

The provision showing in the balance sheet under a specific line corresponds to the total commitment at year-end, adjusted, where applicable, by the cost of past services. The cost of prior services associated with a change in the plan are recognized in the statement of comprehensive income.

The expense for the period, composed of the cost of services rendered and the financial expense of accretion, constitutes an operating expense.

5.15 Income from regular operations

The other income from activities involves products pertaining to grants. The grants are initially recognized at their fair value under deferred income, where a reasonable assurance exists that they will be received and the Company will conform to the conditions attached to these grants.

They are then recognized as income, pro rata of costs sustained, in compliance with IAS 20. Due to this, the grants to be received can be recorded in the accounts where the assignment contract is signed but the grants have not yet been received.

In compliance with IAS 20, the "Research Tax Credit" is also presented on the line "Other income from regular operations" in the statement of comprehensive income.

5.16 Regular operating results

The regular operating results are formed by income from regular operations less regular operating costs. The regular operating costs primarily include the research and development costs, the clinical studies, the intellectual property costs, the structural and general costs, the net allocations of reversals to amortizations and operating provisions, as well as the costs of share-based payments.

The regular operating results are an indicator used by the company, enabling it to present "a level of operational performance that can serve as a forward-looking approach to recurring performance" (in compliance with guideline CNC2009-R03, pertaining to the format for corporate financial statements under the international accounting framework). In effect, the regular operating results are a management balance that facilitates an understanding of the company's performance by excluding the other operating income and expenses defined below.

5.17 Share-based payments

In compliance with IFRS 2, the benefits granted to certain employees in the form of share-based payments are measured at the fair value of the instruments granted.

This remuneration can take the form of either equity or cash instruments.

Share call and subscription options are granted to executive officers and to certain employees of the company.

In compliance with IFRS 2, "Share-Based Payment", the fair value of the options is determined on the grant-date.

To determine their value, the company uses the Black & Scholes mathematical model. This allows them to take into account the characteristics of the plan (exercise price, period of exercise), the market data at the time of assignment (risk-free rate, volatility, expected dividends), and recipient behavior assumptions. Changes in value subsequent to the grant-date have no effect on this initial measurement.

The value of options is notably a function of their expected lifetime. This value is recorded under personnel expenses using the straight-line method between the grant date and the maturity date (rights acquisition period), with a direct contra-entry in the shareholders' equity.

5.18 Measurement and recognition of financial liabilities

Financial liabilities at the amortized cost

Loans and other financial liabilities are initially measured at their fair value, and then at the amortized cost, calculated using the effective interest method ("EIM").

The transaction costs directly ascribable to the acquisition or issue of a financial liability decrease this financial liability. These costs are then actuarially amortized on the lifetime of the liability, based on the EIM.

The EIM is the rate that equalizes the flow anticipated from future cash outflows at the current net book value of the financial liability, with a view to deducting its amortized cost.

Liabilities at fair value through profit and loss

The liabilities at fair value through profit and loss are measured at their fair value.

5.19 Other operating income and expenses

The other operating income and expenses correspond to individual, unusual, and infrequent items that the company presents separately in its statement of comprehensive income to facilitate comprehension of its regular operational performance. These items, where significant, form the object of a precise description, including their amount and nature, in the note "Other operating income and expenses".

5.20 Segment reporting

In compliance with IFRS 8, "Operating segments", reporting by operating segment is derived from the internal organization of the company's activities; it reflects the management's viewpoint and is established based on internal reporting used by the chief operating decision maker (the Chairman - CEO) to implement the allocation of resources and to assess performance.

Each operating segment is individually monitored in terms of internal reporting, based on performance indicators common to all the segments.

The company's current reporting has enabled it to define a single operating segment.

5.21 Financial results

The net cost of debt includes:
- interest expenses on the financial debt (cost of gross financial debt includes the financial costs and the issue costs on the financial debts) composed of loans and other financial debts (notably overdrafts and debts on financial leases);
- decreased by income from the cash and cash equivalents.

The other financial income and expenses are composed of:
- other costs paid to the banks on financial transactions;
- the effect of term investments on the results.

5.22 Taxes

Current taxes

Considering the level of tax losses that can be carried forward, no tax expense is owing.

Deferred taxes

Deferred taxes are calculated for all the time-based differences between the book value of an asset or a liability and its tax value.

Changes in the tax rates are recorded in the results of the fiscal year during which the rate change is decided.

Deferred tax assets resulting from time-based differences or taxes losses carried forward are limited to the deferred tax liabilities with the same maturity, except where their allocation on future taxable income is probable.

Deferred taxes are calculated in function of the most recent tax rates adopted at the date of each fiscal year-end.
Deferred tax assets and liabilities are not discounted and are classified in the balance sheet under non-current assets and liabilities.

In France, the company is subject to the territorial economic contribution ("contribution économique territoriale" or CET), which combines the corporate real estate contribution ("cotisation foncière des entreprises" or CFE) and the corporate value added contribution ("cotisation sur la valeur ajoutée des entreprises" or CVAE):

- the corporate real estate contribution, the amount of which is in function of property rental values and which can, where applicable, have a ceiling at a percentage of the value added, presents significant similarities to the business tax and is recognized under operating expenses;
- the corporate value added contribution meets, based on the company's analysis, the definition of an income tax as established under IAS 12.2 ("Taxes Due Based on Taxable Income"). To enter within the scope of IAS 12, a tax must be calculated based on a net amount of income and expenses, and this net amount can be different from the net book results. The company has judged that the corporate value added contribution satisfies the characteristics outlined in this conclusion, insofar as the value added constitutes the intermediate level of income that systematically serves as the basis, according to French tax law, for determining the amount due in relation to the corporate value added contribution.

In compliance with the provisions of IAS 12, qualification of the corporate value added contribution as an income tax leads to the recognition of deferred taxes pertaining to time-based differences existing at year-end, with a contra-entry of a net expense in that year's statement of comprehensive income. Where applicable, this deferred tax expense is presented on the line "taxes". For the moment, the company does not pay the CVAE.

5.23 Cash flow table

The cash flow table is prepared using the indirect method and separately presents the cash flows associated with operating, investment, and financing activities.

Operating activities correspond to the company's primary income-generating activities and all the other activities that do not meet the investment or financing criteria. The company has decided to classify grants received under this category. The cash flows associated with operating activities are calculated by adjusting the net results of variations in working capital requirements, of items with effects of a non-cash nature (amortization, impairment), of disposal gains, of calculated expenses.

Cash flows associated with investment activities correspond to cash flows associated with the purchase of assets, net of supplier debts on the assets, and with the disposal of assets and other investments.

Financing activities are operations that result in changes in the size and composition of the contributed equity and borrowings of the entity. Capital increases and the obtaining or repayment of loans are classified under this category. The company has chosen to classify the repayable advances under this category.

The increases in assets and liabilities with non-cash effects are eliminated. As such, the assets financed through a finance lease are not included in the period's investments. The decrease in financial debt associated with leases is therefore included under the period's loan repayments.

5.24 Earnings per share

The company presents the basic earnings per share and the diluted earnings per share.

The basic earnings per share are calculated by dividing the company's net results by the weighted average number of shares in circulation during the fiscal year.

The diluted earnings per share are calculated by dividing the results by the weighted average number of common shares in circulation, increased by all dilutive potential common shares. The dilutive potential common shares include, in particular, the share subscription warrants.

5.25 Off-balance sheet commitments

The company has defined and implemented monitoring for its off-balance sheet commitments so as to know their nature and object. This monitoring pertains to information relative to the following commitments given:

- personal guarantees (guarantees, endorsements, and bonds),
- security interests (mortgages, pledges, and sureties),
- simple leases, purchase and investment obligations,
- other commitments.

6. Notes pertaining to the statement of comprehensive income

6.1 Other income from activities

The other income from activities is composed of the following elements:

in euros	12/31/2013	12/31/2012
Research tax credit	1,366,656	812,570
Grants	294,150	(75,311)
Upfront/Milestone	-	5,000,000
Other income	141,456	-
Other income from activities	**1,802,262**	**5,737,259**

The other income was primarily generated by the research tax credit, the grants associated with the preclinical research programs in partnership with entities such as OSEO (which became BPI France), EXHONIT SA, INGEN BIOSCIENCES, and INSERM.

6.2 Details of expenses by item

12/31/2013 - in €	Research and development costs	Clinical studies	Intellectual property costs	Structural and general costs	Total
Supplies and consumables	288,280	186,280	-	31,929	507,207
Leases and maintenance	146,297	173,456	-	416,265	736,018
Services, sub-contracting, and fees	629,890	1,060,498	265,371	449,780	2,405,538
Personnel expenses	1,331,773	814,789	97,992	1,839,667	4,084,538
Net allocations to amortizations and provisions	81,187	141,293	-	38,681	261,161
Other expenses	25,362	84,803	-	810,878	921,043
Total	**2,502,790**	**2,461,836**	**363,363**	**3,587,200**	**8,915,188**

12/31/2012 - in €	Research and development costs	Clinical studies	Intellectual property costs	Structural and general costs	Total
Supplies and consumables	177,818	79,623	-	24,164	281,605
Leases and maintenance	128,932	24,720	-	405,120	558,772
Services, sub-contracting, and fees	257,980	441,079	394,884	806,472	1,900,415
Personnel expenses	932,018	428,225	50,379	1,189,928	2,600,550
Net allocations to amortizations and provisions	78,684	192,031	-	140,127	410,842
Other expenses	47,263	226,935	-	870,566	1,144,764
Total	**1,622,695**	**1,392,613**	**445,263**	**3,436,377**	**6,896,948**

On November 23, 2012, Erytech signed a marketing agreement with Orphan Europe (Recordati Group), a company specialized in the development, production, and marketing of drugs for orphan diseases. Orphan Europe is a subsidiary of Recordati, a major pharmaceutical group.

Orphan Europe participates in the financing of the phase IIb study in AML, for which Erytech re-invoices the cost of this study Euro for Euro. These re-invoiced costs are presented in the accounts less the clinical trial expenses. In the same manner, the corresponding invoices issued to the attention of Orphan Europe are not presented in the accounts.

6.3 Personnel costs

The personnel costs are broken down as follows:

in euros	12/31/2013	12/31/2012
Research and development costs	955,069	325,756
Clinical studies	618,382	287,509
Intellectual property costs	78,733	33,825
Structural and general costs	1,295,365	825,724
Total wages and benefits	**2,947,549**	**1,772,814**
Research and development costs	376,705	306,262
Clinical studies	196,407	140,715
Intellectual property costs	19,259	16,555
Structural and general costs	544,302	364,204
Total company expenses	**1,136,672**	**827,736**
Personnel costs	**4,084,221**	**2,600,550**

The personnel expenses associated with IFRS 2 have been broken down in the following manner:

Founder's share warrants (BSPCE):

in number/euros	2012 balance	2013 subscribed	2013 canceled	2013 balance	Fair value (€42.58)
		in number			in value
Intellectual property costs	100	175	-	275	7,452
Clinical studies	553	940	-	1,493	40,025
Research and development costs	3,278	3,190	-	6,468	135,830
Structural and general costs	3,503	8,872	-	12,375	377,770
Total	**7,434**	**13,177**	**-**	**20,611**	**561,077**

Share warrants (BSA):

in number/euros	2012 balance	2013 subscribed	2013 canceled	2013 balance	Fair value (€42.58)
		in number			in value
Intellectual property costs	3,566	459	1,900	2,125	19,544
Total	**3,566**	**459**	**1,900**	**2,125**	**19,544**

Share-based payment (IFRS 2)

Share options have been allocated to the executive officers, to certain employees, as well as to members of the Board of Directors in the form of share subscription warrants ("BSA") or founder's share subscription warrants ("BSPCE"). The price to exercise the options granted is equal to the market price of the shares at the plan approval date.

Types of securities	Founder's share warrants (BSPCE)$_{2012}$	Share warrants (BSA)$_{2012}$
Number of warrants issued	33,788	30,034
Number of warrants allocated	45,050	
Number of warrants subscribed 2012/2013 combined	20,611	4,025
Number of warrants exercised or canceled	0	1,900
Date of general meeting	May 21, 2020	
Exercise price per new share subscribed	€7.362	
Final date for exercising warrants	May 20, 2020	
Parity	1 warrant for 10 shares	
General conditions of exercise	Warrant holders can only exercise their subscribed warrants: (i) upon the occurrence of a firm, definitive operation involving the initial listing of Company shares for trading on a regulated or unregulated stock market, in France or the European Union, or a foreign securities exchange; (ii) on one single occasion, or (iii) on multiple occasions, within a limit of twice a year and at least 100 warrants. Warrant holders may only exercise their warrants in their entirety (whether the warrants have been allocated but not yet subscribed or whether they have already been subscribed), save upon the occurrence of one of the following operations: (1) acceptance, by shareholders representing at least sixty-six point six seven percent (66.67%) of the shares constituting the Company's capital, of a firm, definitive buyback offer pertaining to control of the Company (as pursuant to article L. 233-3 of the Commercial Code); (ii) the formation of a merger agreement providing for absorption of the Company. The securities to which the warrants give rights are common shares. Each warrant shall give the right to ten (10) shares in the Company's share capital. The new shares resulting from the exercise of BSPCEs shall form the object of periodic requests for admission for trading on the regulated market NYSE Euronext.	
Maximum number of new shares that can be subscribed	431,500	

The extraordinary shareholders' meeting of May 21, 2012 reported in its first resolution that the entirety of the BSAs and BSPCEs issued prior to this date by the company (with the exception of the Full Ratchet BSA-As) had been purely and simple canceled. This same Extraordinary General Meeting decided, in a second resolution, to issue new share warrants (BSAs) and founder's share warrants (BSPCEs).

On May 7, 2013, the Full Ratchet BSA-As were canceled within the scope of the company's listing on the stock market.

At the end of 2013, the subscription warrants were broken down as follows:

Share warrants / Founder's share warrants (BSA/BSPCE) reference	Extraordinary general meeting reference	Parity	Period of exercise	Number of securities issued	subscriptions	exercise	Number of securities remaining to be exercised
2012 Founder's share warrants (BSPCE)	05/21/2012	1 warrant = 10 shares	05/20/2020	33,788	20,611	-	13,177
Share warrants (BSA) 2012	05/21/2012	1 warrant = 10 shares	05/20/2020	11,263	4,025	1,900	7,238
			Total	**45,051**	**24,636**	**1,900**	**20,415**

6.4 Net allocation to amortizations and provisions

in euros	12/31/2013	12/31/2012
Research and development costs	81,187	78,684
Clinical studies	141,293	192,031
Intellectual property costs	-	-
Structural and general costs	38,681	140,127
Total net allocation to amortizations and provisions	**261,161**	**410,842**

6.5 Financial results

in euros	12/31/2013	12/31/2013
Interest on leases	(4,656)	(9,382)
Financial expenses	(1,115,132)	(1,069,204)
Net cost of debt	**(1,119,788)**	**(1,078,586)**
Income (expenses) on the disposal of investment securities	19,689	2,279
Other financial income	3,210	3,957
Other financial expenses	(2,700)	(17,968)
Other financial income and expenses	**20,199**	**(11,732)**
Total	**(1,099,589)**	**(1,090,318)**

The financial expenses are impacted by the fair-value conversion of the A, B, and Recordati bonds, an amount of €240,000 paid to bondholders within the scope of the conversion and for expenses related to the restatement performed on the repayable advances.

6.6 Income taxes

in euros	12/31/2013	12/31/2012
Deferred tax assets	-	124,576
Deferred tax liabilities	-	(124,576)
Net deferred taxes	**-**	**-**

Proof of tax

in euros	12/31/2013	12/31/2012
Before-tax results	(8,285,346)	(2,164,398)
Theoretical income tax benefit	2,852,645	745,202
Operating deficit not recognized	(2,626,328)	(925,755)
CICE tax credit	9,877	-
Tax credits	470,540	279,768
Cancellation of the non-conversion premium	(476,742)	-
Other permanent differences	(201,374)	(1,546)
Other differences	11,400	(105,307)
Effective income tax benefit/(expense)	**40,018**	**(7,638)**

Given the nature of the Company's activity and its stage of development, the losses that can be carried forward were activated only in the amount of the deferred tax liabilities; the amounts activated are not significant.

The losses that can be carried forward totaled 34.3 million euros as of December 31, 2013.

7. NOTES PERTAINING TO THE BALANCE SHEET

7.1 Intangible assets

in euros	12/31/2012	Acquisitions/Allocations to amortizations	Disposals	12/31/2013
Other intangible assets				
Gross	100,168	9,009	-	109,177
Amortization and impairment	(70,575)	(24,325)	-	(94,900)
Net book value	**29,593**			**14,277**

7.2 Tangible fixed assets

in euros	12/31/2012	Acquisitions/ Allocations to amortizations	Disposals/ Transfers	12/31/2013
Assets financed under lease				
Laboratory equipment				
Gross	733,464	240,413		973,877
Amortization and impairment	(547,573)	(106,581)		(654,154)
Net book value	**185,891**			**319,723**
Assets under development	40,000	122,340	(142,340)	20,000
Assets not financed under lease				
Technical systems, equipment, and infrastructure				
Gross	318,096	19,577		337,673
Amortization and impairment	(281,622)	(26,405)		(308,027)
Net book value	**36,474**			**29,646**
General systems and various layouts				
Gross	949,721	3,734		953,455
Amortization and impairment	(444,513)	(95,726)		(540,239)
Net book value	**505,208**			**413,216**
Office and IT equipment				
Gross	25,041	32,627		57,668
Amortization and impairment	(21,184)	(6,122)		(27,306)
Net book value	**3,857**			**30,362**
GENERAL TOTAL				
Gross	**2,066,322**	418,691	(142,340)	**2,342,673**
Amortization and impairment	**(1,294,892)**	(234,834)		**(1,529,726)**
Net book value	**771,430**			**812,947**

7.3 Financial assets

in euros	12/31/2013	12/31/2012
Deposits and sureties	82,481	79,670
Other long-term receivables	427	-
Total other non-current financial assets	**82,908**	**79,670**

7.4 Inventories

in euros	12/31/2013	12/31/2012
Production inventories	55,848	54,403
Laboratory inventories	82,391	61,580
Total inventories	**138,238**	**115,983**

7.5 Other assets

in euros	12/31/2013	12/31/2012
Other non-current assets		
Research tax credit	1,366,656	812,570
Tax receivables (VAT...) and other receivables	233,151	186,105
Prepaid expenses	101,067	148,105
Other grants receivable	-	-
Other current assets	**1,700,874**	**1,147,516**

7.6 Cash position

in euros	12/31/2013	12/31/2012
Cash and cash equivalents	15,112,523	7,875,115
Bank overdrafts	-	-
Net cash position	**15,112,523**	**7,875,115**

The cash position is composed of the following items:
- As of 12/31/2013: €12.1 million in cash, €1 million in a term deposit (1 month maturity), and €2 million in an account with a 6-month guaranteed rate of return.
- As of 12/31/2012: €6.9 million in cash and €1 million in a term deposit (1 month maturity).

7.7 Shareholders' equity

As of December 31, 2012, the capital was broken down into 315,355 shares, fully paid up, with a nominal value of 1 euro, of which certain categories held a preferential right of payment in the event of liquidation, dissolution, or sale.

The general shareholders' meeting of April 2, 2013 approved the division of the nominal value of company shares by 10, thereby reducing the nominal value of each ERYTECH share from 1 euro to 0.10 euro.

Following introduction of the company on the Euronext market, the preferential rights were canceled and the capital was increased to an amount of 5,539,952 shares with a nominal value of 0.10 euro.

	Number of shares
Financial year ending December 31, 2012	**3,153,550**
Conversion of convertible bonds "OC A & B"	431,034
Compensation for bond interest	83,750
Conversion of "Recordati" convertible bonds	431,034
Conversion of BSAs	1,900
Issue of new shares following listing on Euronext	1,440,584
Number of shares as of December 31, 2013	**5,541,852**

The costs for listing on the regulated market were allocated to the issue premium.

Basic earnings per share and diluted earnings per share

in euros	12/31/2013	12/31/2012 (published)
Net income	(8,144,721)	(2,172,035)
Number of weighted shares for the period	4,686,150	315,355
Basic earnings per share	**(1.74)**	**(6.89)**
Restated net income	(6,296,879)	(1,638,422)
Dilutive effect of bond conversions and exercise of subscription rights	204,150	160,067
Diluted earnings per share	**(1.74)**	**(6.89)**

Dilutive effect of operations on the capital:

	Published 2012	Restatement following capital operation	Pro forma 2012
Weighted average number of shares	315,355	x10	3,153,550
Weighted average number of shares after dilution	(6.89)		(0.69)

7.8 Provisions for risks and liabilities

The provisions for risks and liabilities can be broken down in the following manner:

in euros	12/31/2013	12/31/2012
IDR provisions	117,144	97,098
Provisions for disputes	-	106,665
Provisions for risks and liabilities	**117,144**	**203,763**

The regime applicable at ERYTECH Pharma is defined by the collective agreement for the pharmaceutical industry.

As was specified in note 5.14, the company opted to recognize the actuarial differences in other items of the comprehensive income. The pension commitments are not covered by plan assets. The portion of the provision for which the maturity is less than one year is not significant.

The calculation assumptions for measuring the provision concerning employees are as follows:

	12/31/2013	12/31/2012
Discount rate	3.17%	2.69%
Increase in employees	3%	3%
	Non management 47%	Non management 47%
Social security contribution rate	Management 55%	Management 55%
Age of retirement	65 - 67 years	65 years
Mortality table	INSEE 2013	INSEE 2012

The breakdown of provisions is as follows:

in euros	12/31/2013	12/31/2012
Provision for pension commitments	117,144	97,098
Provisions - portion at greater than one year	**117,144**	**97,098**
Other provisions for risks	-	106,665
Provisions - portion at less than one year	**-**	**106,665**

7.9 Debt

Debt by type

in euros	12/31/2013	12/31/2012
Financial debts related to leases	303,217	158,649
Bank overdrafts	0	0
Conditional advances	693,669	759,953
Convertible bonds	0	10,151,228
Loans	15,000	30,000
Financial debts	**1,011,886**	**11,099,830**

Debt by maturity

in euros	2013		
	Amounts due		TOTAL
	At less than one year	At greater than one year	
Loans	15,000		15,000
Conditional advances	144,502	549,167	693,669
Financial debts related to leases	82,841	220,376	303,217
Convertible bonds	0	0	0
Bank overdrafts			
Total debts	**242,343**	**769,543**	**1,011,886**

in euros	2012		
	Amounts due		TOTAL
	At less than one year	At greater than one year	
Loans	15,000	15,000	30,000
Conditional advances	115,000	644,953	759,953
Financial debts related to leases	84,933	73,716	158,649
Convertible bonds	4,412,453	5,738,775	10,151,228
Bank overdrafts			
Total debts	**4,627,386**	**6,472,444**	**11,099,830**

All convertible bonds were converted at the company's stock-market listing in May 2013.

7.9.1 Repayable advances

The conditional advances from public authorities form the object of agreements with OSEO. The company benefits from three agreements on repayable advances with OSEO Innovation. These advances are not interest-bearing and are 100% repayable (nominal value) in the event of technical and/or commercial success.

Within the IFRS framework, the fact that a repayable advance does not require an annual interest payment amounts to the consideration that the Company has benefited from a zero-interest loan, i.e., more favorable than market conditions. The difference between the amount of the advance at its historical cost and that of the advance discounted at the risk-free rate (10 year OAT) increased by an estimated credit spread is considered as a grant received from the State. These grants are distributed over the estimated duration of the projects financed by these advances.

The portion of the conditional advances at more than one year is recorded under financial debts - non-current portion, while the portion at less than one year is recorded under financial debts - current portion.

Since its creation, the Company has received 3 advances from OSEO, repayable under certain conditions, the main terms of which are presented below:

OSEO INNOVATION
The first assistance, granted by OSEO INNOVATION for a total amount of €735,000, concerns the program for the "development of a new treatment against pancreatic cancer through the administration of allogenic red blood cells incorporating L-asparaginase".

This assistance was distributed in 3 phases:
- €294,000 upon signature of the agreement (paid in 2008)
- €294,000 upon calls for funds (paid in 2010)
- balance upon completion of work with end of program identified by OSEO (paid in 2011)

The repayment of this conditional advance will be made according to a fixed payment schedule that will end at the latest on 06/30/2016.

The company has undertaken to repay the entirety of the loaned amount according to the following payment schedule:
- €100,000 at the latest on June 30, 2013
- €150,000 at the latest on June 30, 2014
- €225,000 at the latest on June 30, 2015
- €260,000 at the latest on June 30, 2016.

OSEO FEDER

The second assistance, granted by OSEO FEDER, which provided for a total amount of €135,000, concerns a program for the "preclinical validation of the encapsulation of interfering RNA for therapeutic use in red blood cells, notably to limit inflammation of the cirrhotic liver and/or prevent the development of hepatocellular carcinomas".

This assistance provided for distribution in 4 phases:
- €40,500 upon signature of the agreement (paid in 2009)
- €40,500 upon calls for funds (paid in 2010)
- €27,000 upon calls for funds
- balance upon completion of work with end of program identified by OSEO.

The company will have received €81,000 from OSEO/FEDER on this program. As the work corresponding to the FEDER assistance is currently terminated, the Company will not receive the last two payments of €27,000.

The repayment of this conditional advance will be made according to a fixed payment schedule that will end at the latest on September 30, 2015.

The company has undertaken to repay the entirety of the loaned amount according to the following payment schedule:
- €7,500 at the latest on September 30, 2013
- €7,500 at the latest on December 31, 2013
- €7,500 at the latest on March 31, 2014
- €7,500 at the latest on June 30, 2014
- €9,250 at the latest on September 30, 2014
- €9,250 at the latest on December 31, 2014
- €9,250 at the latest on March 31, 2015
- €9,250 at the latest on June 30, 2015
- €14,000 at the latest on September 30, 2015.

OSEO/TEDAC:

The third assistance, granted by OSEO within the scope of the draft TEDAC, is for a total amount of €4,895,052. This assistance is distributed upon completion of the following key milestones:

- €62,607 upon signature of the agreement (paid in 2012)
- the remainder upon calls for funds in function of the key milestones.

The company undertakes to repay OSEO initially:

a) a sum of €5,281,000 upon achieving a cumulative amount of before-tax sales revenue equal to or greater than 10 million euros, according to the following payment schedule:

- €500,000 at the latest on June 30 of the first year in which this cumulative sales revenue is achieved,
- €750,000 at the latest on June 30 of the second year,
- €1,500,000 at the latest on June 30 of the third year,
- €2,531,000 at the latest on June 30 of the fourth year.

b) and, where applicable, an annuity equal to 50% of the income generated through the sale of intellectual property rights resulting from the project, within the limit of a total repayment of €5.3 million.

In a second phase, where the cumulative sales revenue reaches €60,000,000, the company undertakes to pay OSEO a sum of 2.5% of the sales revenue generated by development of the products resulting from the project, within the limit of a total repayment of €15 million over 15 years.

7.9.2 Convertible bonds

in number of convertible bonds	12/31/2013	12/31/2012
Indivest Partners	-	2,000,000
Auriga Partners	-	2,000,000
Recordati Orphan Drugs	-	5,000,000
Total	**-**	**9,000,000**

All convertible bonds were converted at the company's stock-market listing in May 2013.

7.10 Other liabilities

en euros	31.12.2013	31.12.2012
Autres passifs non courants		
Dettes fiscales et sociales	815 617	361 257
Produits constatés d'avance	648 854	943 004
Autres dettes	347 388	164 201
Autres passifs courants	**1 811 859**	**1 468 462**

7.11 Related parties

In relation to the 2013 fiscal year

in euros	Total gross compensation	Fixed portion	Variable or exceptional portion	Benefits in kind (excluding GSC)	Net attendance fees	Fees, excluding out-of-pocket expenses	Optional GSC unemployment plan
Gil Beyen	164,736	164,736	-	-	-		-
Gil Beyen BVBA	87,500					87,500	
Pierre-Olivier Goineau	251,007	165,771	75,000	4,351	-		5,885
Yann Godfrin	251,110	164,996	75,000	5,229	-		5,885
Jerome Bailly	62,644	55,293	5,000	2,351	-		-
Galenos SPRL *	5,250					5,250	
Sven Andreasson	12,958				12,958		
Philippe Archinard	13,083				13,083		
Marc Beer	8,333				8,333		
Auriga Partners	120,000					120,000	
Idinvest Partners	120,000					120,000	

* company controlled by Sven Andreasson

In relation to the 2012 fiscal year

in euros	Total gross compensation	Fixed portion	Variable or exceptional portion	Benefits in kind (excluding GSC)	Net attendance fees	Optional GSC unemployment plan
Gil Beyen BVBA**	393,900	152,400	241,500			
Pierre-Olivier Goineau	185,648	115,737	60,000	4,187		5,885
Yann Godfrin	185,678	115,483	60,000	4,471		5,885
Jerome Bailly	59,187	59,187				
Galenos SPRL ***					6,375	
Bruce Lennart					17,100	
Alain Maiore					9,375	
Philippe Archinard					7,000	
Marc Beer					7,250	

* unemployment insurance policy with the Garantie Sociale des Chefs et Dirigeants d'Entreprise (French GSC; unemployment insurance provider for corporate leaders)

** the amounts indicated correspond to fees paid to Gil Beyen BVBA, excluding out-of-pocket expenses

*** company controlled by Sven Andreasson; the amounts indicated correspond to fees paid, excluding out-of-pocket expenses

The company has no other transactions with related parties.

7.12 Financial instruments recorded in the balance sheet and effect on results

in euros as of 12/31/2013	Balance sheet value	Fair value through profit or loss	Loans and receivables	Debt at amortized cost
Financial assets	82,908		82,908	
Other current assets	1,700,874		1,700,874	
Cash and cash equivalents	15,112,523	15,112,523		
Total financial assets	**16,896,305**	**15,112,523**	**1,783,782**	**-**
Financial liabilities - portion at greater than one year	730,545			730,545
Financial liabilities - portion at less than one year	281,341			281,341
Supplier debts and associated accounts	1,421,436			1,421,436
Total	**2,433,322**	**-**	**-**	**2,433,322**

in euros as of 12/31/2012	Balance sheet value	Fair value through profit or loss	Loans and receivables	Debt at amortized cost
Financial assets	79,670			
Other current assets	1,147,516		79,670	
Cash and cash equivalents	7,875,115	7,875,115	1,147,516	
Total financial assets	**9,102,301**	**7,875,115**	**1,227,186**	**-**
Financial liabilities - portion at greater than one year	6,472,444	5,738,775		733,669
Financial liabilities - portion at less than one year	4,627,386	4,412,453		214,933
Supplier debts and associated accounts	1,274,244			1,274,244
Total	**12,374,074**	**10,151,228**	**-**	**2,222,846**

8. MANAGEMENT OF MARKET RISK

Exchange rate risk

The Company uses the euro as reference currency for its financial information and communication activities. However, a significant portion, in the amount of 10% of its operating expenses, is denominated in US dollars (agency office in Philadelphia, collaborations relating to the production of clinical batches with the American Red Cross, business development consultants, consultants for the development of clinical trials in the United States, and various collaborations around tests and clinical projects in the United States).

To date, the company has not opted to use active hedging techniques, and has not made recourse to derivative instruments to this end. Unfavorable exchange rate fluctuations between the euro and the dollar that are difficult to predict could affect the financial position of the Company.

This dependency will increase, as the company will perform clinical trials in the USA and, in the longer term, sell on this market. The Company will opt for exchange rate hedging techniques.

Expenses in US dollars totaled $556,547 during the 2013 fiscal year. The counter-values recorded in the accounts totaled €420,094 in relation to the receipt of invoices and price fluctuations. This represents an average annual rate of $1.324 for €1.

The exchange rate differences are not significant for the periods presented.

Liquidity risk

See section 4.

The net cash flows associated with the Company's operating activities were respectively +0.6 million Euros at December 31, 2012 and -7.3 million Euros as of December 31, 2013.

The remaining contractual maturities of financial liabilities are broken down as follows (including interest payments):

in euros	**2013**			
		Contractual cash flow		
	Book value	**Total**	**At less than 1 year**	**1 year to 5 years**
Loans	15,000	(15,000)	(15,000)	-
Conditional advances	693,669	(701,000)	(115,000)	(586,000)
Financial debts related to lease	303,217	(303,217)	(82,841)	(220,376)
Convertible bonds	-	-	-	-
Bank overdrafts	-	-	-	-
Supplier debts and associated accounts	1,421,436	(1,421,436)	(1,421,436)	
Total	**2,433,322**	**(2,440,653)**	**(1,634,277)**	**(806,376)**

All convertible bonds were converted at the company's stock-market listing in May 2013

in euros	2012			
		Contractual cash flow		
	Book value	Total	At less than 1 year	1 year to 5 years
Loans	30,000	(30,000)	(15,000)	(15,000)
Conditional advances	759,953	(816,000)	(115,000)	(701,000)
Financial debts related to lease	158,649	(158,649)	(84,933)	(73,716)
Convertible bonds	10,151,228	(9,000,000)		(9,000,000)
Bank overdrafts				
Supplier debts and associated accounts	1,274,244	(1,274,244)	(1,274,244)	
Total	**12,374,074**	**(11,278,893)**	**(1,489,177)**	**(9,789,716)**

The contractual cash flow of €9 million corresponds to convertible bonds held by Idinvest Partners and by Auriga Venture III (nominal value of €4 million, non conversion premium of €2 million and interest due at maturity of €3 million).

9. OFF-BALANCE SHEET COMMITMENTS

Clinical trials

The costs associated with clinical trials are recognized as expenses as and when they are sustained.

Each patient included results in an obligation for ERYTECH to sustain certain costs whether or not the study continues, and to do so in addition to the expenses already incurred. When a patient is recruited, the company establishes a provision to cover all the costs sustained to continue the clinical trial over a one-year horizon.

The remainder of the costs sustained leading up to the end of the clinical trial (patients not yet recruited) are monitored off-balance sheet.

31/12/2013

		ERYTECH contrqctuql co,,it,ent		
Clinicql triql nq,e	FNP TTC	Certain FNP	Uncertain (offBalance sheet, next of taxes	Comments
2007/04	0	0	0	Study completed
2008/02	0	0	0	Study completed
2009/06	347	0	0	Inclusion completed
2012/09	0	0	0	Inclusion not begun
2012/10	0	0	0	Inclusion not begun
2013/03	0	0	0	Inclusion not begun
	FNP		**HB**	
	347		**0**	

12/31/2012		ERYTECH contractual commitment		
Name of clinical trial	FNP	Certain FNP	Uncertain (off-balance sheet, taxes excluded)	Comments
2007/04	95	0	0	Recruitment ended
2008/02	0	0	0	Ended
2009/06	68	0	534	Estimated project end €1,566,000 taxes excluded
	FNP 163		**Off-balance sheet 534**	

The off-balance sheet commitments relating to simple leases total €427,000 and essentially correspond to the lease of buildings. The maturities on these expenses are as follows:

Less than 1 year: €156,000
Between 1 year and 5 years: €271,000
More than 5 years: €0

10. AUDITORS' FEES

For the 2013 fiscal year, the auditor fees paid on the fiscal year total:

- within the scope of its legal term of office: €69,750, excluding outlays,
- in relation to the audit of service provision falling within the directly associated due diligence activities, as defined by professional standards: €1,800.

20.2. AUDITORS' REPORTS ON THE CORPORATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE IFRS FOR THE FISCAL YEAR ENDING DECEMBER 31, 2013

(The financial statements established for fiscal year 2012 were covered by a report by the statutory auditors in Section 20 of the Base Document, recorded April 17, 2013 by the AMF under No. 13-166)

Erytech Pharma S.A.

Headquarters: 60 avenue Rockefeller - Bâtiment Adénine - 69008 Lyon
Share capital: €555,895

Audit report by the statutory auditor regarding the restated financial statements following IFRS as adopted in the European Union for fiscal years ending December 31, 2013

The Board of Directors

In our capacity as statutory auditor for ERYTECH Pharma SA, and in response to your request, we conducted an audit of the restated accounts following IFRS as adopted in the European Union for ERYTECH Pharma SA pertaining to fiscal year ending December 31, 2013, as they are attached to this report.

These restated accounts were established under the Board of Director's liability. Our task, on the basis of our audit, is to express an opinion about these financial statements.

We conducted our audit following the professional standards applicable in France; these standards require that certain verifications be made so as to obtain a reasonable assurance that the restated financial statements following IFRS do not contain significant errors. An audit consists in verifying, whether through spotchecks or other selection methods, elements that will support the amounts and statements found in the financial statements. It also consists in evaluating the accounting principles followed, any significant estimates used, and the presentation of the financial statements as a whole. We believe that the information that we collected is sufficient and appropriate on which to base our opinion.

In our opinion, the restated financial statements following IFRS are an accurate presentation of the assets and financial situation of the company as well as the results from its operations for the past fiscal year as of December 31, 2013, with respect to all significant aspects and in light of the IFRS set of standards as adopted in the European Union.

Lyon, April 28, 2014

KPMG Audit Rhône Alpes Auvergne

Gaël Dhalluin
Partner

20.3. SUPPLEMENTAL INFORMATION REGARDING THE IFRS STATEMENTS

20.3.1 Share-based payments (IFRS 2)

The appraisal of share warrants following IFRS 2 was conducted using the Black & Scholes model. The primary assumptions used to determine the fair value of awards in 2012 and 2013 are as follows:

- The no risk rate retained is based on the curve of Government zero coupon bond rates on the grant to date set for maturity corresponding to the expected maturity of the plans. This no-risk rate was 0.55% for 2013 and 0.20% to 0.58% for 2012.
- We have chosen the assumption that there will be no payment of dividends,
- Volatility was determined based on historic volatility observed over a panel of seven comparable companies. It was 39% in 2013 and 41% in 2012.
- The underlying rate for 2013 was the stock market price of the company as of the award date (€10.27). For 2012, the underlying price was based on the last value available for the company. It was €73.62 (dropped to €7.362 when the shares were split tenfold).
- Because warrants could be exercised at any time in 2013, a maturity date of 3.4 years was used in the evaluation, representing a middle date between the date on which the warrants were granted and the date on which they lapsed.
- For 2012, the expected maturity was 2.1 years given worries concerning an initial public offering.

The Share Warrants and Founder's Warrants allocated in 2013 are acquired immediately, hence their accounting treatment representing their fair market value posted as a charge for the fiscal year. The IFRS 2 charge booked in 2013 was €580,620 and €66,266 in 2012.

Consequently, the tables presented in point 6.3 of the appendices to the IFRS statements may be reformulated as follows for better comprehension:

Founder's warrants (BSPCE):

in nbr./euros	Balance 2012	awarded 2013	exercised 2013	Balance 2013	FMV (€42.58)
	by number				by value
Intellectual property costs	100	175	-	275	7,452
Clinical trials	553	940	-	1,493	40,025
Research and development costs	3,278	3,190	-	6,468	135,830
General and structural costs	3,503	8,872	-	12,375	377,770
Total	**7,434**	**13,177**	**-**	**20,611**	**561,077**

* The "FMV" column represents the fair market value at the date of award for the 2013 awards.

Share warrants (BSA):

in nbr./euros	Balance 2012	awarded 2013	exercised 2013	Balance 2013	FMV (€42.58)
	by number				by value
General and structural costs	3,566	459	1,900	2,125	19,544
Total	3,566	459	1,900	2,125	19,544

* The "FMV" column represents the fair market value at the date of award for the 2013 awards.

Types of securities	**Founder's warrants (BSPCE)$_{2012}$**	**Share warrants (BSA)$_{2012}$**
Number of warrants that the Company is authorized to allocate	45,050	
Number of warrants subscribed 2012/2013 combined	20,611	4,025
Number of warrants exercised	0	1,900
Date of general meeting	May 21, 2012	
Exercise price per new share subscribed	€7.36	
Final date for exercising warrants	May 20, 2020	
Parity	1 warrant for 10 shares	
General conditions of exercise	Warrant holders can only exercise their subscribed warrants upon the occurrence of a firm, definitive operation involving the initial listing of Company shares for trading on a regulated or unregulated stock market, in France or the European Union, or a foreign securities exchange; (i) on one single occasion, or (ii) on multiple occasions, within a limit of twice a year and at least 100 warrants. Upon the occurrence of one of the following operations: (i) acceptance, by shareholders representing at least sixty-six point six seven percent (66.67%) of the shares constituting the Company's capital, of a firm, definitive buyback offer pertaining to control of the Company (as pursuant to article L. 233-3 of the Commercial Code); (ii) the formation of a merger agreement providing for absorption of the Company. Warrant holders shall be able to exercise the entirety of said holder's warrants. The securities to which the warrants give rights are common shares. Each warrant shall give the right to ten (10) shares in the Company's share capital. The new shares resulting from the exercise of BSPCEs shall form the object of periodic requests for admission for trading on the regulated market NYSE Euronext. The securities to which the warrants give rights are common shares	
Maximum number of new shares that can be issued	431,500	

The Extraordinary General Meeting of May 21, 2012 reported in its first resolution that the entirety of the share warrants (BSAs) and founder's share warrants (BSPCEs) issued prior to this date by the company (with the exception of the Full Ratchet BSA-As) had been purely and simple canceled. This same extraordinary shareholders' meeting decided, in a second resolution, to issue new BSAs and BSPCEs.

On May 7, 2013, the Full Ratchet BSA-As were canceled within the scope of the company's listing on the stock market.

At the end of 2013, the subscription warrants were broken down as follows:

BSA/BSPCE	EGM reference	Parity	Exercise period	Number of shares that Co. can issue	award	exercise	Number of shares remaining to be awarded
BSPCE 2012	05/21/2012	1 security = 10 shares	05/20/2020	33,788	20,611	-	13,177
BSA 2012	05/21/2012	1 security = 10 shares	05/20/2020	11,263	4,025	1,900	7,238
			Total	**45,051**	**24,636**	**1,900**	**20,415**

20.3.2 Presentation Of Subsidies In The Table Of Cash Flows

The Research Income Tax Credit (CIR) is booked as a subsidy pursuant to IFRS.

To this end, the Company has reclassified the 2013 research income tax credit amounting to 1.3 M€ in the "Operating subsidy" line in the cash flow table (TFT) presented in chapter 20.1.

However, the Company had not adopted the same method of presentation for the 2012 accounts. The CIR revenues had been presented in the "Variation in working capital requirements for the activity". The comparative table was not restated.

Receipt in 2013 of the 2012 CIR which was previously recorded as a claim on 12/31/2012 in the amount of 0.8 M€ is shown, in turn, on the variation in working capital requirement line (pursuant to the presentation applied in 2012).

Had the Company presented the proceeds of the CIR in the same manner as in 2013, the Net Cash Flow generated by the 2012 activity woudl have been as follows.

(in euros)	12/31/2013 (12 months)	12/31/2012 (12 months)
Net income	(8,144,721)	(2,172,035)
Expenses (income) with no effect on the cash position		
- Allocations (reversals) to amortizations and provisions on non-current assets	286,962	292,088
- Allocations (reversals) to amortizations and provisions on current assets	(106,665)	
- Expenses (income) relating to payments in shares	580,621	66,266
- Portion of grant reported under Results		1,039
- Capital gains or losses from disposals		
Operating grants	(1,660,806)	1,115,342
Cost of net financial debt	1,119,787	1,078,586
Tax expense (payable and deferred)	(40,018)	7,637
Internal financing capacity before financial results and taxes	**(7,964,840)**	**388,923**
Taxes paid		
Variation in working capital requirements associated with business activity	1,491,607	232,479
Net cash flow generated by business activity	**(6,473,233)**	**621,402**

20.3.3 Related parties – supplement pertaining to share-based payment

Compensation presented in the attached note 7.11 to the IFRS statements does not include valuation of warrants awarded to senior management.

The table may be completed with the following information:

For fiscal year 2013:

in euros	Warrants awarded in 2013	Warrants exercised in 2013	Fair market value of warrants awarded in 2013
	by number		by value
Gil BEYEN	5,632	-	239,811 €
Pierre-Olivier GOINEAU	2,515	-	107,089 €
Yann GODFRIN	2,515	-	107,089 €
Jérôme BAILLY	515	-	21,929 €
Sven ANDREASSON	255	-	10,858 €
Philippe ARCHINARD	153	-	6,515 €
Marc BEER	51	1,084	2,172 €
Alain MAIORE	-	816	- €
TOTAL	11,636	1,900	495,461

For fiscal year 2012:

en euros	Warrants awarded in 2012	Warrants exercised in 2012	Fair market value of warrants awarded in 2012
	by number		by value
Gil BEYEN	-	-	- €
Pierre-Olivier GOINEAU	2,478	-	- €
Yann GODFRIN	2,478	-	- €
Jérôme BAILLY	428	-	5,250 €
Sven ANDREASSON	1,033	-	12,332 €
Philippe ARCHINARD	684	-	7,271 €
Marc BEER	1,033	-	8,240 €
Alain MAIORE	816	-	14,443 €
TOTAL	8,950	-	47,536 €

20.4 CORPORATE FINANCIAL STATEMENTS PREPARED (FRENCH STANDARDS) FOR THE YEARS ENDING DECEMBER 31, 2012 AND DECEMBER 31, 2013

BALANCE SHEET OF ASSETS

Balance sheet showing assets
ERYTECH PHARMA **Period from 01/01/13 to 12/31/13**

ITEMS	Gross	Amortizations	Net (N) 12/31/2013	Net (N-1) 12/31/2012
SUBSCRIBED CAPITAL NOT CALLED UP				
INTANGIBLE ASSETS				
Start-up costs				
Development costs				
Licenses, patents, and similar rights	109,177	94,900	14,277	29,593
Goodwill				
Other intangible assets				
Advances and installments on intangible assets				
TOTAL intangible assets:	109,177	94,900	14,277	29,593
TANGIBLE FIXED ASSETS				
Land				
Buildings	337,674	308,028	29,646	36,474
Technical systems, industrial equipment and infrastructure	1,011,123	567,544	443,579	509,067
Other tangible fixed assets	20,000		20,000	40,000
Assets under development				
Advances and installments				
TOTAL tangible fixed assets:	1,368,797	875,572	493,225	585,541
FINANCIAL ASSETS				
Interests measured using the equity method				
Other interests				
Receivables associated with participating interests				
Other long term securities				
Loans				
Other financial assets	682,481	100,607	581,873	79,670
TOTAL financial assets:	682,481	100,607	581,873	79,670
CAPITAL ASSETS	**2,160,455**	**1,071,080**	**1,089,375**	**694,804**
INVENTORIES AND WORK IN PROCESS				
Raw materials and supplies	138,238		138,238	115,983
Inventories of goods under development				
Inventories of services under development				
Inventories of intermediate and finished products				
Inventories of merchandise				
TOTAL inventories and work in process:	**138,238**		**138,238**	**115,983**
RECEIVABLES				
Advances, installments paid on orders	429		429	
Client receivables and associated accounts	87,192		87,192	
Other receivables	1,716,965		1,716,965	998,675
Capital subscribed and called up, not paid				
TOTAL receivables:	**1,804,686**		**1,804,686**	**998,675**
LIQUIDITY AND SUNDRY EQUIVALENTS				
Term investments				1,000,000
Liquidity	15,112,523		15,112,523	6,875,115
Prepaid expenses	101,067		101,067	148,841
TOTAL liquidity and sundry equivalents:	**15,213,590**		**15,213,590**	**8,023,956**
CURRENT ASSETS	**17,156,414**		**17,156,414**	**9,138,614**
Loan issue costs to be disaggregated				
Bond redemption premium				1,484,932
Asset translation adjustments				
GENERAL TOTAL	19,316,869	1,071,080	18,245,790	11,318,350

Page 2

BALANCE SHEET OF LIABILITIES

Balance sheet showing assets **Period from 01/01/13 to 12/31/13**

ERYTECH PHARMA			Net (N) 12/31/2013	Net (N-1) 12/31/2012
ITEMS				
NET POSITION				
Share capital	of which paid up	555,895	555,895	315,355
Issue, merger, contribution premium...			42,335,338	17,767,715
	of which includes the equity			
Revaluation adjustments	method evaluation difference			
Legal reserve				
Statutory or contractual reserves				
Regulatory reserves				
Other reserves			(22,295,938)	(20,284,544)
Carried forward			(6,478,994)	(2,011,394)
Financial year's results				
	TOTAL net position:		14,116,301	(4,212,868)
INVESTMENT GRANTS				
REGULATORY PROVISIONS				
	EQUITY		14,116,301	(4,212,868)

Income from the issue of equity securities		
Conditional advances	763,607	878,607
OTHER EQUITY	763,607	878,607

Provisions for risks		106,665
Provisions for liabilities		
PROVISIONS FOR RISKS AND LIABILITIES		106,665

FINANCIAL DEBTS		
Convertible bonds		11,000,000
Other bonds		
Loans and debts with lending institutions	15,000	30,000
Other loans and financial debts		773,240
TOTAL financial debts:	15,000	11,803,240
ADVANCES AND INSTALLMENTS RECEIVED ON ORDERS IN PROCESS		
OTHER DEBTS		
Supplier debts and associated accounts	1,524,652	1,274,243
Tax and social security debts	829,988	361,257
Debts on fixed assets and associated accounts		
Other debts	347,388	164,201
TOTAL other debts	2,702,028	1,799,701
DEFERRED REVENUE	648,854	943,004
DEBTS	3,365,881	14,545,945
Liability translation adjustments		

GENERAL TOTAL	18,245,790	11,318,349

Page 3

Statement of Comprehensive Income (part one)

Statement of Comprehensive Income (Part One)
ERYTECH PHARMA

Period from 01/01/13 to 12/31/13

ITEMS	France	Export	Net (N) 12/31/2013	Net (N-1) 12/31/2012
Sale of merchandise				
Sale of goods produced				
Sale of services provided	483,964		483,964	
Net sales revenue	483,964		483,964	
Production transferred to inventory				
Capitalized production				
Operating grants			294,150	(80,845)
Reversals on amortizations and provisions, transfer of expenses			133,225	39,957
Other income			464	5,000,006
	OPERATING INCOME		911,804	4,959,118
EXTERNAL EXPENSES				
Purchase of merchandise [and customs duties]				
Variation in the inventories of merchandise				
Purchase of raw materials and other supplies			578,915	275,364
Variation in inventories [raw materials and supplies]			(22,255)	(17,923)
Other purchases and external expenses			4,308,504	3,604,775
	TOTAL external expenses:		**4,865,164**	**3,862,216**
TAXES, DUTIES, AND SIMILAR PAYMENTS			38,114	38,743
PERSONNEL EXPENSES				
Wages and benefits			2,475,736	1,718,300
Social security expenses			1,192,720	827,736
	TOTAL personnel expenses:		**3,668,456**	**2,546,035**
OPERATING ALLOCATIONS				
Allocations to amortizations on fixed assets			152,578	167,990
Allocations to provisions on fixed assets				
Allocations to provisions on current assets				
Allocations to provisions for risks and liabilities				106,665
	TOTAL operating allocations:		**152,578**	**274,655**
OTHER OPERATING EXPENSES			43,325	133,883
	OPERATING EXPENSES		8,767,638	6,855,532
	OPERATING RESULTS		(7,855,834)	(1,896,414)

Page 4

Statement of Comprehensive Income (part two)

Statement of Comprehensive Income (Part One)
ERYTECH PHARMA **Period from 01/01/13 to 12/31/13**

ITEMS	Net (N) 12/31/2013	Net (N-1) 12/31/2012
OPERATING RESULTS	**(7,855,834)**	**(1,896,414)**
Income allocated or loss transferred		
Loss sustained or income transferred		
FINANCIAL INCOME		
Financial income from participating interests		
Income from other securities and fixed asset receivables		
Other interest and similar income	534,771	1,679
Reversals on provisions and transfers of expenses		
Positive exchange rate differences	3,195	3,233
Net income on the sale of long-term securities		2,279
	537,966	7,191
FINANCIAL EXPENSES		
Financial allocations to amortizations and provisions	100,607	400,000
Interest and similar income	438,881	610,130
Positive exchange rate differences	2,700	10,218
Net income on the sale of long-term securities		
	542,188	1,020,348
FINANCIAL RESULTS	(4,222)	-1,013,158
CURRENT RESULTS BEFORE TAXES	(7,860,056)	(2,909,572)
EXCEPTIONAL INCOME		
Exceptional income on management operations	27,829	15,492
Exceptional income on capital operations		
Reversals on provisions and transfers of expenses		81,000
	27,829	96,492
EXCEPTIONAL EXPENSES		
Exceptional expenses on management operations	13,423	10,428
Exceptional expenses on capital operations		456
Exceptional allocations to amortizations and provisions		
	13,423	10,885
EXCEPTIONAL RESULTS	14,406	85,608
Employee profit-sharing in company results		
Income tax	(1,366,656)	(812,570)
TOTAL INCOME	1,477,599	5,062,801
TOTAL EXPENSES	7,956,593	7,074,195
PROFIT OR LOSS	(6,478,994)	(2,011,394)

Page 5

Appendix to the balance sheet prior to annual distribution, characterized by:

- total from balance sheet in euros:	€18,245,789.54
- sales revenues in euros:	€483,964.28
- net book results in €:	(€6,478,994.29)

The fiscal year had a duration of 12 months, covering the period from 01/01/2013 to 12/31/2013.

The notes and tables presented below form an integral part of the annual financial statement.

1 FACTS CHARACTERISTIC OF THE FISCAL YEAR

The Company became listed on the regulated market EURONEXT, compartment C. The first day of trading was May 7, 2013. The company decided to exercise the extension clause pertaining to the amount of the public offering (exclusive of the set-off of claims) for €16.7 million, to which a subscribed amount of €1 million was added for the set-off of claims. The conversion of convertible bonds, for a total of €10 million, €5 million of which were held by Recordati Orphan Drugs, brought the operation's total to €27.8 million.

The price applicable to the total offering and to the open price offer was set mid-range at €11.60.

The entirety of the 1,524,334 new shares offered within the scope of the public offering was subscribed and will be allocated in the following manner:
- Total offering: 1,157,989 shares allocated to institutional investors (i.e., 80.4% of the total number of shares issued);
- Open price offer: 282,595 shares allocated to the public (i.e., 19.6% of the total number of shares issued).
- Set-off of claims: creation of 83,750 additional shares.

Based on a total of 5,539,952 shares admitted for trading and a value of €11.60 per share, the ERYTECH market capitalization totaled approximately €64.3 million at the end of the operation.

The introduction on the market generated the conversion of bonds held by the IDInvest and Auriga Partners funds, as well as those held by Recordati. The interest accrued on bonds held by the funds was also converted into shares (as Recordati's bonds had no coupon). The introduction on Euronext also brought the company to nullify the anti-diluting instruments such as the fall-ratchet share warrants.

During the 2013 fiscal year, two new subscription warrant plans (a BSA - share subscription warrant - plan and a BSPCE – founder's share subscription warrant - plan) were allocated.

In addition to the transformation of the Company from a Société Anonyme [French corporation] (SA) with a Board of Directors and a Supervisory Board into an SA with a Board of Directors, Gil Beyen was appointed Chairman of the Board of Directors in a Board of Directors' decision on May 6, 2013.

Mr. Goineau was appointed Vice President of the Board of Directors in the same resolution, in addition to his appointment as Chief Operating Officer.

2 SIGNIFICANT EVENTS SUBSEQUENT TO YEAR-END

The Company's share price significantly increased at the start of 2014, surpassing its introduction price of €11.60 in January. Due to this fact, the Company and Bryan Garnier signed an amendment to the liquidity agreement with view to proceeding with a partial re-absorption of instruments allocated, in the amount of €400,000 on March 25, 2014.

The Company created a subsidiary, Erytech Pharma Inc., in the United States, the legal existence of which began on April 9, 2014.

The Company had no other significant events subsequent to year-end.

3 BUSINESS CONTINUITY

The Company's loss-making situation is explained by the innovative nature of the products developed, therefore involving a multi-year research and development phase. The general accounting conventions were applied in compliance with the principle of prudence, in accordance with the underlying assumptions of:
- business continuity,
- permanence of accounting methods from one year to the next,
- independence of fiscal years,

and in accordance with the general rules for the preparation and presentation of annual financial statements.

4 ACCOUNTING PRINCIPLES AND METHODS

4.1 General principles and conventions

The annual financial statement was prepared and presented in accordance with the accounting rules in effect in France, in compliance with the principle of prudence and the independence of fiscal years, and within the assumption of business continuity.

The basic method adopted for measuring the items recorded in the accounts is the historical cost method.

The accounting conventions were applied in compliance with the provisions of the Code of Commerce, the accounting decree of November 29, 1983, as well as CRC Regulations no. 2000-06, no. 2004-06, and no. 2002-10 pertaining to the rewriting of the French 2005 general chart of accounts.

4.2 Permanence of methods

No changes in accounting regulations or accounting methods took place during the fiscal year ending December 31, 2013.

4.3 Other accounting principles

The primary other methods used are as follows:

INTANGIBLE ASSETS

The intangible assets are measured at their capitalized cost or at their production cost.

R&D costs are recognized based on the following method in the research phase:
- No intangible assets resulting from research can be recognized,
- Research expenses (or expenses for the research phase of an internal project) must be recognized as expenses as and when they are incurred,
- Intangible assets are recognized if, and only if, the company can demonstrate:
  - technical feasibility,
  - the intention and capacity to complete the asset or to sell it,
  - the manner in which the intangible asset will generate probable future economic benefits,
  - the availability of resources to complete the development, use, or sell the intangible asset,
  - the capacity to reliably measure the expenses ascribable to the intangible asset or during its development.

The balance of the research and development costs item is zero on the balance sheet. In effect, not all of the criteria for recognition under intangible fixed assets have been met, and the corresponding expenses have therefore been kept under operating expenses.

TANGIBLE FIXED ASSETS

The tangible fixed assets are measured at their purchase cost (purchase price and accessory costs, excluding costs for the purchase of assets) or at their production cost.

The amortizations for impairment are calculated according to the straight-line or decreasing charge method in function of anticipated lifetime:

- Licenses, software, patents	1 to 10 years
- Technical systems	3 to 10 years
- Industrial equipment and infrastructure	1 to 5 years
- Office equipment and furniture	3 to 5 years

PARTICIPATING INTERESTS, OTHER SECURITIES, TERM INVESTMENTS

The gross value is composed of the purchase cost excluding accessory expenses. Where the current value is lower than the gross value, a provision for impairment is established in the amount of the difference.

INVENTORIES

Inventories are measured according to the FIFO method.

The gross value of merchandise and supplies includes the purchase price and the accessory expenses.

Manufactured products are valued at their production cost, including consumption and direct and indirect production expenses, the amortization of assets involved in production. The cost of the sub-activity is excluded from the value of inventories.

A provision for the impairment of inventories, equal to the difference between the gross value determined based on the above-indicated methods and the spot price or the realizable value less the proportional sales costs, is made where this gross value is greater than the other value given.

RECEIVABLES

Receivables are valued at their nominal value. A provision for impairment is made where the current value is lower than the book value.

CONVERTIBLE BONDS

The accounting method for convertible bonds is that entitled "two separate transactions", i.e., the bond, non-conversion premium included, is recorded under the liabilities in the balance sheet, and the non-conversion premium is recorded under the assets.

The non-conversion premium is then amortized proportionately to the accrued interest.

RECOGNITION OF GRANT INCOME

The grant income is recognized, where it is granted, upon its collection.

According to the matching principle, the corresponding pace of spending is taken into account and, where applicable, a portion of the grant is recorded under "deferred revenue" where the grant agreement explicitly stipulates the expenses that must be incurred. Vice-versa, an accrual is recorded where the expenses incurred allow for recognition of a portion of the grant receivable.

The company therefore records a deferred income corresponding to the portion of the grant received corresponding to expenses not incurred.

CONDITIONAL ADVANCES

The advances received from the State generally contain a portion in grants for which repayment is not required, and a portion repayable in the event of technical or commercial success, classified as conditional advances.

Conditional advances are presented in the balance sheet under the item "Other shareholders' equity" where a doubt exists regarding the technical or commercial success.

CLINICAL TRIALS

The costs associated with clinical trials are recognized as expenses as and when they are sustained.

Each patient included results in an obligation for ERYTECH to sustain certain costs whether or not the study continues, and to do so in addition to the expenses already incurred. When a patient is recruited, the company establishes a provision to cover all the costs sustained to continue the clinical trial.

The remainder of the costs sustained leading up to the end of the clinical trial (patients not yet recruited) are monitored off-balance sheet.

PROVISIONS

A provision for risks and liabilities is recorded where an equity item has a negative economic value for the entity, which translates into an obligation in relation to a third party for which it is probable or certain that it will result in an outflow of resources to the benefit of this third party, without an at least equivalent compensation anticipated by this third party.

TRANSACTIONS WITH RELATED PARTIES THAT HAVE NOT BEEN PERFORMED UNDER NORMAL MARKET CONDITIONS

No transactions of this nature were performed during the fiscal year.

PENSION AND RETIREMENT COMMITMENTS

The company has signed no special agreements relating to retirement commitments.
These commitments are therefore limited to the contractual retirement indemnity. No provision for liabilities was recognized in relation to this fiscal year.

The method adopted is the projected unit credit method (or the accrual of rights method).

The technical assumptions used are the following:
Age of retirement: 65-67 years
Average (non-management), high (management), and low (executive officer) turnover
Evolution of wages: management and non-management at 3%, executive officers at 1%
INSEE 2013 mortality table
Discount rate: IBOXX Corporates AA rate of 3.17% at December 2013
Employer contribution rate adopted: 47% (non-management) and 55% (management and executive officers).

TAX CREDIT FOR COMPETITION AND JOBS ("CREDIT D'IMPOT POUR LA COMPETITIVITE ET L'EMPLOI" - CICE)

The tax credit for competition and jobs (CICE) is a tax benefit for companies with employees and is equivalent to a decrease in their social security contributions.

The CICE must be allocated to the corporate tax due for the year in which the remuneration taken into account for calculation of the CICE was paid.

According to the ANC [French accounting standards authority] guidelines, the Company recognizes the CICE as a credit in the sub-account dedicated to account 64 "Personnel expenses".

5 ADDITIONAL INFORMATION PERTAINING TO THE BALANCE SHEET

INTANGIBLE ASSETS

The amount of research costs recognized as expenses for the fiscal year and not activated totaled €4,425,519.

FINANCIAL ASSETS

The Company has stipulated a liquidity agreement with the company Bryan Garnier with a view to encouraging the liquidity of transactions and the regularity of share prices, as well as avoiding discrepancies in share price that are not warranted by market trends.

To this end, the Company established a €600,000 credit in the liquidity account.

The company Bryan Garnier reported on its portfolio of Erytech Pharma shares at 12/31/2013, which totaled 52,935 shares valued at an average price of €9.43, i.e., €498,965.31 (recorded under financial assets).

The unrealized capital loss corresponding to these securities totals €100,607.33, recorded as a provision for impairment.

The available cash balance at 12/31/2013 totaled €427.36.

The other financial fixed assets are composed of deposits & sureties in the amount of €82,480.61.

The financial assets can thus be summarized as follows:

Item	Balance
Deposits and sureties	€ 82,481
Other long-term receivables	427 €
Shareholders' equity	€599,573
General total	€682,481

Fixed Assets

ITEMS	Gross value start of year	Increase through revaluation	Purchases, contributions, creation of transfers
INTANGIBLE ASSETS			
Start-up and development costs			
Other intangible assets	100,168		9,009
TOTAL intangible assets:	**100,168**		**9,009**
TANGIBLE FIXED ASSETS			
Land			
Buildings on own land			
Buildings on others' land			
General construction of systems			
Technical systems and industrial infrastructure	318,097		19,577
General systems, layouts, and other	949,722		3,734
Transportation equipment			
Office and IT equipment and furniture	25,041		32,627
Recoverable packaging and other			
Tangible fixed assets under development	40,000		20,000
Advances and installments			
TOTAL tangible fixed assets:	**1,332,859**		**75,938**
FINANCIAL ASSETS			
Interests measured using the equity method			
Other interests			
Other long term securities			
Loans and other financial assets:	79,670		603,238
TOTAL financial assets:	**79,670**		**603,238**
GENERAL TOTAL	**1,512,698**		**688,184**

ITEMS	Decreases through transfers	Decreases by disposals and retirements	Gross value year end	Legal revaluations
INTANGIBLE ASSETS				
Start-up and development costs				
Other intangible assets			109,177	
TOTAL intangible assets:			**109,177**	
TANGIBLE FIXED ASSETS				
Land				
Buildings on own land				
Buildings on others' land				
General construction of systems				
Technical systems, industrial equipment and infrastructure			337,674	
General systems, layouts, and other			953,455	
Transportation equipment				
Office and IT equipment and furniture			57,668	
Recoverable packaging and other				
Tangible fixed assets under development	40,000		20,000	
Advances and installments				
TOTAL tangible fixed assets:	**40,000**		**1,368,797**	
FINANCIAL ASSETS				
Interests measured using the equity method				
Other interests				
Other long term securities				
Loans and other financial assets:			682,481	
TOTAL financial assets:			682,481	

Amortizations

POSITIONS AND MOVEMENTS DURING THE FINANCIAL YEAR

AMORTIZABLE ASSETS	Amount at year start	Increases allocations	Decreases reversals	Amount year end
INTANGIBLE ASSETS				
Start-up and development costs				
Other intangible assets	70,575	24,325		94,900
TOTAL intangible assets:	**70,575**	**24,325**		**94,900**
TANGIBLE FIXED ASSETS				
Land				
Buildings on own land				
Buildings on others' land				
General construction of systems				
Technical systems, industrial equipment and infrastructure	281,623	26,405		308,028
General systems, layouts, and other	444,512	95,726		540,238
Transportation equipment				
Office and IT equipment and furniture	21,184	6,122		27,306
Recoverable packaging and other				
TOTAL tangible fixed assets:	**747,319**	**128,253**		**875,572**
GENERAL TOTAL	**817,894**	**152,578**		**970,473**

BREAKDOWN OF ALLOCATIONS TO AMORTIZATIONS DURING THE FINANCIAL YEAR

	Straight-line method	Decreasing balance method	Exceptional amortizations
AMORTIZABLE ASSETS			
INTANGIBLE ASSETS			
Start-up and development costs			
Other intangible assets	24,325		
TOTAL intangible assets:	**24,325**		
TANGIBLE FIXED ASSETS			
Land			
Buildings on own land			
Buildings on others' land			
General construction of systems			
Technical systems and industrial infrastructure	26,405		
General systems, layouts, and other	95,726		
Transportation equipment			
Office and IT equipment and furniture	6,122		
Recoverable packaging and other			
TOTAL tangible fixed assets:	**128,253**		
Costs for the purchase of equity securities			
GENERAL TOTAL	**152,579**		

Detailed Variations in Inventories and Work in Process

ITEMS	At end of financial year	At start of financial year	Variations in inventories Increase	Variations in inventories Decrease
Merchandise				
Inventories resold in the same condition				
Merchandise				
Supplies				
Inventories of supplies				
Raw materials	55,848	54,403	1,445	
Other supplies	82,391	61,580	20,810	
TOTAL I	**138,238**	**115,983**	**22,255**	
Production				
Intermediate products				
Finished products				
Scrap materials				
TOTAL II				
Production in process				
Products				
Works				
Studies				
Service provision				
TOTAL III				
PRODUCTION TRANSFERRED TO INVENTORIES (or removal of production from inventories) II + III				

The line “other supplies” concerns the inventory of products dedicated to the production of batches for clinical usage. The increase in activities in 2013 lead to a large increase in the related inventory.

Statement of Receivable and Debt Maturities

STATEMENT OF RECEIVABLES		Gross amount	At 1 year or less	At greater than 1 year
OF CAPITAL ASSETS				
Receivables associated with participating interests				
Loans				
Other financial assets		682,481		682,481
TOTAL of capital assets:		**682,481**		**682,481**
OF CURRENT ASSETS				
Doubtful clients or disputes				
Other client receivables		87,192	87,192	
Receivables representing securities lent or given as a guarantee				
Personnel and associated accounts		(72,669)	(72,669)	
Social security and other social welfare entities				
State - Income tax		1,366,656	1,366,656	
State - Value added tax		217,928	217,928	
State - Other taxes, duties, and similar payments		28,686	28,686	
State - Other				
Group and shareholders				
Sundry debtors		103,644	103,644	
TOTAL current assets:		**1,731,437**	**1,731,437**	
PREPAID EXPENSES		101,067	101,067	
GENERAL TOTAL		2,514,985	1,832,504	682,481

STATEMENT OF DEBTS	Gross amount	At 1 year or less	At greater than 1 year and less than 5 years	At greater than 5 years
Convertible bonds				
Other bonds				
With lending institutions:				
- at a maximum of 1 year from origin				
- at more than 1 year from origin	15,000	15,000		
Other loans and financial debts				
Suppliers and associated accounts	1,524,652	1,524,652		
Personnel and associated accounts	475,033	475,033		
Social security and other entities	232,206	232,206		
Income tax				
Value added tax	14,321	14,321		
Guaranteed bonds				
Other taxes, duties, and similar charges	35,708	35,708		
Debts on fixed assets and associated accounts				
Group and shareholders				
Other debts	347,388	347,388		
Debts representing borrowed securities				
Deferred revenue	648,854	648,854		
GENERAL TOTAL	3,293,161	3,293,161		

RESEARCH TAX CREDIT

The Company has benefited, since its creation in 2004, from the research tax credit ("crédit d'impôt recherche" - CIR) as defined in article 244, quater B I of the French General Tax Code.

It is recognized in the results, less the income tax, with a tax receivable contra-entry.

The amount of the company's CIR for the last three fiscal years totaled:

- 2013 : €1,336,356
- 2012 : €812,570
- 2011 : €798,967

TAX CREDIT FOR COMPETITION AND JOBS ("CREDIT D'IMPOT POUR LA COMPETITIVITE ET L'EMPLOI" - CICE)

The company benefits from a tax credit for competition and jobs (CICE) created under article 66, law no. 2012-1510 of December 29, 2012, the amending finance law for 2012.

The amount for fiscal year 2013 totaled €28,686.24 and was recorded minus salary expenses, with a tax receivable contra-entry in the balance sheet.

SUNDRY DEBTORS

Sundry debtors concerns credit notes with suppliers having provided the company with equipment financed under lease, and having incorrectly invoiced the company.

LIQUIDITY

The company's cash position totaled €15,112,522.84, of which €3,000,000 was placed in term deposits, stipulated:
- in the amount of €1,000,000, with Société Générale, 1-month maturity, tacitly renewable,
- in the amount of €2,000,000, with Banque Populaire, 6-month maturity, mobilized on demand.

The cash position was therefore divided based on the following categories:

Current accounts	€12,105,313.82
Term deposits	€3,000,000.00
Accrued interest	€6,318.91
Currencies	€890.11
Total	€15,112,522.84

Prepaid Expenses and Deferred Income

ITEMS	Expenses	Products
Operating expenses or income	101,067	648,854
Financial expenses or income		
Exceptional expenses or income		
TOTAL	101,067	648,854

The prepaid expenses primarily concern maintenance contracts, as well as lease agreements on movable and immovable property.

The deferred income is the portion of the grant from the TEDAC project for which associated costs have not yet been sustained.

BOND REDEMPTION PREMIUMS

All convertible bonds were converted at the company's stock-market listing in May 2013.

As a result, the non-conversion premiums were amortized up to 04/30/2013 pro rata of interest incurred in the amount of €131,507, to then be canceled.

Their previously amortized portions were recognized under other financial income.

Annual movements affecting the expenses distributed over multiple years	Net amount start of year	Increases	Allocations to amortizations	Net amount end of year
Bond redemption premiums	**1,484,932**	**1,353,425**	**131,507**	**0**

Income receivable

AMOUNT OF INCOME RECEIVABLE INCLUDED IN THE FOLLOWING BALANCE SHEET ITEMS	Amount
Financial assets	
Receivables associated with participating interests	
Other financial assets	
Receivables	
Client receivables and associated accounts	
Personnel	
Social security entities	
State	28,686
Other, income receivable	428
Other receivables	103,216
Term investments	
Liquidity	
TOTAL	**132,330**

Composition of Share Capital

CATEGORIES OF SECURITIES	Number	Nominal value
1- Shares or stock constituting the share capital at the start of the financial year	3,153,550	0.1
2- Shares or stock issued during the financial year	2,405,402	0.1
3- Shares or stock redeemed during the financial year		
4- Shares or stock constituting the share capital at the end of the financial year	5,558,952	0.1

The introduction on the EURONEXT stock market created 386,402 new shares in May 2013.
The IPO itself created 1,440,584 shares; the conversion of bonds created 945,818 shares. The exercise of share warrants (BSAs) created 19,000 new shares during the financial year.
The nominal value at the start of the year was divided by 10, simultaneously with a multiplication of the number of shares by 10 (general meeting of 04/02/2013).

Table of variations in equity
(in euros, French regulations)

	Number of shares	Share capital	Issue premium	Reserves & carried forward	Financial year's results	Regulatory provisions	Total equity
Balance as of Dec. 31, 2012	3,153,550	€315,355.00	€17,767,715.14	(€20,284,543.97)	(€2,011,394.12)	- €	(€4,212,867.95)
Allocation of 2012 results				(€2,011,394.12)	€2,011,394.12		- €
Capitalization of convertible bond interest	83,750	€8,375.00	€963,125.00				€971,500.00
Conversion of convertible bonds	862,068	€86,206.80	€8,913,793.20				€9,000,000.00
IPO	1,440,584	€144,058.40	€16,566,716.00				€16,710,774.40
Allocation of IPO costs			(€2,013,989.01)				(€2,013,989.01)
Conversion of share warrants (BSAs)	19,000	€1,900.00	€137,978.00				€139,878.00
Results from the 2013 financial year					(€6,478,994.29)		(€6,478,994.29)
Balance as of Dec. 31, 2013	5,558,952	€555,895.20	€42,355,338.33	(€22,295,938.09)	(€6,478,994.29)	- €	€14,116,301.15

CONDITIONAL ADVANCES

The conditional advances, totaling €763,607, were divided as follows at 12/31/2013:
- OSEO INNOVATION (advance 1): €635,000
- OSEO FEDER (advance 2): €66,000
- OSEO/BPI FRANCE (advance 3): €62,607

1. Assistance granted by OSEO INNOVATION (€735,000): program for the "development of a new treatment against pancreatic cancer through the administration of allogenic red blood cells incorporating L-asparaginase".

This assistance was distributed in 3 phases:
- €294,000 upon signature of the agreement (paid in 2008)
- €294,000 upon calls for funds (paid in 2010)
- balance upon completion of work with end of program identified by OSEO.

The repayment of this conditional advance will be made according to a fixed payment schedule that will end at the latest on 06/30/2016. To this end, the company repaid its first maturity of €100,000 in 2013.

2. Assistance granted by OSEO FEDER (€135,000): program for the "preclinical validation of the encapsulation of interfering RNA for therapeutic use in red blood cells, notably to limit inflammation of the cirrhotic liver and/or prevent the development of hepatocellular carcinomas".

This assistance was distributed in 4 phases:
- €40,500 upon signature of the agreement (paid in 2009)
- €40,500 upon calls for funds (paid in 2010)
- €27,000 upon calls for funds
- balance upon completion of work with end of program identified by OSEO.

The repayment of this conditional advance will be made according to a fixed payment schedule that will end at the latest on 06/30/2016. As the program was interrupted early, only the first two calls for funds were paid, for a total of €81,000. The company repaid its first two maturities in 2013, for a total of €15,000.

3. Assistance granted by OSEO/BPI FRANCE (€4,895,052): TEDAC project.

This assistance is distributed upon completion of the following key milestones:
- €62,607 upon signature of the agreement (paid in 2012)
- the remainder upon calls for funds in function of the key milestones.

The company undertakes to repay OSEO a sum of €5,281,000 upon achieving a cumulative amount of pre-tax sales revenue equal to or greater than 10 million euros and, where applicable, an annuity equal to 50% of the income generated by the sale of intellectual property rights resulting from the project. In a second phase, where the cumulative sales revenue reaches €60,000,000, the company undertakes to pay OSEO a sum of 2.5% of the sales revenue generated by development of the products resulting from the project, within the limit of a total repayment of €15 million over 15 years.

Provisions Recorded in the Balance Sheet

ITEMS	Amount at year start	Increases allocations	Decreases reversals	Amount year end
Prov. for re-establishment of deposits				
Provisions for investments				
Provisions for price increases				
Special depreciation allowances				
Of which exceptional increases of 30%				
Tax provisions for establishment abroad, established prior to 01/01/1992				
Tax provisions for establishment abroad, established subsequent to 01/01/1992				
Provisions for start-up loans				
Other regulatory provisions				
REGULATORY PROVISIONS				
Provisions for disputes				
Provisions for guarantees given to clients				
Provisions for losses on futures markets				
Provisions for fines and penalties				
Provisions for exchange rate losses				
Provisions for pensions and similar obligations				
Provisions for taxes				
Provisions for fixed asset renewal				
Provisions for large-scale maintenance and major overhauls				
Provisions for social security and tax expenses on holidays owed				
Other provisions for risks and liabilities	106,665		106,555	
PROV. FOR RISKS AND LIABILITIES	**106,655**		**106,555**	
Provisions for intangible assets				
Provisions for tangible fixed assets				
Provisions for equity method investments				
Provisions for equity securities				
Provisions for other financial assets		100,607		100,607
Provisions for inventories and work in process				
Provisions for client accounts				
Other provisions for impairment				
PROVISIONS FOR IMPAIRMENT		**100,607**		**100,607**
GENERAL TOTAL	106,655	100,607	106,555	100,607

An administrative opposition procedure was brought before the European Patent Office by a third party at the end of 2012 and was abandoned in the end by different third parties.

Excluding the provision for impairment of financial assets, the company recorded a €106,665 reversal of the provision for risks and liabilities, the labor dispute associated with this provision, having formed the object of a full conciliation between the parties.

CONVERTIBLE BONDS (CB)

Within the scope of the Company's introduction on the stock market, the convertible bonds were fully converted, as well as the interest capitalized at the end of April 2013.

Expenses due

AMOUNT OF EXPENSES DUE INCLUDED IN THE FOLLOWING BALANCE SHEET ITEMS		Amount
Convertible bonds		
Other bonds		
Loans and debts with lending institutions		
Other loans and financial debts		
Supplier debts and associated accounts		278,223
Tax and social security debts		509,072
Debts on fixed assets and associated accounts		
Liquidity, expenses due		
Other debts		347,388
	TOTAL	1,134,683

6 ADDITIONAL INFORMATION PERTAINING TO THE RESULTS

SALES REVENUE

In 2012, the company stipulated an exclusive distribution agreement for its product in the indication of acute lymphoblastic leukemia with Orphan Europe, Recordati Group.

The company likewise entered into a contract with the Recordati Group to financially support clinical trial of GRASPA-AML 2012-01 in acute myeloid leukemia (AML), in the amount of 5 million euros.

To this end, in April 2013, the company began to re-invoice Orphan Europe on a monthly basis for the costs of the clinical study, this constituting various income, being re-invoiced without a margin.

OPERATING GRANTS

The company recorded the portion of the TEDAC grant associated with the program's annual expenses, totaling €294,150.

REMUNERATION OF EXECUTIVE OFFICERS

The total remuneration paid to executive corporate officers was €572,642.

The total remuneration equaled €221,001 during the period from 01/01/2013 to 04/30/2013, during which time the company was organized in the form of a Société Anonyme [French corporation] (SA) with a Board of Directors and a Supervisory Board.

The total remuneration equaled €351,641 during the period from 05/01/2013 to 12/31/2013, with the company now being in the form of an SA with a Board of Directors.

The securities held giving the right to a future portion of the capital are presented in the detailed table "Subscription warrants".

CONVERTIBLE BONDS (CB)

1. BOND REDEMPTION PREMIUM

The redemption premium was amortized over the duration of the year, pro rata of interest incurred.

The bonds having been converted within the scope of the Company's listing on the stock market, reversal of the premium previously amortized was recognized under other financial income in the amount of €515,068.49.

From a fiscal standpoint, amortization of the premium equal to the portion incurred during the fiscal year is deductible, measured on an actuarial basis according to the compound interest method, i.e., by applying the actuarial interest rate calculated at the bond issue date. The discount rate adopted was 3%.

To this end, the fiscal year 2012 recorded a tax reintegration of €130,672, which we deduct from the taxable income for 2013, the non-conversion premium being fully canceled.

2. INTEREST ON BONDS

The company recorded interest due for the period from January 1st to April 30, 2013, for the CBs bearing coupons at 15% per annum.

The corresponding amount totaled €197,260.27, recorded under financial expenses.

The debt corresponding to the interest accumulated since the issue of the CBs totaled €971,506.85 on 04/30/2013 and was converted into company shares at the same time as their nominal value of €4,000,000.

Details of exceptional income and exceptional expenses

EXCEPTIONAL INCOME	Amount	Reported in account
Current management income	53	77180000
Supplier dispute balance	27,776	77200000
TOTAL	27,829	

EXCEPTIONAL EXPENSES	Amount	Reported in account
Current management expenses	615	67180000
Expenses on previous financial year	12,808	67200000
TOTAL	13,423	

DEFERRED TAX EFFECTS

	Amount
Financial year's results	(€6,478,994)
Income tax	(€1,366,656)
Before-tax results	(€7,845,650)
Results excluding special tax assessments before taxes	(€7,845,650)
Taxable income for the financial year	(€7,992,388)
Deficits remaining to be carried forward in relation to the previous financial year	€26,309,540
Total deficits remaining to be carried forward	€34,301,928

INCOME TAX

BREAKDOWN OF TAX BETWEEN CURRENT RESULTS AND EXCEPTIONAL RESULTS

	Amount	Current results	Exceptional results
Financial year's results	(€6,478,994)	(€6,493,400)	€14,406
Income tax	(€1,366,656)	(€1,366,656)	
Before-tax results	(€7,845,650)	(€7,860,056)	€14,406

The income tax amount corresponds to the research tax credit. Its basis corresponds to research costs excluded from the exceptional results.

Details of expense transfers

TYPE	Amount
In-kind benefit	25,418
Daily social security indemnities	1,141
TOTAL	26,559

7 OTHER INFORMATION

CLINICAL TRIALS

The costs associated with clinical trials are recognized as expenses as and when they are sustained.

Each patient included results in an obligation for ERYTECH to sustain certain costs whether or not the study continues, and to do so in addition to the expenses already incurred. When a patient is recruited, the company establishes a provision to cover all the costs sustained to continue the clinical trial over a one-year horizon.
The remainder of the costs sustained leading up to the end of the clinical trial (patients not yet recruited) are monitored off-balance sheet.

12/31/2013

		ERYTECH contractual commitment		
Name of clinical trial	FNP all taxes included	Certain FNP	Uncertain (off-balance sheet, taxes excluded)	Comments
2007/04	0	0	0	Study ended
2008/02	0	0	0	Study ended
2009/06	347	0	0	Recruitment ended
2012/09	0	0	0	Recruitment not begun
2012/10	0	0	0	Recruitment not begun
2013/03	0	0	0	Recruitment not begun
	FNP 347		**Off-balance sheet 0**	

12/31/2012

		ERYTECH contractual commitment		
Name of clinical trial	FNP	Certain FNP	Uncertain (off-balance sheet, taxes excluded)	Comments
2007/04	95	0	0	Recruitment ended
2008/02	0	0	0	Ended
2009/06	68	0	534	Estimated project end €1,566,000 taxes excluded
	FNP 163		**Off-balance sheet 534**	

A provision linked to the progress of the GRASPALL 2009-06 project at the end of 2013 was recognized under expenses payable in the amount of €347,387.77 all taxes included.

RETIREMENT INDEMNITY

In consideration of the company data, for actuarial assumptions adopted, i.e., primarily a gross discount rate of 3.17%, the total commitment relating to retirement indemnities measured at 12/31/2013 totals 117,144.75 euros.

No provision for liabilities was recognized in relation to this fiscal year.

COMMITMENTS TO EXECUTIVE OFFICERS

On May 24, 2013, the Board of Directors authorized severance pay to the benefit of:

– Mr. Gil Beyen. This commitment stipulates that, in the event of Mr. Beyen's departure from the company, i.e., in the event of:
  - expiry of his term of office (except where renewal is rejected by Mr. Beyen) or
  - revocation (except due to serious misconduct or gross negligence, as understood pursuant to case law resulting from the corporate chambers of the Court of Cassation),

Mr. Beyen may claim an indemnity equal to:
  - twelve times his average monthly remuneration (bonuses included) effectively received during the twelve months prior to the revocation decision or expiry of his term of office, or
  - the fixed annual remuneration established by the Board of Directors, in the event of revocation decided within twelve months following the appointment of Mr. Beyen.

– Pierre-Olivier Goineau. This commitment stipulates that, in the event of Mr. Goineau's departure from the company, i.e., in the event of:
  - expiry of his term of office (except where renewal is rejected by Mr. Goineau) or
  - revocation (except due to serious misconduct or gross negligence, as understood pursuant to case law resulting from the corporate chambers of the Court of Cassation),

  Mr. Goineau may claim an indemnity equal to twelve times his average monthly remuneration (bonuses included) effectively received during the twelve months prior to the revocation decision or expiry of his term of office.

– Mr. Yann Godfrin. This commitment stipulates that, in the event of Mr. Godfrin's departure from the company, i.e., in the event of:
  - expiry of his term of office (except where renewal is rejected by Mr. Godfrin) or
  - revocation (except due to serious misconduct or gross negligence, as understood pursuant to case law resulting from the corporate chambers of the Court of Cassation),

  Mr. Godfrin may claim an indemnity equal to twelve times his average monthly remuneration (bonuses included) effectively received during the twelve months prior to the revocation decision or expiry of his term of office.

AUDITORS' FEES

For the 2013 fiscal year, the auditor fees paid on the fiscal year total:

– within the scope of its legal term of office: €69,750, excluding outlays,
– relating to service provision falling within the directly related diligence activities: €1,800.

SUBSCRIPTION WARRANTS

The Extraordinary General Meeting of May 21, 2012 reported in its first resolution that the entirety of the share warrants (BSAs) and founder's share warrants (BSPCEs) issued prior to this date by the company (with the exception of the Full Ratchet BSA-As) had been purely and simple canceled. This same Extraordinary General Meeting decided, in a second resolution, to issue new share warrants (BSAs) and founder's share warrants (BSPCEs).

On May 7, 2013, the Full Ratchet BSA-As were canceled within the scope of the Company's listing on the stock market.

At the end of 2013, the subscription warrants were broken down as follows.

Share warrants / Founder's share warrants (BSA/BSPCE) reference	Extraordinary general meeting reference	Parity	Period of exercise	Number of securities issued	Subscriptions	exercise	Number of securities remaining to be exercised
Founder's share warrants (BSPCE)$_{2012}$ [(1)]	05/21/2012	1 warrant = 10 shares	05/20/2020	33,788	20,611	-	13,177
Share warrants (BSA) $_{2012}$[(2)]	05/21/2012	1 warrant = 10 shares	05/20/2020	11,263	4,025	1900	7,238
			TOTAL:	45,051	24,636	1,900	20,415

INDIVIDUAL RIGHT TO TRAINING

Within the scope of the individual right to training established by law 2004-391 of May 4, 2004 pertaining to life-long professional training, as of 12/31/2013, the volume of cumulative training hours pertaining to rights acquired and not exercised was 2,382 hours.

Leases

ITEMS	Land	Buildings	Facilities equipment infrastructure	Other	Total
Original value			702,889		702,889
Amortizations:					
- totals from prior financial years			540,694		540,694
- allocations during financial year			47,790		47,790
TOTAL			**114,405**		**114,405**
ROYALTIES PAID					
- totals from prior financial years			558,160		558,160
- allocations during financial year			96,246		96,246
TOTAL			**654,406**		**654,406**
ROYALTIES REMAINING DUE:					
- at less than one year			52,524		52,524
- at greater than one year and less than five years			80,562		80,562
- at greater than five years					
TOTAL			**133,086**		**133,086**
RESIDUAL VALUE					
- at less than one year			24,040		24,040
- at greater than one year and less than five years			46,036		46,036
- at greater than five years					
TOTAL			**70,076**		**70,076**
Amount reported for financial year					
Reminder: Royalty on lease					101,634

This table includes 7 leases financing equipment for R&D and production. Two contracts ended during the financial year.
The furthest maturity is February 2018.

Average Personnel

PERSONNEL	Personnel under salary	Personnel made available to the company
Management	19	
Experts and technicians		
Employees		
Workers	17	
TOTAL	**36**	

During the financial year, the company hired 5 employees and 5 employees left.

Financial commitments

COMMITMENTS GIVEN	Amount
Discounted notes receivable	
Guarantees and endorsements	
Commitments relating to pensions, retirement, and indemnities	117,145
Other commitments given:	
TOTAL	117,145

COMMITMENTS RECEIVED	Amount
Guarantees, endorsements, and bonds	
Other commitments received:	4,516,035
TOTAL	4,516,035

The Recordati commitment on the GRASPA-AML trial contractually totals €5,000,000 and was appraised at €4,516,035 at the end of 2013, the difference corresponding to 2013 re-invoicing.

MARKET RISKS

The Company uses the euro as a reference currency for its financial information and communication activities. However, a significant portion, in the amount of 10% of its operating expenses, is denominated in US dollars (agency office in Philadelphia, collaborations relating to the production of clinical batches with the American Red Cross, business development consultants, consultants for the development of clinical trials in the United States, and various collaborations around tests and clinical projects in the United States).

To date, the company has not opted to use active hedging techniques, and has not made recourse to derivative instruments to this end. Unfavorable exchange rate fluctuations between the euro and the dollar that are difficult to predict could affect the financial position of the Company.

This dependency will increase, as the company will perform clinical trials in the USA and, in the longer term, sell on this market. The Company will opt for exchange rate hedging techniques.

Expenses in US dollars totaled $556,547 during the 2013 fiscal year. The counter-values recorded in the accounts totaled €420,094 in relation to the receipt of invoices and price fluctuations. This represents an average annual rate of $1.324 for €1.

The exchange rate differences are not significant for the periods presented.

20.5. AUDITORS' REPORT ON THE CORPORATE FINANCIAL STATEMENTS PREPARED FOR FISCAL YEAR ENDING DECEMBER 31, 2013

(The financial statements for fiscal year 2012 were covered by a report by the statutory auditor about the annual financial statements in section 20 of the Base Document, recorded on April 17, 2013 by the AMF under no. 13-166)

Erytech Pharma S.A.

Headquarters: 60 avenue Rockefeller - Bâtiment Adénine - 69008 Lyon
Share capital: €555,895

Report by the statutory auditors on the annual financial statements

Fiscal year ending December 31, 2013

Ladies and gentlemen of the Shareholders,
In performance of the mission that was entrusted to us by your general meeting, we hereby present you our report pertaining to the fiscal year ending December 31, 2013 concerning:
the audit of the annual financial statements for Erytech Pharma SA, as attached to this report;
the basis for our appraisals;
the inspections and specific statements provided by law.
The financial statements were issued by the Board of Directors. Our task, on the basis of our audit, is to express an opinion about these financial statements.

Opinion about the annual financial statements

We conducted our audit following the professional standards applicable in France; the standards require that certain verifications be made so as to obtain a reasonable assurance that the restated financial statements do not contain significant errors. An audit consists in verifying, whether through spotchecks or other selection methods, elements that will support the amounts and statements found in the financial statements. It also consists in evaluating the accounting principles followed, any significant estimates used, and the presentation of the financial statements as a whole. We believe that the information that we collected is sufficient and appropriate on which to base our opinion.

We certify that the annual financial statements are complete and truthful and a faithful reflection of the result of operations during the past fiscal year, as well as the Company's financial condition and that of its assets as of the end of the fiscal year.

Basis for the appraisals

In application of the provisions of article L.823-9 of the Commercial Code pertaining to the basis for our appraisals, we direct your attention to the following elements.

Accounting rules and principles

The notes "Recognition of proceeds and subsidies" and "Clinical trials" present the accounting methods and rules pertaining the treatment on the profit and loss statement of any subsidies and the cost of clinical trials.

As part of our assessment of the accounting rules and principles that your company followed, we verified the appropriate nature of the above-referenced accounting methods and the statements provided in the appendix to the financial statements and we assured ourselves of their correct application.

The assessments thereby made are part of our approach to auditing annual financial statements, taken as a whole, and thus contributed to the formation of our opinion expressed in the first part of this report.

Specific verifications and statements

In accordance with the applicable standards for professional conduct in France, we also conducted those specific verifications provided by law.

We have no comments to make about the accuracy and consistency of the information provided in the Board of Director's management report and in the documents sent to the shareholders about the financial circumstances and the annual financial statements.

Concerning the information provided in application of the provisions of article L.225-102-1 of the Commercial Code concerning remuneration and benefits paid to corporate officers as well as commitments made it to them, we have verified that they are consistent with the financial statements or with the data which were used to produce these financial statements and, as applicable, with the information collected by your company from companies controlling your company or controlled by it. On the basis of such work, we certify the accuracy and veracity of this information.

As required by law, we have assured ourselves that the different information pertaining to the identity of the shareholders has been provided to you in the management report.

Lyon, April 28, 2014

KPMG Audit Rhône Alpes Auvergne

Gaël Dhalluin
Partner

20.6. DATE OF LAST FINANCIAL INFORMATION

December 31, 2013

20.7. TABLE OF EARNINGS FOR THE LAST FIVE FISCAL YEARS

	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013
CAPITAL AT YEAR END					
Number of existing common shares	244,499	315,355	315,355	315,355	5,558,952**
Number of existing priority dividend shares	244,499	315,355	315,355	315,355	5,558,952**
Maximum number of future shares to be created					
- by the conversion of bonds			67,916*	135,833*	-
- by the exercise of subscription rights	76,171	147,027	172,876**	244,855	22,736
OPERATIONS AND RESULTS					
Before-tax sales revenue					
Results before taxes, employee profit-sharing, and allocations to amortizations and provisions	(5,063,653)	(5,373,958)	(6,605,757)	(2,149,309)	(7,592,464)
Income tax	(710,667)	(721,327)	(798,967)	(812,570)	(1,366,656)
Employee profit-sharing during the financial year					
Results after taxes, employee profit-sharing, and allocations to amortizations and provisions	(4,525,916)	(4,822,357)	(5,983,691)	(2,011,394)	(6,478,994)
Distributed earnings					
EARNINGS PER SHARE					
Results after taxes, employee profit-sharing, but before allocations to amortizations and provisions	(17.80)	(14.75)	(18.41)	(4.23)	(1.12)
Results after taxes, employee profit-sharing, and allocations to amortizations and provisions	(18.51)	(15.29)	(18.97)	(6.38)	(1.17)
Dividend distributed to each share					
PERSONNEL					
Average number of employees during the financial year	37	41	41	38	36
Amount of wage and salary bill for the financial year	1,622,173	1,715,167	1,847,841	1,718,300	2,504,423
Amount of sums paid in relation to company benefits during the financial year	427,757	463,122	833,826	827,736	1,164,033

* according to the assumption of 18 million euros in funds raised, with a value of €73.62 per share
** not including the subscription warrants that had expired on 12/31
*** division of the nominal share value by 10 in 2013

20.8. DIVIDEND DISTRIBUTION POLICY

20.8.1. Dividends paid during the last three fiscal years

None.

20.8.2. Dividend distribution policy

No plan exists to initiate a dividend policy in the short term, given the Company's stage of development.

20.9. LEGAL AND ARBITRATION PROCEEDINGS

At the registration date of this Reference Document, no government, legal, or arbitration proceedings existed, including any proceedings of which the Company has knowledge, that are suspended or with which it is threatened, such as will have or had during the last 12 months a significant effect on the financial position, activity, or results of the Company and/or of its subsidiary.

20.10. SIGNIFICANT CHANGES IN THE FINANCIAL OR COMMERCIAL SITUATION

To the knowledge of the Company, no significant changes have taken place in the Company's financial or commercial situation since December 31, 2013.

20.11.REPORT ON THE ECONOMIC AND FINANCIAL RESULTS (FINANCIAL STATEMENTS)

The pre-tax sales revenues totaled 483,964 euros following the re-invoicing to Orphan Europe/Recordati Group for the GRASPA-AML clinical trial, unlike the previous fiscal year, during which it was zero.

The total operating income was equal to 911,804 euros, compared to 4,959,118 euros in the previous fiscal year. This significant decrease is linked to the invoicing, at the end of 2012, of 5,000,000 euros following signature of the exclusive distribution agreement by Recordati/Orphan Europe.

The year's operating expenses totaled 8,767,638 euros, compared to 6,855,532 euros in the previous fiscal year, equaling a +27.9% variation. This variation in operating expenses is explained in the very significant increase in purchases and external expenses associated with clinical and preclinical development of ERYASP™/GRASPA®, as well as in personnel expenses. This is slightly lower due to a 106,665 euro reversal of the provision for risks.

The operating results totaled a loss of 7,855,834 euros, compared to a loss of 1,896,414 euros in the previous fiscal year, equaling a variation of +314%.

The average employee numbers totaled 36, compared to 38 in the previous fiscal year, equaling a variation of -5.3%.

The financial results totaled -4,222 euros, compared to -1,013,158 Euros in the previous fiscal year, resulting primarily from recognition of the cancellation of prior amortizations on the bond repayment premium totaling 515,082 euros, as well as recognition of the income from term deposits totaling €19,689.

The current results before tax for the year totaled a loss of 7,860,056 euros, compared to a loss of 2,909,572 euros for the previous fiscal year, equaling a variation of 170%.

In consideration of the preceding information,

- ✓ of the exceptional results of 14,406 euros, compared to 85,608 euros for the previous fiscal year,
- ✓ of the research tax credit of 1,366,656 euros.

The fiscal year's results totaled a loss of 6,478,994 euros, compared to a loss of 2,011,394 euros in the previous fiscal year, equaling a variation of 222.18%.

As of December 31, 2013, the Company's balance sheet total was 18,245,790 euros, compared to 11,318,350 euros for the previous fiscal year, equaling a variation of 61.21%.

20.12. ALLOCATION OF THE RESULTS

A proposal will be presented at the General Meeting to approve the annual financial statements (balance sheet, profit and loss statement, and appendices) as presented to you and requesting that you allocate the loss of €6,478,994 to the "carry forward" account.
Given this allocation, the Company's capital and reserves shall be 14,116,301 euros.

20.13. LUXURY EXPENDITURES AND NON-DEDUCTIBLE EXPENSES

We report that the financial statements for 2013 include expenses of 12,346 euros corresponding to non-deductible expenses.

Consequently, the tax sustained by reason of these expenditures and expenses totals 4,115 euros.

20.14. INFORMATION ON PAYMENT TIMEFRAMES

We provide a breakdown, at the end of the last two fiscal years, of the balance of debts to suppliers, by maturity date:

20.14.1. 2012 fiscal year

MATURED	TOTAL
Less than 1 month	248,866
Between 1 and 3 months	46,320
Between 3 and 6 months	26 539
More than 6 months	
TOTAL =	**€321,725**
MATURING	TOTAL
Less than 1 month	540,921
Between 1 and 3 months	20,682
Between 3 and 6 months	1,063
More than 6 months	-
TOTAL =	**€562,665**

I.e., in total for the supplier debts item: €884,390

20.14.2. 2013 fiscal year

MATURED	TOTAL
Less than 1 month	462,623
Between 1 and 3 months	546,612
Between 3 and 6 months	83,085
More than 6 months	- 26,498
TOTAL =	€1,065,823
MATURING	TOTAL
Less than 1 month	180,177
Between 1 and 3 months	-
Between 3 and 6 months	-
More than 6 months	-
TOTAL =	**€180,177**

I.e., in total for the supplier debts item: €1,246,000

20.15. REGULATED AGREEMENTS

The agreements referenced in article L.225-38 of the Commercial Code and entered into during the past fiscal year shall be subject to approval by the shareholders, and it being noted that the statutory auditor has been duly informed of these agreements which it described in its special report (*See also chapter 19 of this Reference Document*).

21. ADDITIONAL INFORMATION

21.1. SHARE CAPITAL

At the date of this Reference Document, the share capital, fully paid up, totaled 556,657.20 euros, divided into 5,566,572 common shares with a nominal value of 0.10 euro each, all of the same category.

21.2. ACQUISITION OF SHAREHOLDER EQUITY BY THE COMPANY

The Company's Mixed General Shareholders' Meeting of April 2, 2013 authorized, on the suspensive condition that the Company's shares are admitted for trading on NYSE Euronext Paris, the Board of Directors to implement a buyback program on the Company shares, pursuant to the provisions of article L.225-209 of the Commercial Code and the General Rules of the Autorité des Marchés Financiers (the French Financial Market Regulatory Authority). This authorization has been granted for a duration of 18 months starting from the day of the Meeting.

Maximum number of shares that can be repurchased or cancelled: 10% of the number of shares constituting the Company's share capital at the performance date of these buybacks/cancellations, as calculated according to the applicable legislative and regulatory provisions, it being nevertheless specified that the maximum number of shares held after these buybacks/cancellations cannot exceed 10% of the capital.

Objectives of the share repurchase:

- Awarding shares to employees or corporate officers of the Company and French or foreign companies or groups that might be associated with it in the conditions and following the terms provided by law, particularly in the context of employee participation in the fruits of the company's expansion, employee shareholder plans, or company savings plans, the stock options plan, or by way of the allocation of free shares;

- To retain the shares for the purpose of using them for payment or exchange, namely as part of external growth operations, complying with recognized market practice by the Autorité des Marchés Financiers and within the limits provided by article L.225-209 of the Commercial Code;

- Assuring liquidity in the market for shares by way of one or more providers of investment services acting independently, in the context of a liquidity contract, pursuant to a professional ethics charter recognized by the Autorité des Marchés Financiers, it being noted that the number of shares used to calculate the aforementioned 10% limit corresponds to the number of shares purchased, after deducting the number of shares resold during the term of this authorization;

- Reducing the Company's share capital in application of the twenty-first resolution of the present general assembly of shareholders, subject to its adoption;

- Delivering shares, when there is an exercise of rights associated with securities giving access to shares by any means, whether immediately or over time;

- Implementing any market practice which might be recognized by law or by the Autorité des Marchés Financiers.

Maximum purchase price: 300% of the price of shares offered to the public within the scope of admission for trading on Euronext Paris, excluding purchase costs, it being specified that, in the event of a capital operation, notably by incorporation of reserves and allocation of free shares, or division or regrouping of shares, or even modification of the nominal value of shares, this price will be consequently adjusted.

During the fiscal year ending December 31, 2013, this buyback program was used exclusively within the scope of a liquidity agreement responding to the objective of market making or liquidation of the Company shares, stipulated with the company Bryan Garnier as investment service provider.

Securities purchased	63,856
Nominal share value	€0.10
Average share price	€10.39
Total amount paid for acquisition of securities	€715,373.22
Shares sold	10,931
Nominal share value	€0.10
Average share price	€10.40
Total amount received for the sale of shares	€103,329.59

Trading costs totaled 769.29 euros for the 2013 fiscal year.

As of December 31, 2013, the Company held 52,925 ERYTECH shares, valued at 526,074.50 euros (0.95% of the share capital), reduced to 9,110 shares on April 30, 2014 (0.16% of the share capital).

21.3. UNISSUED AUTHORIZED CAPITAL

21.3.1 The General Shareholders' Meeting of May 21, 2012 decided on a maximum issue of:

- 30,034 share subscription warrants (BSA2012) with suppression of the preferential subscription right to the benefit of corporate officers of the Company or its subsidiaries and/or to the employees of its subsidiaries and/or of the company Gil Beyen BVBA,

- 33,788 founder's share subscription warrants (BSPCE2012) with suppression of the preferential subscription right to Company employees and/or executive officers,

and delegated the Executive board, for a duration of 36 months, the necessary powers to allocate these BSAs2012 and BSPCEs2012.

The maximum number of warrants that can be issued pursuant to the decision of the general meeting is 45,050.

The Board of Directors, following modification of the Company's governance, used this delegation in its meeting on July 18, 2013 and proceeded to assign 459 share warrants (BSA)2012 and 13,177 founder's share warrants (BSPCE)2012 to the Company's principal executives and corporate officers.

As of the date of the Reference Document, 20,414 warrants remained to be allocated (see also section 21.5 of this Reference Document)..

21.3.2 The General Shareholders' Meeting of April 2, 2013 delegated the Company's Board of Directors the power to issue securities in the proportions and for the amounts summarized in the table below.

Nature of authorization	Maximum nominal amount of capital increase or issue of securities representing debt securities resulting from the issue	Cumulative ceiling	Preferential subscription right	Duration	Use	Maximum nominal amount remaining as of 04/30/2014
Increase in share capital to the issuance of common stock and/or securities giving access to the share capital immediately or over time while maintaining the preferential subscription right	1 million euros		yes	26 months	N/A	
Increase in capital through the issuance of shares and/or securities providing access whether immediately or over time to common stock, with elimination of the preferential subscription right of the shareholders in favor of investor categories *	1 million euros	1 million euros	No	18 months	N/A	€825,066.66 (cumulative ceiling)
Increase in capital through the issuance of shares and/or securities providing access whether immediately or over time to common stock, with elimination of the preferential subscription right, by public offering	1 million euros		No	26 months	04/30/2013 in the amount of €148,711.40	

Nature of authorization	Maximum nominal amount of capital increase or issue of securities representing debt securities resulting from the issue	Cumulative ceiling	Preferential subscription right	Duration	Use	Maximum nominal amount remaining as of 04/30/2014
Increase in capital through the issuance of shares and/or securities providing access whether immediately or over time to common stock in the company, with elimination of the preferential subscription right of the shareholders, by an offering referenced in ii of article L.411-2 of the Monetary and Financial Code	20% of the share capital (over a 12-month period) within a limit of €1 million, as of 04/30/2014**: 111,179.04 euros	1 million euros	No	26 months	01/22/2014 in the amount of €22,500	€88,679.04 until 01/21/2015
Increase in the number of shares to be issued in the event of a capital increase with or without suppression of the preferential subscription right	Limited to 15% of the initial issuance in application of the 22nd, 24th, and 25th resolutions of the general meeting on April 2, 2013		Yes/No	26 months	03/30/2013 in the amount of €3,722	€123,759.99 (50% of €825,066.66)
t	Limited to 15% of the initial issuance in application of the 23rd resolution of the general meeting on April 2, 2013		No	18 months	N/A	€123,759.99 (15% of €825,066.66)
Share capital increase through the incorporation of premiums, reserves, profits or bonuses	1 million euros		-	26 months	N/A	1 million euros

* Legal entities or individuals traditionally investing in securities in the healthcare domain
**on the basis of share capital of €555,895.20.

Use of these delegations:

In its meetings on April 12, 2013 and April 30, 2013, the Executive Board made use of the delegation granted to it under the twenty-fourth resolution by the Mixed General Shareholders' Meeting of April 2, 2013 pertaining to a capital increase through the issue of shares and/or securities giving access to the Company's capital, with suppression of the preferential subscription right, through a public offering, and thus proceeded to issue 1,487,114 shares at a unit price of 11.60 euros.

On April 30, 2013, the Executive Board made use of the delegation granted to it under the twenty-sixth resolution by the Mixed General Shareholders' Meeting of April 2, 2013 pertaining to an increase in the number of securities to be issued in the event of a capital increase with or without suppression of the preferential subscription right, and thus proceeded to issue 37,220 shares at a unit price of 11.60 euros.

On January 22, 2014, the Board of Directors made use of the delegation granted to it under the twenty-fifth resolution by the Mixed General Meeting of April 2, 2013 pertaining to a capital increase through the issue of shares and/or securities giving access to the Company's capital with suppression of the preferential subscription right, through offerings as established under ii, article L.411-2 of the Monetary and Financial Code, and thereby proceeded with the issuance of 22,500 founder's share warrants (BSPCE)2014, in favor of the principal managers and executives employed by the Company. (See also section 21.5 of this Reference Document).

21.4. SECURITIES NOT REPRESENTING THE CAPITAL

None.

21.5. OTHER SECURITIES GIVING ACCESS TO THE CAPITAL

All the securities giving access to the Company's capital, in circulation at the date of the present document, are described in the table below.

		Founder's share warrants (BSPCE)2012	Share warrants (BSA)2012	Founder's share warrants (BSPCE)2014
Date of meeting		May 21, 2012		April 2, 2013
Total number of subscription warrants that the company is authorized to issue		45.050		22,500
Total number of warrants subscribed		24,636		0
Number of warrants exercised		2,662		0
Number of warrants not yet exercised		42,388		22,500
Maximum number of shares remaining to be issued		423,880		225,000
Of which the maximum number of shares that can be awarded to:	Y. GODFRIN	75,080		30,000
	P.O. GOINEAU	75,080		30,000
	G. BEYEN	112,630		60,000
Number of shares issued		26,620		0
Starting point for exercise of subscription warrants		May 21, 2012		April 1, 2015
Expiry date of subscription warrants		May 20, 2020		Jan. 22, 2024
Warrant subscription price		€0.00		€0.00

Founder's share subscription warrants ("BSPCE") and share subscription warrants ("BSA")

Types of securities	Founder's share warrants (BSPCE)2012	Share warrants (BSA)2012	Founder's share warrants (BSPCE)2014
Number of warrants that the company is authorized to issue	45,050		22,500
Max. number of warrants not yet exercised	42,388		22,500
Number of warrants subscribed	20,611	4,025	0
Date of General Meeting	May 21, 2012		April 2, 2013
Exercise price per new share subscribed	€7.362		€12.25
Final date for exercising warrants	May 20, 2020		January 22, 2024
Parity	1 warrant for 10 shares		
General conditions of exercise	Upon the occurrence of a firm, definitive operation involving the initial listing of Company shares for trading on a regulated or unregulated stock market, in France or the European Union, or a foreign securities exchange, warrant holders may only exercise their warrants; i. on one single occasion, or ii. on multiple occasions, within a limit of twice a year and at least 100 warrants. Upon the occurrence of one of the following operations: i. acceptance, by shareholders representing at least sixty-six point six seven percent (66.67%) of the shares constituting the Company's capital, of a firm, definitive buyback offer pertaining to control of the Company (as pursuant to article L.233-3 of the Commercial Code); ii. the stipulation of a merger agreement providing for absorption of the Company; warrant holders may exercise the totality of their warrants. The securities to which the warrants give rights are common shares. Each warrant shall give the right to ten (10) shares in the Company's share capital. The new shares resulting from the exercise of founder's share warrants (BSPCEs) shall form the object of periodic requests for admission for trading on the regulated market NYSE Euronext.		The founder's share warrants (BSPCE)2014 can be exercised: on one single occasion, or except in the event of an M&A operation, at most four (4) times per year, and for the exercise of a minimum of fifty (50) founder's share warrants (BSPCE)2014. By way of exception, the possibility of early exercise was been established in the event of (i) a change of control as pursuant to article L.233-3, par. 1 of the Commercial Code, or (ii) a merger of the Company, and this without conditions on minimum threshold or frequency. The securities to which the warrants give rights are common shares.

		Each warrant shall give the right to ten (10) shares in the Company's share capital. The new shares resulting from the exercise of founder's share warrants (BSPCEs) shall form the object of periodic requests for admission for trading on the regulated market NYSE Euronext.
Number of shares issued as of the prospectus date	26,620	0
Maximum number of new shares that can be issued*	423,880	225,000
Maximum dilution of shares and % resulting from the exercise of warrants	648,880 shares, i.e., a maximum dilution of approximately 11.65%**	

* *Post division of the nominal value of Company shares*

** *Based on the exercise of all diluting instruments (i.e., the share warrants and the founder's share warrants) and a share capital of €556,657.20.*

At the date of the Reference Document, no *"guarantee of value" (ratchet*) share subscription warrants exist any longer. These 233,855 warrants previously in circulation were canceled by the general shareholders' meeting of April 2, 2013.

21.6. COMPANY CAPITAL FORMING THE OBJECT OF AN OPTION OR A CONDITIONAL OR UNCONDITIONAL AGREEMENT STIPULATING ITS PLACEMENT UNDER OPTION

To the Company's knowledge, no call or put options or other commitments exist to the benefit of the Company shareholders or granted by the latter and pertaining to the Company shares.

21.7. EVOLUTION OF THE SHARE CAPITAL

The table below outlines the evolution of the Company's share capital during the last three fiscal years, it being specified (i) that no modification of the capital took place between 12/31/2010 and 12/31/2012 and that, in the meeting on April 2, 2013, (ii) the number of shares was multiplied by 10 due to the division of the nominal value of the Company's shares by 10:

	12/31/2012		**12/31/2013**			**04/30/2014**		
Shareholders	**New**	**% of capital and voting rights**	**New**	**% of capital**	**% of voting rights***	**New**	**% of capital**	**% of voting rights***
Management	**55,910**	**17.73%**	**558,350**	**10.04%**	**13.16%**	**556,480**	**10.00%**	**15.81%**
Gil Beyen	-	-	-	-				
Pierre-Olivier Goineau	26,349	8.36%	263,490	4.74%	6.20%	263,490	4.73%	7.48%
Yann Godfrin	29,299	9.29%	292,990	5.27%	6.90%	292,990	5.26%	8.32%
Other management	262	0.08%	1,870	0.03%	0.06%	0	0,00%	0,00%
Financial investors/PE Funds	**251,268**	**79.68%**	**2,827,284**	**50.86%**	**60.51%**	**1,131,287**	**20.30%**	**28.48%**
CAP DECISIF	19,918	6,32%						
AMORCAGE RHONE ALPES	11,020	3.49%	109,200	1.96%	2.59%	61,545	1.11%	1.75%
*IDINVEST Partners***	96,400	30.57%	1 221 392	21.97%	25.72%	51,530	0.93 %	1.46%
AURIGA Partners	76,082	24,13 %	1,018,212	18.32%	20.94%	1,018,212	18.29%	25.27%
ARDIAN (formerly AXA)	47,848	15.17%	478,480	8.6%	11.26%			
Recordati Orphan Drugs	**-**	**-**	**431,034**	**7.75%-**	**5.07%**	**431,034**	**7.74%**	**6.12%**
Board members	-	-		-				
	-	-						
Other shareholders with less than 0.5%	**8,177**	**2.59%**	**67,502**	**1.21%**	**1.54%**	**49,563**	**0.89%**	**1.33%**
Subtotal 1	315,355	100.00%	3,884,170	69.9 %	80.29%	2,168,364	38.95%	51.74%
Other bearer shareholders	n/a	n/a	1,674,782	30.1%	19.71%	2,454,070	44,15%	34,88%
Subtotal 2	n/a	n/a	1,674,782	30.1%	19.71%	3,398,208	61.05%	48.26%
TOTAL	**315,355**	**100.00%**	**5,558,952**	**100.00%**	**100.00%**	**5,566,572*** **	**100.00%**	**100%**

* See also section 18.3 of the Reference Document

** The total number of shares (registered and bearer) held by the Funds managed by IDINVEST PARTNERS is estimated to be 989,543 on the basis of available information (that being 18.37% of the share capital and 16.36% of the estimated voting rights).

***Increase in capital later approved by the Board of Directors on May 5, 2014 .

The table below summarizes the operations occurring on the share capital during the last three fiscal years:

Date	Operation	Securities issued/exercised	Amount of capital increase (excluding issue premium)	Number of shares/securities issued	Nominal value	Issue premium per share	Number of shares after operation	Price per share (issue premium included)	Capital post operation
07/16/10	Capital increase	ABSA A- Full Ratchet 2010	€63,283	63,283	€1	€72.62	307,782	€73.62	€307,782
07/29/10	Capital increase	ABSA A- 2010	€7,573	7,573	€1	€72.62	315,355	€73.62	€315,355
04/30/13	Capital increase	Compensation for bond interest	€8,375	83,750	€0.10	€11.50	3,237,300	€11.60	€323,730
04/30/13	Capital increase	New Shares	€144,058.40	1,440,584	€0.10	€11.50	4,677,884	€11.60	€467,788.40
04/30/13	Capital increase	Convertible bonds	86,206.80€	862,068	€0.10	€11.50	5,539,952	€11.60	€553,995.20
07/03/13	Capital increase	Share warrants (BSA)2012	€60,073.92	8,160	€0.10	€7,262	5,548,112	€7,362	€554,811.20
12/03/13	Capital increase	Share warrants (BSA)2012	€79,804.08	10,840	€0.10	€7,262	5,558,952	€7,362	€555,895.20

The table below summarizes the operations occurring on the share capital during the last three fiscal years:

Date	Operation	Securities issued/exercised	Amount of capital increase (excluding issue premium)	Number of shares/securities issued	Nominal value	Issue premium per share	Number of shares after operation	Price per share (issue premium included)	Capital post operation
05/05/2014	Capital increase	$BSPCE_{2012}$	€762	7,620	€0.10	€7,262	€5,566,572	€7,362	€556,657.20

21.8. EVOLUTION OF THE SHARES

Since the initial listing of the Company shares on the regulated market NYSE Euronext in Paris on 05/07/2013 and up to 12/31/2013, 582,048 securities were traded.

The stock, which was listed at 11.60 euros upon initial listing of the Company shares, was listed at 9.94 euros on 12/31/2013.

The lowest price recorded during 2013 was 8.58 euros on December 16, and the highest price was 12.07 on May 7.

The market capitalization at 12/31/2013 was 55 million euros.

From 12/31/2013 until 04/30/2014,2,968,292 shares were traded.

The stock, which was listed at 11.60 euros upon initial listing of the Company shares, was listed at 13.56 euros 04/30/2014.

Historically, the lowest price recorded during 2014 was 10.16 euros on January 2, and the highest price was 18.36 euros on February 17.

The market capitalization at 04/30/2014 was 75 million euros.

21.9. MAIN PROVISIONS OF THE ARTICLES OF INCORPORATION

21.9.1 Corporate purpose (Article 3 of the articles of incorporation)

The Company has the purpose, in France and in any country, of:

- the research, manufacture, import, distribution, and marketing of experimental drugs, drugs, devices, and equipment;
- the provision of all advisory services associated therewith;

and generally, all financial, commercial, industrial, civil, property, or security-related transactions, such as may directly or indirectly relate to one of the purposes specified or such as may facilitate their fulfillment.

The company may act directly or indirectly and perform all these operations in any country, on its own behalf and on behalf of third parties, either alone or with third parties in a joint venture, association, grouping, or company, through the creation of new companies, contributions, partnerships, subscription, purchase of company securities or rights, merger, alliance, joint venture companies, or the obtaining or provision, under lease or management, of any assets and rights or other items.

21.9.2. Administration and Senior Management (articles 17 to 24 of the articles of incorporation)

BOARD OF DIRECTORS

I. Appointment/removal of directors

The Company is governed by a Board of Directors composed of at least three members and at most eighteen members, without prejudice to the derogation established by law in the event of merger.
The Board of Directors is composed by seeking a balanced representation of women and men.
During the life of the company, directors are appointed, renewed, or removed in Ordinary General Meetings. They can always be re-elected.
The duration of a director position is three (3) years; this position ends at the end of the Ordinary General Meeting called to rule on the annual financial statements for the year just ended and held during the year in which their term of office expires.
A person cannot be appointed as director where, having surpassed sixty-five years of age, this person's appointment has the effect of bringing the number of Board members having surpassed this age to more than one-third of the number of directors. Where this limit has been surpassed, the oldest director shall be deemed as having duly resigned.
Directors can be shareholders or non-shareholders of the Company.
A Company employee cannot be appointed director where his/her employment contract corresponds to an effective job. The number of directors tied to the Company by way of an employment contract cannot exceed one third of the directors in position.

II. Directors as legal persons

Directors can be natural persons or legal persons. In the latter case, upon its appointment, the legal person is required to designate a permanent representative, who is subject to the same conditions and obligations and who incurs the same civil and criminal liability as if this person was a director in his/her own name, without prejudice to the several liability of the legal person that he/she represents. The permanent representative of a director as a legal entity is subject to the age conditions pertaining to directors as natural persons.
The term of office of the permanent representative designated by the legal person appointed as director is given to him/her for the duration of the latter's term of office.
Where the legal person revokes the term of office of its permanent representative, he/she is required to provide the Company, without delay and by registered letter, this revocation as well as the identify of its new permanent representative. The same is applicable in the event of the death or resignation of the permanent representative.
Designation of the permanent representative and discontinuation of his/her term of office are subject to the same publication formalities applicable as if he/she had been a director in his/her own name.

III. Vacancy, death, resignation

In the event of a vacancy, due to death or resignation, of one or more director positions, the Board of Directors may, between two general meetings, proceed with temporary appointments.
Where the number of directors has become lower than the legal minimum, the remaining directors shall immediately call an Ordinary General Meeting with a view to supplementing the Board's numbers.
Temporary appointments made by the Board are subject to ratification at the next Ordinary General Meeting. In default of such ratification, the resolutions made and acts performed by the Board prior to this meeting shall no longer be considered valid.
In the event of absence of a director at more than four consecutive Board of Directors' meetings, this director shall be considered as having duly resigned.

ORGANIZATION OF THE BOARD

The Board of Directors shall elect a Chairman from among its members, the Chairman being a natural person, on penalty of invalidity of this appointment. It shall determine the Chairman's remuneration.
Any person older than sixty-five years of age may not be appointed Chairman. Where the Chairman in office comes to surpass this age, he/she shall be deemed as having duly resigned.
The Chairman is appointed for a duration that cannot exceed that of his/her director term of office. He/she can be re-elected. The Board of Directors may remove the Chairman at any time.
The Board may likewise appoint a Vice President from among its members who are natural persons, and he/she shall preside over Board meetings in the Chairman's absence.

The Board may designate, within a maximum limit of two, one or more observers who are natural persons, directors or otherwise, and who are 65 years of age at most at the day of their appointment.
These observers are appointed for a duration of two years.
These observer positions shall be fulfilled free of charge. The observers shall be summoned to all meetings of the Board of Directors and shall take part in deliberations for consultation purposes only. With the Board of Directors, the observers shall perform a general mission of consultation and supervision.

BOARD DELIBERATIONS

The Board of Directors shall meet as often as the Company's interests so require, upon summons by its Chairman or the Chief Executive Officer. Where the Board has not met for more than two months, at least one third of the directors may request that the Chairman, who is bound by this request, summon a Board of Directors meeting on a specific agenda.
Summonses shall be given by any means, including verbally.
Meetings shall take place either at the headquarters or at any other location indicated in the summons.
The Board may only validly deliberate where half of its directors are present.
Decisions shall be made by the majority of members present or represented.
In the event of a tie, the meeting Chairman's vote shall carry the decision.
Pursuant to the provisions of internal rules established by the Board of Directors, for calculation of the quorum and the majority, the directors participating in a Board meeting by videoconference or other means of telecommunications allowing for identification of the participants and guaranteeing their effective participation shall be deemed present, in compliance with current regulations.
This provision is not applicable for decisions on the annual financial statements, the consolidated financial statements, and preparation of the annual report and the group's annual report.

POWERS OF THE BOARD OF DIRECTORS

The Board of Directors determines the orientation of the Company's activities and oversees their implementation. Without prejudice to the powers expressly assigned by law to the shareholders and within the limit of the corporate purpose, the Board of Directors is responsible for all matters relating to the successful operation of the Company and governs matters concerning the Company, through its resolutions.

In relations with third parties, the Company is committed by the actions of the Board of Directors including where not pertaining to the corporate object, except where it can prove that the third party knew that such action fell outside this purpose or that it could not be ignorant of such fact, given the circumstances, mere publication of the articles of incorporation not being sufficient to constitute such proof.
The Board of Directors shall perform the controls and verifications that it deems appropriate. Each director may arrange for the communication to him/her of all documents and information necessary to the fulfillment of his/her mission.
The Board of Directors may decide on the creation of a study committee responsible for studying matters that the Board of Directors or its Chairman submits to it.

SENIOR MANAGEMENT

1 - Operating methods
Senior Management is provided under its responsibility, by a natural person appointed by the Board of Directors and holding the title of Chief Executive Officer. This natural person can be the Chairman of the Board of Directors.
The Board of Directors chooses between two operating methods for the Senior Management.
The Board resolution pertaining to the choice of operating method for the Senior Management shall be carried by the majority of directors present or represented. Shareholders and third parties shall be informed of this choice in accordance with the conditions established by current regulations.

2 - Senior Management
The Chief Executive Officer shall be a natural person selected from among the directors or elsewhere.
The duration of the Chief Executive Officer's duties is determined by the board at the time of his/her appointment. However, where the Chief Executive Officer is a director, the duration of his/her duties cannot exceed that of the director term of office.
Any person older than seventy years of age cannot be appointed as Chief Executive Officer. When the Chief Executive Officer reaches this age limit, he/she shall be deemed as having duly resigned.
The Chief Executive Officer can be removed by the Board of Directors at any time. Where the removal is decided without just cause, it may result in the payment of damages, except where the Chief Executive Officer holds the position of Chairman of the Board of Directors.
The Chief Executive Officer is vested with the broadest of powers to act in all circumstances in the name of the Company. He shall exercise his powers within the limits of the corporate purpose and without prejudice to those that the law expressly assigns to the shareholders and to the Board of Directors.
He shall represent the Company in its relations with third parties. The Company is committed by the actions of the Chief Executive Officer including where not pertaining to the corporate object, except where it can prove that the third party knew that such action fell outside this purpose or that it could not be ignorant of such fact, given the circumstances, mere publication of the articles of incorporation not being sufficient to constitute such proof.
The Board of Directors may limit the powers of the Chief Executive Officer, but these limitations are not binding against third parties.

3 – Deputy General Manager
Upon the proposal of the Chief Executive Officer that this position be assumed by the Chairman of the Board of Directors or by another person, the Board of Directors may appoint one or more natural persons assigned to assist the Chief Executive Officer, with the title ofDeputy General Maanger.
The Board of Directors may choose the Deputy General Managersfrom among the directors or elsewhere, and cannot appoint more than five (5) persons.
The age limit is set at seventy (70) years. When a Deputy General Managerreaches this age limit, he/she shall be deemed as having duly resigned.
The Deputy General Managercan be removed at any time by the Board of Directors, upon such proposal by the Chief Executive Officer. Where such removal is decided on without just cause, it may result in the payment of damages.
Where the Chief Executive Officer ceases or is unable to perform his/her duties, the Deputy General Managers shall retain, except where decided otherwise by the Board, their duties and powers until the appointment of a new Chief Executive Officer.

In accordance with the Chief Executive Officer, the Board of Directors shall determine the extent and duration of powers granted to Deputy General Managers. The Deputy General Managers shall have, in relation to third parties, the same powers as the Chief Executive Officer.

REMUNERATION OF DIRECTORS

1 - The General Meeting may allocate to the directors, in remuneration for their activity and in the form of attendance fees, a fixed annual sum, the amount of which is reported under operating expenses and shall be maintained until a decision is made to the contrary. Its distribution among the directors shall be determined by the Board of Directors.

2 - The Board of Directors shall determine the remuneration for the Chairman of the Board of Directors, the Chief Executive Officer, and the Deputy General Managers. This remuneration can be fixed and/or proportional.

PLURALITY OF TERMS OF OFFICE
The limitation on the plurality of terms of office as director and Chief Executive Officer applies in accordance with the conditions and subject to the derogations established by law.

REGULATED AGREEMENTS

All agreements taking place between the Company and a member of its Board of Directors, a shareholder holding more than a 10% share of the voting rights, or, for a shareholder that is a company, the company controlling it as pursuant to article L.233-3 of the Commercial Code, must be submitted for the prior authorization of the Board of Directors.
The same is likewise applicable for agreements in which one of the persons outlined in the previous paragraph has an indirect interest or in which the person has dealings with the Company through a third party.
Agreements taking place between the Company and another company must likewise be submitted for prior authorization where a member of the Company's Board of Directors is the owner, shareholder with unlimited liability, manager, director, member of the Supervisory Board, or generally any executive officer of this company.
Except where, due to their purpose or their financial implications, they are not significant to any of the parties, the text of current agreements and agreements stipulated under normal conditions between the Company and the aforesaid persons must be communicated to the Chairman of the Board of Directors, who shall communicate the list and the object of said agreements to the members of the Board of Directors and to the statutory auditor.

21.9.3 Rights, privileges, and restrictions attached to shares (Articles 9 to 16 of the articles of incorporation)

CROSSING OF THRESHOLDS

All shareholders who come to hold or cease to hold, directly or indirectly, alone or jointly with another person, a number of shares or similar securities representing a portion of the capital or voting rights established by law must inform the Company of this, in accordance with the conditions established by the law and regulations.
Shareholders who have not respected these provisions shall be deprived of the voting rights attached to the shares exceeding the portion that should have been declared. The loss of voting rights shall apply to all shareholders' meetings held up to the expiry of a two-year period following the date on which the declaration was normalized.

INCREASES IN SHARE CAPITAL
The share capital shall be increased by any means and according to any methods established by law.

An Extraordinary General Meeting, acting on a report by the Board of Directors, is the sole entity with competency to decide on a capital increase. It may delegate such competency or powers to the Board of Directors.
The shareholders have, proportionately to the amount of their shares, a preferential right to the subscription of shares issued by way of a cash contribution to perform a capital increase, a right that they can waive individually. An Extraordinary General Meeting may decide to withdraw this preferential subscription right under legally established conditions.
The right to the assignment of new shares to shareholders, following an incorporation of reserves, income, or issue premiums into the capital, belongs to the bare owner, without prejudice to the rights of the usufructuary.

PAYMENT OF SHARES

All the original shares constituting the initial capital and representing cash contributions must be paid up in the amount of at least half their nominal value at the time of their subscription.
Shares subscribed during a cash-based capital increase must be paid up in the amount of at least one quarter of their nominal value at the time of their subscription and, where applicable, the entirety of the issue premium.
Payment of the remainder must take place on one or more occasions on the decision of the Board of Directors within a period of five years, i.e., this period starting on the day of registration in the Trade and Companies Register or, for a capital increase, on the day on which the capital increase became final.
Calls for funds shall be brought to the knowledge of subscribers by registered letter with acknowledgment of receipt sent at least fifteen days prior to the date established for each payment. Payments shall be paid either at the headquarters or at any other location indicated to this end.
Any delays in the payment of sums owing on the share amount not paid up shall result, duly and without the need to proceed with any formalities whatsoever, in the payment of interest at the legal rate, starting on the due date, without prejudice to any personal action that the Company may exercise against the defaulting shareholder and the enforcement measures established by law.

REDUCTION - AMORTIZATION OF THE SHARE CAPITAL

A reduction of the capital may be authorized or decided on in an Extraordinary General Meeting which may delegate to the board of directors all powers to perform such reduction. In no case shall this harm the equal treatment of the shareholders.
A reduction in share capital for an amount below the legal minimum can only be decided pursuant to the suspensive condition of a capital increase intended to return the share capital to an amount at least equal to this minimum amount, except where the Company is transformed into another form of company.
In the event of non-compliance with these provisions, any interested parties may seek dissolution of the Company through the courts.
Nevertheless, the court cannot order its dissolution where, on the date on which it rules based on grounds, the situation has been normalized.
The capital may be amortized in accordance with legal provisions. Amortization of the capital may be decided in an Extraordinary General Meeting meeting and must be performed, through sums distributable in accordance with article L.232-11 of the Commercial Code, by way of an equal reimbursement on each share of the same class. It shall not result in a reduction of the capital. Shares fully or partially amortized shall lose the right to reimbursement at their nominal value, up to the amount of this amortization. They shall retain all their other rights.

SHARE TYPES

The shares are nominal, up to their full payment. Where they are fully paid up, they can be nominal or bearer, as decided by the shareholders.
They shall give rise to the registration of an account opened pursuant to the conditions and methods established under current legal and regulatory provisions, by the issuing company or by a financial broker authorized by the French Minister of the Economy and Finance.

INDIVISIBILITY OF THE SHARES – BARE OWNERSHIP – USUFRUCT

The shares are indivisible in the eyes of the Company. Indivisible co-owners of shares shall be represented in General Meetings by one of the co-owners or by a joint representative of their choice. In default of an agreement between them on the choice of a representative, this representative shall be designated by order of the President of the Commercial Court, ruling in an interim order on the application of the co-owner first making such request.
The voting right attached to a share belongs to the usufructuary for Ordinary General Meetings and to the bare owner for Extraordinary General Meetings. However, the shareholders may agree amongst themselves on any other distribution for the exercise of a voting right in General Meetings. In this case, they must bring their agreement to the knowledge of the Company by registered letter sent to the headquarters, the Company being required to respect this agreement for any General Meetings held after the expiry of a one-month period following mailing of the registered letter, the postmark being considered proof of the mailing date.
The shareholder's right to obtain the communication of company documents or to consult these documents may likewise be exercised by each co-owner of an undivided share, by the usufructuary, and the bare owner of shares.

ASSIGNMENT AND TRANSFER OF SHARES

Shares can be freely traded, without prejudice to legal and regulatory provisions.
The ownership of shares issued in nominal form shall result from their registration in the name of the owners on the registers held to this end. Shares that are registered as necessarily being nominal may only be traded on the market where they have first been placed in a management account with an authorized broker.
Shares that are not registered as necessarily being nominal may only be traded on the market where they are converted to bearer shares.
Ownership of bearer shares shall result from their registration in a bearer account with an authorized financial broker.
The assignment of nominal or bearer shares shall take place, with regard to third parties and the company, by an account-to-account transfer into the accounts of the issuing company or those of the authorized financial broker.
The transfer of shares, free or charge or following a death, shall likewise take place by an account-to-account transfer upon the provision of evidence supporting the change in legal conditions.

RIGHTS AND OBLIGATIONS ATTACHED TO THE SHARES

Each share gives the right, in relation to the company's income and assets, to a share proportional to the portion of capital that it represents.
All shareholders shall have the right to be informed of the Company's performance and to obtain the communication of certain company documents at the times and in accordance with the conditions established by the law and regulations.
Shareholders shall only sustain losses up to the amount of their contributions.
The possession of a share requires due adherence to the decisions of the shareholders in General Meetings and to the present articles of incorporation. Assignments shall include all dividends matured

and not payed or maturing in future, as well as any share in the reserve funds, except where provisions to the contrary are reported to the Company.
Whenever it is necessary to hold a certain number of shares to exercise a right, in the event of an exchange, regrouping, or assignment of title, or at the time of a capital increase or reduction, a merger, or any other operation, the shareholders holding a number of shares less than that required can only exercise these rights on the condition that they personally arrange to obtain the number of shares required.

21.9.4 General Meetings (articles 26 to 30 of the articles of incorporation)

NATURE OF THE MEETINGS

Shareholder decisions shall be made in General Meetings.
Ordinary General Meetings are those that are called to make all decisions that do not modify the articles of incorporation.
Extraordinary General Meetings are those called to decide on or authorize direct or indirect modifications to the articles of incorporation.
The resolutions of General Meetings create an obligation on all shareholders, including those who are absent, dissenting, or incompetent.

SUMMONSES AND MEETINGS OF THE GENERAL SHAREHOLDERS

All shareholders have the right to participate in General Meetings or to arrange for their representation in accordance with the conditions established by law.
General Meetings are called either by the Board of Directors or by the statutory auditors, or by a representative designated by the President of the Commercial Court in an interim ruling on the application of one or more shareholders constituting at least one tenth of the capital or, in an emergency, on the application of the participative Management Committee.
Where the Company's shares are admitted for trading on a regulated market or where all its shares are not nominal, it is required, at least thirty-five (35) days prior to any meeting, to publish in the French Bulletin des Annonces Légales Obligatoires (BALO) a meeting notice containing the information outlined in current regulations.
The summons to a General Meeting is made by a notice in a newspaper authorized to publish legal notices in the French département where the headquarters is located, and a notice, furthermore, in the Bulletin des Annonces Légales et Obligatoires [French Bulletin of Compulsory Legal Notices] (BALO).
Nevertheless, the notices outlined in the previous paragraph can be replaced by a summons made, at the Company's expense, by simple or registered letter sent to each shareholder. This summons may likewise be sent by a means of electronic telecommunications implemented in accordance with regulatory conditions.
Meetings shall take place at the headquarters or at any other location indicated in the notice of summons.
General Meetings shall be composed of all the shareholders, whatever the number of shares they hold.
Participation in the General Meetings, in any form whatsoever, is subject to the registration or recording of shares in accordance with the conditions and timeframes established under current regulations. The Board of Directors has the right to accept voting forms and proxies arriving at the Company after the deadline established under current regulations.
A shareholder may arrange for his/her representation at the General Meetings by any natural or legal person of his/her choice, in accordance with legal provisions. Shareholders who are legal persons shall participate in meetings through their legal representatives or through any representative designated to this end.
Shareholders may likewise vote remotely in accordance with the methods established by the law and regulations, sending their remote voting form either in paper format or, on the decision of the Board of Directors, by a means of telecommunications.
The Board of Directors has the right to decide, at the time a meeting is called, whether the shareholders may participate and vote in any meetings by videoconference or any other means of telecommunications or electronic transmission (including via the internet), in accordance with the conditions established by

the law and regulations applicable at the time of its utilization. This decision shall be communicated in the meeting notice and the notice of summons published in the Bulletin des Annonces Légales Obligatoires (BALO).
The shareholders who use, to this end and within the required timeframes, the electronic voting form offered on the website established by the coordinator of the shareholders' meeting shall be considered equal to the shareholders present or represented. The submission and signature of the electronic form may be directly performed on this site through any process approved by the Board of Directors and meeting the conditions defined in the first sentence of paragraph two, article 1316-4 of the French Civil Code, i.e., the usage of a reliable identification process guaranteeing the link with the form, notably such as consists of an identifier and a password.
The proxy or the vote thus expressed prior to the meeting by any means of telecommunications or electronic transmission, as well as the acknowledgment of receipt that is given in such case, shall be considered a fully irrevocable and enforceable submission, it being specified that, in the event of an assignment of shares taking place prior to the third (3rd) business day preceding the shareholders' meeting at local Paris time, the Company shall consequently invalidate or modify, as applicable, the proxy or the vote expressed prior to the meeting by any means of telecommunications.

AGENDA

The agenda for Meetings is provided by the person issuing the summons.
One or more shareholders, representing at least the portion of share capital required and acting in accordance with the conditions and timeframes established by law, have the right to request, by registered letter with acknowledgment of receipt or by electronic telecommunications, the inclusion of points or draft resolutions on a Meeting agenda.
The participative management committee may likewise request that draft resolutions be included on a Meeting agenda.
Meetings cannot deliberate on a matter that is not included on the agenda, which cannot be modified in the event of a second summons. It can nevertheless, in all circumstances, remove one or more members of the Board of Directors and proceed with their replacement.

HOLDING OF MEETINGS - CHAIR COMMITTEE - MINUTES

Meetings are presided over by the Chairman of the Board of Directors or, in his absence, by a Vice President or by a director specially delegated to this end by the Board. Failing this, the Meeting shall itself designate its Chairman.
In the event of a summons by a statutory auditor or by an agent appointed by the court, the Meeting shall be presided over by the person issuing the summons.
The two shareholders, present and accepting such duties, representing, both for themselves and as representatives, the largest number of votes shall act as scrutineers and vote counters.
The committee thus established shall designate a secretary, who may be taken from outside the members of the Meeting.
An attendance sheet shall be kept, in accordance with the conditions established by law.
Deliberations and resolutions of the Meetings are recorded in minutes signed by the committee members and kept in a special register, in accordance with the law. Copies and extracts of these minutes shall be validly certified in accordance with the conditions established by law.

QUORUM – VOTE

General Meetings, whether they are ordinary, extraordinary, or mixed, shall deliberate in accordance with the conditions for a quorum and majority as established in the provisions governing them, and shall exercise the powers assigned to them by the law.
The voting right attached to capital or dividend shares is proportional to the portion of capital that they represent. Each share gives the right to one vote.

A double voting right is nevertheless assigned, in accordance with legal conditions, to all shares fully paid up for which evidence is provided, at the latest on the third day prior to the date of the shareholders' meeting, of nominal registration for at least two years in the name of the same shareholder, or in the name of a person holding such rights following a succession, a sharing of the community of property between spouses, or an inter vivos gift granted by a shareholder to his/her spouse or to a relative in the direct line of succession, or following a transfer resulting from a merger or a division of a shareholder company.
In the event of a capital increase through the incorporation of reserves, income, or issue premiums, the double voting right is granted, upon their issue, to nominal shares assigned free of charge to replace the previous shares already receiving such benefit.
The double voting right shall be duly withdrawn from any share having been converted to a bearer share or been subject to a transfer of ownership, except where this transfer results from a succession, a sharing of the community of property between spouses, or an inter vivos gift granted by a shareholder to his/her spouse or to a relative in the direct line of succession, or following a transfer resulting from a merger or a division of a shareholder company.

21.9.5 Clauses of the articles of incorporation such as may have an effect on the occurrence of a change of control

No clauses of the articles of incorporation are such as may have the effect of delaying, deferring, or impeding a change of control in the Company.

21.9.6 Crossing of thresholds set by the articles of incorporation

The Company's articles of incorporation do not stipulate obligations other than those established by the law and regulations (article 9 of the Company's articles of incorporation).

21.9.7 Special provisions governing modifications to the share capital

All modifications to the share capital are subject to legal requirements, the articles of incorporation not stipulating any specific provisions.

22. MAJOR CONTRACTS

The major contracts for the Company during the last two years, other than those stipulated in the normal course of business, are the following:

22.1. PARTNERSHIP AND COOPERATION AGREEMENTS

22.1.1 Financed agreements

22.1.1.1. Erytech/Inserm/Aphp/Diaxonhit

The parties have stipulated a cooperation agreement within the scope of the TEDAC project: "Therapeutic Enzymes to Deplete Amino acids to treat Cancers resistant to radio/chemotherapy".

This agreement entered into effect retroactively as of January 1st, 2012, for a duration of 8 years.

Within the scope of this project, OSEO will finance the Company in amount of 7 million euros, which shall be paid in multiple tranches, 4.9 million euros of which is in repayable advances and 2.1 million euros in non-repayable grants.

The OSEO assistance is composed of a grant, as well as repayable assistance, in accordance with the following structure:

Beneficiary	Project amount (in €)	Cost of eligible activities included (in €)			Maximum assistance provided (in €)		
		Industrial research	Experimental development	Total	Grants	Repayable advances	Total assistance
ERYTECH Pharma	14,363,850	4,573,760	9,790,090	14,363,850	2,058,194	4,895,052	6,953,246

*That being 48% of the project amount

The project is monitored through a series of key milestones defined with a view to enabling OSEO to evaluate the progress of the project and determine the assistance to be paid. The key milestones are as follows (t0 having been established as July 1st, 2012):

Key Milestone	Stopwatch	Date	ERYTECH Condition
Key Milestone 1	t0 + 12 months	Jul-13	Provision of contract between ERYTECH and the enzyme supplier
Key Milestone 2	t0 + 24 months	Jul-14	Enzyme encapsulation capacity
Key Milestone 3	t0 + 36 months	Jul-15	Results of toxicology study, selection of therapeutic indication for phase I/II
Key Milestone 4	t0 + 48 months	Jul-16	Design of study I/II, approval of regulatory authorities for phase I/II
Key Milestone 5	t0 + 60 months	Jul-17	Intermediate results phase I/II
Key Milestone 6	t0 + 72 months	Jul-18	Design of study II/III, approval of regulatory authorities II/III, results of I/II
Key Milestone 7	t0 + 84 months	Jul-19	Intermediate results phase II/III
Key Milestone 8	t0 + 96 months	Jul-20	Final report

The estimated amount of payments is established in the following tables:

	First payment of non-repayable grants	Payments of non-repayable grants by key milestone (in €)							Total grant payments (in €)
		Key Milestone 1	Key Milestone 2	Key Milestone 3	Key Milestone 4	Key Milestone 5	Key Milestone 6	Key Milestone 7	Key Milestone 8	
ERYTECH Pharma	992,257	463,054	294,153	0	0	0	0	0	308,730	2,058,194

	First payment of repayable advances	Payments of repayable advances by key milestone (in €)							Total payments of repayable advances (in €)
		Key Milestone 1	Key Milestone 2	Key Milestone 3	Key Milestone 4	Key Milestone 5	Key Milestone 6	Key Milestone 7	Key Milestone 8	
ERYTECH Pharma	62,607	0	0	217,121	901,807	1,018,028	1,454,167	507,064	734,258	4,895,052

The first payment was made after signature of the Framework Agreement with OSEO. In May 2012, the Company therefore received the above-mentioned amounts, i.e., €992,257 in non-repayable grants and €62,607 in repayable advances.

These amounts were therefore received as an advance, and therefore correspond to the amount of expenses estimated for Key Milestone 1 to which the assistance rate is applied.

At the end of key milestone 1, as of June 30, 2013, the Company had incurred an expense volume which came to €438,674, which did not reach the volume for which it had received the advance of €992,257 euros. Consequently, the Company was unable to solicit payment of the advance for the milestone, namely €463,054. The Company had, furthermore, already recorded deferred revenues amounting to €943,004 as of December 2012.

The following payments are made after each review of a Key Milestone. The amount effectively paid has a ceiling at the amount of the Key Milestone in question, decreased by any overpayments at previous Key Milestones. The total amount of payments made prior to the final Key Milestone shall not exceed 85% of the anticipated amount of the assistance.
The final payment of an estimated amount of 15% of the total amount of assistance shall be made after the Key Milestone and the final review of the project R&D identifying the end of the project and acceptance by OSEO.

Within the context of closing its books on 31 December 2013, the Company did not realize all of the forecast expenses in key milestone 2, as the milestone will be completed in June 2014. Since subsidies are booked on a pro rated basis for costs incurred (corporate financial statements and IFRS), at the end of 2013, the company recorded deferred revenues of €648,854, refer to note 5.10 in Section 20).

However, the Company is clearly within the planned schedule with regard to the TEDAC project. Expenses incurred are less than planned in the initially submitted budget, since in the end it was not necessary to go beyond that to conclude the initial steps in the project.

The Financial Repayments shall be made in specific payment amounts, in function of the anticipated sales revenue generated by the direct or indirect development of products or services resulting from the Project, as listed below:
Therapeutic products, simple or combined, used in the treatment of a solid tumor and composed of enzymes intended to break down a specific amino acid, encapsulated in the red blood cells.

The Financial Repayments include repayment of the Repayable Advance and the Additional Payments explained below. We specify that the amounts of the repayment maturities on the Repayable Advance take into account an annual discount rate of 3.05% (three point zero five percent), calculated according to the methods below.
The amounts M(m) of the advance payments and repayment payments arising in month (m) are thus based on the economic conditions of the month (m0) of signature of the agreement, according to the following calculation:
$M(m0) = M(m)\ (1.0305)^{(-n/12)}$
Where n represents the number of months elapsed between (m0) and (m),
And the dates to be taken into consideration are:

- for a payment of the Repayable Advance, the date of disbursement by OSEO;
- for a repayment, the collection date identified by OSEO.

The Company undertakes to repay OSEO an amount of €5,281,000 (five million, two hundred and eighty-one thousand Euros) upon achieving a cumulative amount of before-tax sales revenue equal to or greater than €10,000,000 (ten million euros), entitled "trigger sales revenue", according to the following estimated lump-sum payment schedule:

Year 1 at the latest on June 30	€500,000 (five hundred thousand euros)
Year 2 at the latest on June 30	€750,000 (seven hundred and fifty thousand euros)
Year 3 at the latest on June 30	€1,500,000 (one million, five hundred thousand euros)
Year 4 at the latest on June 30	€2,531,000 (two million, five hundred and thirty-one thousand euros)

In the event of sales of the intellectual property rights resulting from the project, as well as the assignment of prototypes, test series, and models created within the scope of the project, an annuity equal to 50% (fifty percent) of the income generated shall be lowing to OSEO ISI.

Where repayment of the Repayable Advance has been made in accordance with the above provisions, the Company shall pay OSEO, for a duration of five consecutive years after the termination date of said repayment and insofar as it has achieved a cumulative amount of before-tax sales revenue equal to or greater than €60,000,000 (sixty million euros), 2.5% of the annual sales revenue generated by the development of products resulting from the Project.
In any case:
- the amount of the Additional Payments shall have a ceiling of €15,000,000,
- the total period for the lump-sum repayments and the profit-sharing payments is limited to 15 years.

Early repayment of the Repayable Advance may be required by OSEO, notably in the event of a change of control in the Company.

22.1.2 Partnership agreements

22.1.2.1 Erytech/Groupe Teva

On March 28, 2011, ERYTECH signed a partnership agreement with Abic Marketing Limited (Groupe Teva), a global player in the pharmaceutical industry based in Israel, to distribute GRASPA® in this country. With a sales revenue of more than $20 billion in 2013, Groupe Teva is a diversified pharmaceutical group with a strong strategy in innovative and unusual specialty products in therapeutic areas such as the central nervous system, respiratory system, women's health, oncology, and pain.

In accordance with the terms of this agreement, Groupe Teva shall submit an application for approval of the drug in Israel and shall provide for its marketing and long-term distribution in this country. Groupe Teva shall make milestone payments and shall share the income.

Early termination of the agreement may be requested by either party in the event of a change of control in the other party.

22.1.2.2. ERYTECH/Orphan Europe (Recordati Group)

On November 23, 2012, ERYTECH signed a marketing agreement with Orphan Europe, a company specialized in the development, production, and marketing of drugs for orphan diseases. Orphan Europe is a subsidiary of Recordati, a major European pharmaceutical group that earned 942 million euros in sales revenue in 2013.

Orphan Europe holds a portfolio of orphan drugs already on the market in different areas, such as neonatology, pediatrics, and metabolic disorders. Orphan Europe is a leading player in the field of orphan diseases and has the medical, clinical, regulatory and commercial expertise to market and effectively sell GRASPA® in Europe. Orphan Europe is a strategic business for Recordati, which acquired the company in 2007 for €135 million and built it up further with the acquisition of a portfolio of rare and orphan disease drugs in the United States for $100 million.

Orphan Europe will market GRASPA® in 38 European countries, including all the countries in the European Union for the treatment of ALL and AML. The parties have the opportunity to discuss the extension of this agreement to other areas around Europe and other indications.

ERYTECH is keeping the production of GRASPA® at its Lyon site and will supply Orphan Europe in the various European countries where the drug will be sold.

Under this agreement, Orphan Europe contributed €5 million upon signing. Orphan Europe will pay ERYTECH up to €37.5 million on future milestones in function of various clinical, regulatory, and commercial events. Orphan Europe will invest in the development costs for GRASPA® in AML and ERYTECH will receive a payment for product delivered and royalties on the sales made by Orphan Europe with GRASPA®, for a total of up to 45% of the sale price.

The Company considers, in particular, that withdrawal of the objection on the patent, initiated by the Company, allowed for a clause in the agreement to be automatically terminated, this clause stipulating that, where the intellectual property licensed is deemed to be counterfeited or invalid, the Company could be required to reimburse Orphan Europe for certain expenses, or even reduced milestone payments and/or the agreement, terminated in part.

Separately, another company in the Recordati Group has subscribed to bonds that were converted into an investment stake in the capital of ERYTECH for a value of €5 million at the time of the IPO (*see also Section 18.1 of the Reference Document*).

22.2. LICENSE AGREEMENT

22.1.3 Erytech/National Institutes of Health (NIH)

The NIH has granted a license, pertaining to the intellectual property covering a diagnostic method to predict the efficacy of L-asparaginase in patients (*see also chapter 11.2 Intellectual Property*). This license covers US territory and development in leukemias and solid cancers. It is exclusive for five years after FDA approval of the drug that will be developed by ERYTECH.

22.3. SUPPLY CONTRACTS:

22.3.1 Erytech/Établissement Français Du Sang (EFS)

The parties have stipulated multiple agreements for the sale of packed red blood cells for therapeutic use intended for the manufacture of ERYASP™/GRASPA®, namely:
On September 1st, 2009, within the scope of the clinical trial GRASPALL 2009-06;
On October 19, 2012, within the scope of temporary approval for usage;
On January 4, 2013, within the scope of the clinical trial GRASPAML 201201;

22.3.2. Erytech/American Red Cross (ARC)

The parties have stipulated a forward contract according to which the ARC undertakes to supply ERYTECH within the scope of its requirements for packed red blood cells in the United States.

This contract entered into effect on July 1st, 2009 and will expire on December 4, 2014.

22.3.3 Erytech/medac

ERYTECH and medac, a German company, have stipulated two exclusive supply contracts for asparaginase intended for the manufacture of ERYASP™/GRASPA®.

- The first contract entered into effect on December 10, 2008 for a duration of 20 years, and concerns the native form of asparaginase currently used by ERYASP™/GRASPA® for its European clinical trials in ALL and AML.
- The second contract covers any new formulations of asparaginase that medac develops and that ERYTECH may potentially use. In particular, medac develops a recombinant asparaginase (in Phase III in Europe) and a pegylated asparaginase (in Phase I in Europe) (*see also Chapter 6 of the Reference Document*). For supplies for clinical usage, this contract entered into effect on April 6, 2011 for a duration of 10 years; for supplies for commercial usage, it will enter into effect on the date of commercial approval, for a duration of 5 years.

This second contract contains certain provisions according to which ERYTECH may be required to refrain from any form of promotion of ERYASP™/GRASPA® where this product is manufactured using a new formulation of asparaginase registered and marketed before ERYASP™/GRASPA® as first-line treatment. It is specified that any restriction against promotion shall only be applicable for the country or countries in which the new formulation is approved first and only for the indication or indications that it obtains, and shall not impede the prescription of ERYASP™ by a physician and its sale by ERYTECH.
It is reiterated that ERYASP™/GRASPA® in Europe is currently manufactured using native asparaginase and therefore covered by the first supply contract, which contains no promotion-related restrictions. The Company may plan to manufacture ERYASP™/GRASPA® in Europe using any new medac formulation, in the event such new formulation is developed, but has no obligation to do so.

In any event, none of the provisions of contracts with medac are such as impede or restrict, in any country, a physician's ability to prescribe ERYTECH drugs.

22.3.4 Other supply contracts

The Company has stipulated a supply contract for the provision of "Osmocell" devices, as well as the know-how associated therewith. This contract entered into effect on September 10, 2013 for a duration of one year, with tacit renewal for subsequent one-year periods.

The Company has stipulated a supply contract for the provision of hemodialysis filters that the Company uses in its production system. The contract entered into effect on November 24, 2010 for a duration of 10 years.

22.4. SUBCONTRACTING AGREEMENTS

22.4.1. Erytech/American Red Cross (ARC)

The parties have stipulated a subcontracting agreement for the production of batches of ERYASP™ for the Company's clinical trials in the United States.

The contract entered into effect on March 1st, 2009 for an initial duration of 3 years, and is renewable in one-year periods or, where applicable, until the end of the clinical trial for which ARC produces the batches.

22.4.2. Other subcontracting agreements

The Company has stipulated a subcontracting agreement for the manufacture of ERYCAPS® machines that the Company uses in its production system. The contract entered into effect on April 8, 2009 for a duration of 6 years.

The Company has stipulated a subcontracting agreement for the production of Lysis/resealing solutions that the Company uses within the scope of its activities involving molecule encapsulation in red blood cells. The agreement entered into effect on March 8, 2011 for an initial duration of 2 years, and is renewable for one-year periods.

23. INFORMATION ORIGINATING FROM THIRD PARTIES, EXPERT DECLARATIONS, AND DECLARATIONS OF INTERESTS

None.

24. DOCUMENTS ACCESSIBLE TO THE PUBLIC

Copies of this Reference Document are available at no cost at the Company's headquarters, 60 avenue Rockefeller, 69008 Lyon, France. This Reference Document can likewise be found on the Company's web site (www.erytech.com) and on the AMF web site (www.amf-france.org).

The articles of incorporation, General Meeting minutes, and other Company documents, as well as the historical financial information and all evaluations or declarations made by an expert upon the request of the Company and made available to the shareholders in accordance with applicable legislation can be found, at no cost, at the Company's headquarters.

These documents are likewise available in paper format upon a simple request to the Company.

Further, pursuant to article 221-3 of the French Autorité des Marchés Financiers (AMF) General Rules, the information regulated under article 221-1 of the same Regulations is available on the Company's website (www.erytech.com).

25. INFORMATION ON INVESTMENT STAKES

None.

26. GLOSSARY

- **AFSSAPS (now ANSM)**: The French Agency for the Safety of Health Products (now the French National Security Agency of Medicines and Health Products), is a French public institution whose mission is to assess the health risks posed by drugs and issue drug marketing approvals (MA). It is the sole authority for regulating biomedical research.

- **American Red Cross (ARC)**: Organization whose mission is the collection, storage, processing and distribution of blood. It provides almost 44% of blood donations in the United States. It distributes its products in more than 3,000 hospitals and transfusion centers in the United States.

- **MA**: Marketing Approval is the approval given to a holder of operating rights for a drug manufactured industrially so that said holder can sell it.

- **ANR**: (L'Agence Nationale de la Recherche [National Research Agency]) is a funding agency for public and private research projects, in the form of contract research.

- **Asparaginase**: Specific enzyme capable of suppressing circulating asparagine, thus depriving cancer cells of a key nutrient, causing them to die. Its introduction as the standard treatment for acute lymphoblastic leukemia (ALL) dates back to the 1970s, in particular thanks to a purified version of the enzyme from bacteria (E. coli). Asparaginase gradually established itself as a pillar of anti-leukemia chemotherapy.

- **GMP (Good Manufacturing Practice)**: Set of mandatory standards governing the manufacture of industrial drugs that ensure the pharmaceutical quality of drugs and patient safety.

- **PRBCs (Packed Red Blood Cells)**: Suspension of red blood cells aseptically obtained from a unit of whole blood after removing plasma.

- **Half Life**: Time required for the concentration of a drug present in tissue (e.g., blood) to decrease to half its initial value. In practice, a medicine is considered to no longer have a pharmacological effect after five to seven half-lives.

- **EMA (European Medicines Agency)** is a European Union agency based in London, which coordinates the evaluation and supervision of the development of new medicines in the European Union.

- **Erythrocytes**: Red blood cells

- **FDA (Food and Drug Administration)** is the US government agency responsible for the safety of food products as well as the control and regulation of drugs. Its responsibilities include assessing the safety and efficacy of drugs before issuing their marketing approval for the United States.

- **ERYASP™/GRASPA® or ERYASP™ or GRASPA®** [sic] consists of an L-asparaginase encapsulated in a red blood cell. This medicine aims in particular to treat patients with acute leukemia. Encapsulation allows L-asparaginase to destroy asparagine, tumor growth factor, inside the red blood cell, while avoiding allergic reactions and reducing other side effects, thus providing prolonged therapeutic efficacy compared to other forms and a significantly improved safety profile, to treat fragile patients. The GRASPA® trademark was licensed to Orphan Europe (Recordati Group) for marketing the product for ALL and AML in Europe and to the Teva Group in Israel.

- **IND (Investigational New Drug Application)** is an approval request to the FDA to administer an investigational drug or biological product to humans in the United States.

- **Therapeutic Index**: Measurement of the relative safety of a drug, expressed as the ratio of toxic dose to therapeutically effective dose.

- **KOL (Key Opinion Leader)**: an individual who, due to his/her reputation, expertise or intensive social activity, could influence the opinions or actions of a large number of individuals.

- **Orphan disease**: orphan diseases refer to diseases for which we do not have any effective treatment; proposed treatments for these diseases are limited to reducing symptoms. Orphan diseases are often rare diseases, i.e., low prevalence diseases, but there are highly prevalent diseases for which there is no treatment (such as Alzheimer's disease, which is an orphan disease that is not rare).

- **ODD (Orphan Drug Designation)**: Legislation enacted to promote the research and commercialization of products that treat rare diseases. Pharmaceutical companies eligible for this status benefit from market exclusivity for ten years as well as scientific, financial and administrative support incentives for product development in these indications.

- **Phase I**: Clinical trials in healthy volunteers. They have two objectives: to ensure that the toxicity in humans is similar to that tested in animals during the preclinical stage and to analyze what happens to the drug in the body (pharmacokinetics).

- **Phase II**: During this phase, the optimal dose of the drug in terms of efficacy is determined. These trials are performed on a small homogeneous group of one hundred patients.

- **Phase III**: This phase involves a large group of patients and is to compare the drug under development to another drug with proven effect or a placebo (a medicine devoid of therapeutic activity). The objective is to demonstrate effectiveness and assess the efficacy/safety ratio.

- **Pegylation Process**: non-toxic chemical processing of a molecule to increase its half-life in the body.

- **Hypotonic solutions**: solution whose molecular concentration is lower than that of the reference environment (especially blood plasma). In a hypotonic solution, water tends to enter red blood cells through their semi-permeable membrane.

- **Reticuloendothelial system**: Set of cells scattered throughout the body with various functions including the production of blood components, the destruction of bodies considered foreign and immunity.

- **Companion Test**: test specific to a drug making it possible to predict patient response to the treatment and suggest the most effective and appropriate treatment and/or drug dosage.

- **Enzymatic therapy**: therapeutic treatment based on the specific activity of an enzyme. Enzymes are specialized proteins that each have a specific action such as causing chemical reactions, rearranging molecules, adding or subtracting components. Enzymes are not destroyed or changed during their action.

APPENDIX 1 – REPORT BY THE STATUTORY AUDITORS ON THE CHAIRMAN'S REPORT

Erytech Pharma S.A.

Headquarters: 60 avenue Rockefeller - Bâtiment Adénine - 69008 Lyon
Share capital: €555,895

Report by the statutory auditor, written pursuant to article L.225-235 of the Commercial Code regarding the Chairman of the Board of Directors of the Erytech Pharma SA company.
Fiscal year ending December 31, 2013

Ladies and gentlemen of the shareholders,

In our capacity as statutory auditor for ERYTECH Pharma SA, and in application of the provisions of article L.225-235 of the Commercial Code, we hereby present you our report on the report issued by the Chairman of your company, pursuant to the provisions of article L.225-37 of the Commercial Code for the fiscal year ending December 31, 2013.

It is the Chairman's task to draw up a report summarizing the internal control and risk management procedures implemented within the company while providing the other information required by article L.225-37 of the Commercial Code particularly pertaining to this mechanism in terms of corporate governance and to submit the same for approval to the Board of Directors.

Our task is:

- To provide you with any remarks required of us based on the information contained in the chairman's report respecting the internal control and risk management procedures pertaining to the development and processing of accounting and financial information, and
- to certify that the report contains the other information required by article L.225-37 of the Commercial Code, it being noted that we are not responsible for verifying the accuracy of such other information.

We conducted our work in accordance with the applicable standards for professional conduct in France.

Information about internal control and risk management procedures pertaining to the development and processing of accounting and financial information

The standards for professional conduct require the implementation of the verifications intended to assess the accuracy of the information with respect to internal control and risk management procedures pertaining to the development and processing of the accounting and financial information contained in the Chairman's report. These verifications consisted specifically in:

- examining the internal control and risk management procedures pertaining to the development and processing of accounting and financial information underlying the information presented in the Chairman's report as well as existing documentation;

- examining the work which made it possible to develop such information and the existing documentation;

- determining whether major deficiencies in internal control pertaining to the development and processing of the accounting and financial information which we might have identified as part of our mission were appropriately stated in the Chairman's report.

On the basis of this work, we have no remarks to make about the information concerning the company's internal control and risk management procedures pertaining to the development and processing of the accounting and financial information contained in the Chairman's report to the board of directors established pursuant to the provisions of article L.225-37 of the Commercial Code.

Other Information

We certify that the Chairman's report to the Board of Directors contains the other information required in article L.225-37 of the Commercial Code.

Lyon, April 28, 2014

KPMG Audit Rhône Alpes Auvergne

Gaël Dhalluin
Partner

APPENDIX 2 - POLICY WITH REGARD TO ENVIRONMENTAL, SOCIAL, AND SOCIETAL RESPONSIBILITY

ERYTECH Pharma is a biopharmaceutical company which wishes to become an international leader in customized medicine in the field of cancer.

ERYTECH Pharma Company aspires to conduct each of its actions as a Socially Responsible Enterprise.

Placing the patient at the heart of our priorities, demonstrating ethics and respect towards each person are shared values within ERYTECH Pharma and they form the basis for its approach as a socially responsible enterprise.

The employees are the ones who promote these values and develop business on a day-to-day basis. The Company has made a particular commitment to train them and offer them a healthy and safe work setting so that they can continue to form a team that is motivated by the Company's success.

ERYTECH Pharma has made a sustained investment in R&D to meet the challenges of public health and to offer innovative and radical therapeutic responses particularly in the field of cancer.

Its current activities thus are concentrated in research and development and production for clinical trials. They are being developed in close collaboration with health professionals, particularly physicians and pharmacists, whose expectations guide ERYTECH Pharma.

The Company is classified as a Pharmaceutical Facility, a supervised status. Additionally, ERYTECH Pharma has sought to measure the reality and maturity of its practices by initiating a voluntary evaluation procedure and therefore has committed to develop an ISO 26000 approach in 2014.

This report is intended to present the Company's stakeholders with its contribution in terms of Sustainable Development.

JOBS AND SOCIAL RESPONSIBILITY

a. Jobs

The table below summarizes the numerical indicators used to describe jobs at ERYTECH Pharma over the last two years:

	2012	2013
Total personnel and the distribution of employees by sex and by age		
Personnel at the end of the fiscal year (headings)	37	36
Staff distribution M/W (%)	32/68	32/68
Mean age (years)	35	36
Employees 45 years of age or greater (employees, %)	8%	14%
Hires and dismissals		
Net number of jobs created	1	-1
Remuneration and its evolution		

Mean gross remuneration	47,072	52,852
Annual increase ratio (comparable personnel)	nd	7%

- Total personnel and the distribution of employees by sex and by age

ERYTECH Pharma's personnel has remained stable between fiscal year 2012 in fiscal year 2013. All personnel is located at a single site in Lyon, in the eighth district. The Men/Women distribution as well as the average age are generally stable. The number of employees over 45 years of age is increasing very slightly, there were three in 2013.

Staff is generally highly qualified: managers represent 51% of the personnel. At the end of the year, the personnel included nine employees who are holders of a Doctorate in science, medicine, or pharmacy and 14 employees who are holders of a diploma in engineering or a Master's degree, that being respectively 25% and 39% of the total staff.

- Hires and dismissals

In 2013, four new employees joined the company under different contracts: One permanent contract and three fixed-term contracts (one of which was converted into a permanent contract in 2014). Three employees working under fixed-term contracts in 2013 converted to permanent employment contracts in 2014. One intern was hired on the basis of a fixed term contract for 2014.

Four employees working under permanent contracts left the company during the year, one as part of a dismissal on economic grounds, another as part of a mutually agreed departure, and two others through resignations.

ERYTECH Pharma receives interns coming from schools or universities. In 2013, interns received an indemnity that was above the legal minimum. As with any employee, they receive meal tickets and their transportation costs are reimbursed at a rate of 50%. Periods of internship are considered for purposes of seniority for those interns hired at the end of their internship. One intern was hired at the start of 2014 under a fixed term contract, following his/her internship.

ERYTECH Pharma also allows young diploma-holders to benefit from Volontariat International en Entreprise [International Volunteers in Business] (VIE). The Company has also given employees who were formerly working under fixed term contracts, via UBIFRANCE, a professional mission in Philadelphia (USA) lasting 18 months.

- Remuneration and its evolution

The Company applies an individual system for evolution in remuneration. There are two components to bonuses: individual and collective based on reaching objectives (quality, personal, department, company). Personnel working under fixed term contracts receive payment of the bonus for at-risk employment should there contract not be renewed and if there is a non-refusal of a offer of a permanent employment contract.

b. Organization of work

ERYTECH Pharma complies with current law and has set the hours of the standard workweek to be 35 hours. These terms apply on a prorated basis to part-time employees.

The table below summarizes the numerical indicators used to describe the organization of work at ERYTECH Pharma over the last two years:

	2012	2013
Organization of time at work		
Rate of part-time employees (%)	9.86%	6.69%
Absenteeism		
Rate of absenteeism	2.4%	2.4%

In 2013, the rate of part-time work decreased, there were three people working part-time (80%) at the end of 2013.

Employees working part-time do so at their request; this is due primarily, but not exclusively, to parental leave. In effect, in order to find a just articulation between professional activity and personal and family life for men and women, the Company examines each request seeking to adapt the organization of work.

The absenteeism rate (excluding maternity, paternity, or parental leave) is stable; in the main, days of absence are days of absence due to illness (97%) and "sick child" days. No absence has been associated with a job-related illness.

c. Corporate relations

Given the size of its personnel (less than 50 employees), the Company has one employee representative. Meetings with the employee representative are held regularly, following the legal procedures, and even beyond that, since all questions are considered, even those that do not lie within the purview of powers awarded to the employee representative.

Agreements signed or commitment in the company are as follows:

- The individual right to training: and enterprise-level agreement respecting the exercise of the Droit Individuel à la Formation [individual right to training] (DIF) was signed on April 27, 2009.
- Incentive: an incentive agreement for the company's staff was signed on November 29, 2013. It shall take effect starting on January 1, 2014.
- Remuneration for "sick child" days: unilateral commitment by the employer, who decides to pay for "sick child days" subject to certain limits and conditions.
- Work on weekends/days off and holidays: the note is signed July 16, 2013. Personnel in the Quality Assurance, Research and Development, Quality Control and Production departments may be required to work on weekends and/or holidays.
- On-call duty for weekends and holidays: the note is signed March 30, 2012. Personnel in the Quality Assurance, Quality Control and Production departments may be required to work on weekends and/or holidays through on-call duty.

- Internal communications

The life of the company is based on active internal communication and participatory management. The company regularly organizes meetings within the departments about the various projects. Inter-departmental meetings have been implemented. Moreover, some informational meetings with employees, managers, or all categories put together, are organized thematically (for example during the IPO), so as to preserve dialogue and encourage employees to express themselves.

Each quarter, a meeting is organized with HR in which widely ranging themes are discussed such as training programs, end-of-year interviews, company insurance, incentives, etc.

Twice a year, ERYTECH Pharma offers "corporate days" which are essential for building cohesion among the teams.

d. Health and safety

The company's activities are conducted in a particularly strict setting with regard to authorizations and approvals, and safety of the personnel is a fundamental element for the company's sustainable development.

Additionally, from the beginning, the company has deployed a policy of management through quality with ISO 9001: 2008 certification covering all of its processes. Within this framework, the Company has a general Hygiene and Safety procedure governing the practices of personnel associated with the facility vis-à-vis two risks for the company: biological and chemical.

Finally, problems pertaining to the personnel's hygiene and safety are followed and managed by the implementation of a Single Document, which identifies and evaluates work-related risks.

The table below summarizes the indicators used to monitor health and safety at ERYTECH Pharma over the last two years:

	2012	2013
Workplace accidents, particularly their frequency and their severity, as well as work-related illnesses		
Number of workplace accidents which resulted in work stoppage	1	0
Frequency rate* of workplace accidents resulting in stoppage	18/ 1,000,000	0
Severity level** of workplace accidents	2.87%	0
Number of workplace accidents without stoppage	0	1
Frequency rate* of workplace accidents without stoppage	0	17
Number of incidents	1	1
Frequency rate* of incidents	18/ 1,000,000	17/ 1,000,000
Number of work-related illnesses	0	0

The number of accidents which resulted in work stoppage was zero for 2013. ERYTECH Pharma files the necessary declarations if there is a workplace accident or an accident during transit, whether or not they result in stoppage of work. The number of incidents remained constant over the two fiscal years. They are monitored in the incident log maintained by ERYTECH Pharma.

In terms of Hygiene and Safety, the Company complies with the legal and contractual provisions and, currently, has not signed any additional agreements either with a collective bargaining organization or with the employee representative.

e. Training

The table below summarizes the indicators used to describe training at ERYTECH Pharma over the last two years:

	2012	2013
Total number of hours of training		
Total number of hours of training	400	474
Mean volume of hours of training/employee/year	11	13
Proportion of personnel 45 years or older who has received training actions (%)	100%	40%

(Number of persons concerned)	3/3	2/5
Training expenditure ratio*	2.13%	2.22%

- The policies implemented in terms of training

The company has continued its training policy with a long-term perspective, on the basis of actions that are intended to strengthen collective and individual skills and abilities. The training expenditure ratio has been maintained above the legal obligations (1.6% of the payroll basis according to the Labor Code). Training revolves around the following orientations: linguistic skills, medical information processing, mastery of computer tools, internal quality audit.
The expressions of needs for employee training are validated by management as a function, namely, of their importance for the company's development.

f. Equality in treatment

- Measures taken to promote equality between men and women

During the meeting of the Board of Directors on December 3, 2013, ERYTECH Pharma proposed the following measures in order to improve equality between men and women possessing equal qualifications and skills: privilege the hiring of women at the "Director" level, privilege hiring of men at other levels.

- Measures taken to promote employment and integration of handicapped personnel

ERYTECH Pharma has evolved its recruitment procedures in order to better account for the conditions of handicapped persons. As an example, when a position is open to a handicapped person, the company plans to place advertisements on specialized recruitment sites starting at the beginning of 2014. In 2012 and 2013, one employee officially classified as handicapped was hired under a permanent employment contract.

- Steps taken to fight discrimination

The external recruitment procedure reviews the regulatory requirements in terms of nondiscrimination when hiring. The procedure illustrates these requirements through a list of "prohibited questions".

g. Promotion and compliance with the stipulations of the fundamental conventions of the International Labor Organization as pertains to the respect for freedom of association and the right to collective bargaining, the elimination of discrimination in terms of jobs and professions, the elimination of forced or mandatory work, and the effect of abolition of child labor

The Company's employees conduct their activities in France. The company complies with the current regulations in this country, namely in terms of:
– freedom of association,
– collective-bargaining,
– elimination of discrimination in terms of jobs and profession,
– elimination of forced or mandatory work, and
– the effective abolition of child labor.

ENVIRONMENTAL INFORMATION

The activities implemented include contract industrial production. These activities therefore result in either in massive use of raw materials, nor in significant energy consumption, nor significant discharge into the environment of greenhouse gases, nor use of soils. Furthermore, the activities inherent to the Company do not generate particular auditory nuisances for its employees or neighbors.
Activities are localized within the Bioparc, a health, safety and environment business park, developed as part of the Rockefeller health center. The Company possesses quantitative elements which allow it to monitor practically all of its consumption in water and electricity (except for consumption pertaining to the common areas due to the ways the building is managed).

The Company has not identified any major environmental risks associated with its activity which could lead to the formation of a provision against these risks are specifically training its employees with regard to these issues.

To date, the Company has not identified any opportunities for taking steps to protect biodiversity and adapting to the consequences of climate change.

In this setting, the following environmental indicators were chosen as being relevant:
General environmental policy;
Sustainable use of resources: energy consumption and water volume;
Pollution and waste management: quantity of waste sent to a specific treatment center.

a. General environmental policy

Despite an environmental impact deemed to be low, the Company and its employees are involved in terms of sustainable development, through the implementation of various actions:

- Having all unused documents destroyed and recycled (starting in the second semester of 2013) by a specialized company. Additionally, the company has changed the default settings on its printers to double-sided black-and-white printing. Finally, the company has an electronic document management system and educates staff, by tracking printouts, for the purpose of limiting internal printouts;
- Recycles its packages by using a collective arrangement within the building;
- Implements energy-saving devices: widespread use of timers for lights and air-conditioning.
- Privileges teleconferencing over travel;
- Encourages employees to privilege mass transit over personal vehicles.

ERYTECH Pharma chose its location in Lyon, at the heart of a center for health, which is well-served by mass transit, rather than outside of the city so as to limit travel by car.

b. Sustainable use of resources

The only energy source used by the Company is electric energy. The following table presents the evolution in annual electricity consumption.

	2012	2013
Electricity consumption (kWh)	283,798	279,558

For informational purposes, 279,558 kWh consumed in 2013 represents 22 tons of CO2*
* Application of the emissions factor (indirect energy) from the ADEME (French Environment and Energy Management Agency) (carbon base).

Water consumption corresponds to the pharmaceutical company's activities. Water discharged after use is water that comes from washing cycles (sinks, washing machines). Water that has been contaminated by biological or chemical waste is reprocessed.

	2012	2013
Consumption of water (m3)	8.37	8.21

CO2 emissions associated with air and rail travel, intercontinental to a very large degree because of the Company's internationalization in 2013, are presented below.

	2012	2013
CO2 emissions associated with professional travel (train & airplane)	44.4	65.8

The Company has outsourced logistics associated with its activities and does not possess quantitative elements that would allow it to track associated CO2 emissions.

c. Pollution and waste management

The Company has the waste generated by its laboratory activities picked up for processing by a specialized company. Two types of removal are conducted: in barrels (or cans) or "securibag".

In terms of volumes, quantities picked up and sent to the processing center are as follows:

	2012	2013
Barrels and cans (in liters)	17,085	29,410
"Securibag" (in Kg)	78	90

SOCIAL INFORMATION

a. Territorial, economic, and social impacts from the company's activity

34% of the outlays made when conducting its research projects are external expenditures. In effect, the Company subcontracts to regional entities, particularly for certain of its preclinical studies, and has created partnerships with, namely Ecole Vétérinaire de Lyon [the Veterinary School of Lyon] and Université Claude Bernard in Lyon. It also calls on numerous consulting firms in the region (patents, finance, attorneys).

ERYTECH Pharma regularly participates in symposia, congresses, and annual conferences, among which in 2013 were:
- BIO International Convention in Chicago;
- ASCO (American Society of Clinical Oncology) Annual Meeting in Chicago;
- EHA (European Hematology Association) congress in Stockholm;
- ASH (American Society of Hematology) Annual Meeting in New Orleans.

ERYTECH Pharma is also an active member:
- Nationally: in three professional organizations in the field of health and/or biotechnology: Les Entreprises du Médicament (LEEM) [Medicinal products companies], France Biotech and the Société Française des Sciences et Techniques Pharmaceutiques (SFSTP) [The French Company for Pharmaceutical Sciences and Technologies]
- Regionally: the center for competitiveness, Lyonbiopôle, and the cancer center Cancéropôle Lyon Auvergne Rhône Alpes.

Finally, the Company allows its employees to teach courses during their work time, within the field of expertise, at various training organizations.

b. Relationships with stakeholders

- Relationships with its shareholders and investors.

All shareholders have access to fall, transparent, and clear information, adapted to the needs of each person and useful for an objective assessment of the Company's growth strategy and results. This financial communications policy is intended to ensure that all shareholders have information in compliance with the practices of the financial marketplace.

A very wide variety of public documents, including those distributed as regulated information, covers the Company's activity, strategy, and financial information and are accessible on the Company's website under the Investors heading, in French and in English. There is also a dedicated email address for investors (erytech@newcap.fr).

In terms of regulated information, the Company releases periodic and annual information required of a listed company. The financial information is supplemented by press releases intended for the financial community and more broadly the public which concern subjects of significant meaning for the understanding of the Company's activity and strategy.

For example, the Company participated in the Actionaria trade fair on November 22 and 23, 2013, which allowed it to meet individual investors.

- Relationships with its partners

At least once per year, steering committees are organized between the Company and its primary partners, namely, for the purpose of discussing strategy and progress in joint projects.

- Partnership or sponsorship actions

During the Corporate meeting on December 16, 2013, the Company received the Laurette Fugain Association so that it could present its goals and its missions as well as to have the Company's employees consider the matters in which they might support the Association.

As part of the National Days against Leukemia on March 29 and 30, 2014, ERYTECH Pharma sponsored the Association Laurette Fugain and offered its employees, in collaboration with the association, various supportive actions (cookie sales, placement of donation boxes with merchants, participation in the collection).

c. Subcontractors + suppliers

The Company has a procurement procedure for its business relations with suppliers for certain critical elements (clinical trials, nonclinical trials, pharmacovigilance, and production unit supplier) Given the regulatory aspects of the Company's activities, most service providers and suppliers must also obey Best Laboratory Practices and/or Best Manufacturing Practices.

In accordance with this procedure, suppliers who have a CSR policy that complies with the requirements of Grenelle II shall be privileged.

The Company's procedures provide for supplier audits based on the type of purchases (new supplier, critical nature, etc.) as well as follow-up audits. However, supplier audits do not incorporate the CSR aspects given the structure of the upstream market.

d. Fair dealing

Various policies have been implemented to reinforce the approach to ethics:

- Procurement policy:
  - a limit of €20,000, net of taxes, on authorizations to enter into contracts. Above that limit, authorization from the quality department is mandatory;
  - Separation of duties for payments.
- Guide pertaining to the prevention of insider crimes and misconduct;
- Procedure for the management of health relations for the purpose of complying with the "Bertrand law";
- Travel charter: listing the maximum amount allowed for travel costs.

e. Measures to promote patient health and safety

At the current stage of its development, none of the medicinal products being developed by the Company today has been marketed or received marketing approval. The development of medicinal products is highly controlled by strict regulation. The various phases in the development of medicinal products require animal tests at the outset (preclinical development) then tests with humans (clinical development). Each of the development phases requires prior authorization delivered by the oversight authorities following approval by the ethics committees.

As part of the research and development activities, the Company implements preclinical studies within a strict framework. For these phases, the Company may make use of service providers who conduct animal experiments. The latter must follow a national procedure pertaining to the protection of animals used for scientific purposes, pursuant to decree no. 2013-118 of February 1, 2013 which, namely,

contains the obligation to obtain approval prior to conducting any project involving the performance of one or more experimental procedures using animals.

f. Other actions undertaken to promote human rights

The Company has not undertaken any additional action to promote human rights.

AUDIT REPORT

Version 1

At the request of the ERYTECH PHARMA company, SGS ICS has audited the information found in the management report written for the financial year ending December 31, 2013, by virtue of decree no. 2012-557 of April 24, 2012 pertaining to the transparency obligations of companies with respect to environmental and social matters, concerning application of article 225 of act no. 2010-788 of July 12, 2010 and article 12 of act no. 2012-387 of March 22, 2012 which amended article L.225-102-1 of the Commercial Code and the decree of May 13, 2013 setting forth the procedures in which independent third party organizations conduct their missions.

The Board of Directors is responsible for writing a report on the management of the company containing information pertaining to the company, environment, and society, defining the database or databases used, if any, when determining quantitative or qualitative data and assuring the availability of the same.

SGS ICS's responsibility consists in certifying that all of the information provided in article R.225-105-1 is present in the management report, expressing a reasoned opinion concerning, on the one hand, the accuracy of the information and, on the other hand, the explanations provided by the company about the lack of certain information, and indicating the steps implemented to perform our audit mission.

NATURE AND SCOPE OF THE AUDIT

SGS ICS's mission consisted in:

- Examining the presentation of directions regarding sustainable development, based on the social and environmental consequences associated with the company's activities and its corporate commitments, and as applicable, any actions or programs resulting therefrom.
- Comparing the list of information mentioned in the 2013 management report for the company with the list provided in article R.225-105-1 and identifying any information that was lacking and unaccompanied by the explanations provided in the third subsection of article R.225-105.
- Verifying the company's implementation of the collection process intended to ensure comprehensiveness and consistency of the information mentioned in the management report and identifying any irregularities.

SGS ICS conducted its mission at the ERYTECH PHARMA company, a French corporation with a Board of Directors located within a single facility in Lyon.

Only the environmental, social, and corporate information for 2013 were audited, excluding the 2012 data presented in the report.

STEPS

SGS ICS conducted its mission from March 3 to March 31, 2014 at the headquarters of the ERYTECH PHARMA company by conducting:

- interviews with persons in charge of the collection process and the manager for internal control and risk management
- verification that the company has implemented a process for collection, consolidation, and validation intended to ensure the comprehensiveness and consistency of environmental, social, and corporate information.

SGS ICS reviewed the reliability of the internal data set, the internal control procedures and the data and information aggregation systems.

One lead auditor and one supervisor were assigned to this audit mission over a period of four days.

ERYTECH PHARMA prepared its documentation and evidence pursuant to its SRE reporting process, and transmitted them to the lead auditor prior to the site visit. The audit mission consisted in verifying the presence of the data required by regulation, examining the accuracy of the calculations, and consistency of the numerical data. The second portion of the audit consisted in examining all of the documentation providing evidence for each of the stated qualitative and quantitative data: 69 indicators or pieces of information related to society and security, 11 indicators or pieces of information related to the environment, and 19 pieces of information relating to the company and corporate governance.

Three interviews were conducted of persons occupying the following positions:

- Vice President
- Administrative and Financial Affairs Director
- Legal Affairs Director,

STATEMENT OF INDEPENDENCE AND COMPETENCE

SGS is the world leader in inspection, verification, testing and certification. Recognized as the standard-setter in terms of quality and integrity, SGS employs more than 75,000 employees, and operates a network of more than 1,500 offices and laboratories worldwide.

SGS ICS is the French subsidiary, wholly owned by the SGS Group. SGS ICS states that its mission and its opinion were developed with complete independence and impartiality vis-à-vis the ERYTECH PHARMA company and that the work performed was conducted in keeping with the SGS Group's ethics code and pursuant to the best practices for a third-party independent organization.

The auditors are authorized and appointed, on each mission, on the basis of their knowledge, experience, and qualifications.

CERTIFICATION AND REASONED OPINION

On the basis of the presentation of ERYTECH PHARMA's orientations related to sustainable development, the social and environmental consequences associated with its activities, its corporate commitments and the steps implemented,

- We certify that the information mentioned in the 2013 management report for ERYTECH PHARMA is present in accordance with the list provided in article R.225-105-1 and that any exceptions were duly explained,
- We state that we did not identify any significant abnormality that would cast doubt on the accuracy of the information mentioned in the 2013 management report.

NOTES

- The reporting procedure "reporting protocol" was shown to be effective in its implementation. The delivery of the documents necessary for the audit was proactive.
- ERYTECH PHARMA is initiating an ISO 26000 approach in 2014, and this may enable an expansion in the identification of stakeholders and allow dialogue with them, one of the bases of this standard.
- The calculation of greenhouse gas emissions is currently based only on emissions associated with consumption of electricity, on the one hand, and travel by train and airplane on the other hand. It might be supplemented by a calculation associated with professional travel by car.

Written in Arcueil, March 31, 2014

SGS ICS France
29 avenue Aristide Briand
F 94111 ARCUEIL Cedex
Telephone: +33 (0) 1 41 24 88 56
Fax: +33 (0) 1 41 24 71 29
www.sgs.com

ACCREDITATION
No. 3-1096
SCOPE
AVAILABLE AT
www.cofrac.fr

The Technical Director of Inspection

Moncef BOURKAIB

RVVEF01C Page 2