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Free translation of the original report entitled "Rapport du Commissaire aux apports sur la rémunération de l'apport" dated May 5, 2023. In case of discrepancies in translation or interpretation between English and French versions, only the French version shall prevail.

ERYTECH PHARMA

Limited company (*société anonyme*) with a Board of Directors and capital of
€3,101,855.30
60, avenue Rockefeller
69008, Lyon, France
Lyon Trade and Companies Register no. 479 560 013

**Capital Contributions Auditor's report
on the remuneration of the contribution of PHÉRÉCYDES PHARMA's securities to be
made to ERYTECH PHARMA**

*Order of the Presiding Judge
of the Commercial Court of Lyon
of March 2, 2023*



Capital Contributions Auditor's report on the remuneration of contributions

Dear Sir or Madam,

In accordance with the assignment entrusted to us by the Presiding Judge of the Commercial Court of Lyon on March 2, 2023, with regard to the contribution of PHÉRÉCYDES PHARMA's securities to ERYTECH PHARMA, we hereby report on the remuneration of the contribution in accordance with the policy of the French Financial Markets Authority (*Autorité des Marchés Financiers* – AMF) (AMF Position-Recommendation DOC-2020-06). As part of this assignment, our responsibility is to assess the fairness of the remuneration proposed in connection with the contribution.

Our opinion on the value of the contribution is set out in a separate report.

The remuneration for the contribution was set out in the contribution agreement signed by the representatives of the companies concerned on May 5, 2023 (hereinafter, the "Contribution Agreement").

It is our responsibility to express a conclusion on the fairness of the remuneration of the contribution. To this effect, we carried out our procedures according to the professional standards issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) applicable to this assignment. These professional standards require the implementation of procedures intended both to verify that the relative values assigned to the contribution and shares of the company benefiting from the contribution are relevant and to analyze the positioning of the remuneration proposed compared with the relative values deemed relevant.

No special benefits have been stipulated as part of this transaction.

As our assignment will end before this report is delivered, it is not our responsibility to update it in order to take into account events and circumstances occurring after its date of signature.

At no time did we find ourselves in any of the situations of incompatibility, prohibition or forfeiture provided for by law.

Our findings and conclusions are set out below, in accordance with the following outline:

1. Overview of the proposed operation and description of the contribution
2. Verification of the relevance of the relative values assigned to the securities contributed and to the shares of the beneficiary company
3. Assessment of the fairness of the proposed remuneration
4. Summary – Key points
5. Conclusion



1. Overview of the proposed operation and description of the contribution

1.1 Context of the operation

ERYTECH PHARMA (hereinafter, “ERYTECH” or the “Beneficiary Company”) is a clinical-stage biotechnology company developing innovative therapies based on internal research and development programs, to treat patients with diseases in therapeutic areas whose needs are currently not being met, mainly based on red blood cells.

PHÉRÉCYDES PHARMA (hereinafter, “PHÉRÉCYDES” or the “Contributing Company”) is a clinical-stage biotechnology company developing innovative treatments based on internal research and development programs, to treat patients with diseases in therapeutic areas whose needs are currently not being met, mainly based on bacteriophages.

On February 15, 2023, ERYTECH and PHÉRÉCYDES signed a memorandum of understanding (hereinafter, the “MoU”) for the planned merger by absorption of PHÉRÉCYDES by ERYTECH (hereinafter, “the Merger”).

On the same day, certain PHÉRÉCYDES shareholders (hereinafter, the “Contributors”) undertook to contribute, prior to the completion of the Merger, a portion of their PHÉRÉCYDES shares to the Beneficiary Company (hereinafter, the “Contribution”), in exchange for newly issued ERYTECH shares, according to the same exchange ratio as the Merger.

The Merger is part of a strategic combination with the aim of creating a global leader in phagotherapy. It aims to leverage the financial resources and teams of PHÉRÉCYDES and ERYTECH to simultaneously accelerate and expand PHÉRÉCYDES’ existing phagotherapy development programs, launch new candidate phages and potentially broaden the scope of application of new therapeutic modalities by using advanced technological platforms and the expertise of both companies.

The financial visibility of the new entity resulting from the Merger would last until the third quarter of 2024, with a consolidated cash position of around €41 million as at December 31, 2022, and would enable the financing of multiple clinical stages of some of its existing and future programs.

When the Merger is complete, the former PHÉRÉCYDES shareholders will hold around 49.0% of the combined entity.



The Contribution is part of the overall process of the Merger between the Beneficiary Company and PHÉRÉCYDES and is intended, in particular, to offset the possible lack of quorum at ERYTECH's general meeting of shareholders called to approve the Merger. In this context, the Contributors have undertaken to participate in the Beneficiary Company's general meeting of shareholders called to approve the planned Merger and to vote in favor of the planned Merger at such meeting.

1.2 Presentation of the participating companies

1.2.1 ERYTECH, Beneficiary Company of the Contribution

ERYTECH is a limited company (*société anonyme*) whose registered office is located at 60, avenue Rockefeller, Lyon (69008), France. It has been entered in the Lyon Trade and Companies Register since November 22, 2004 under number 479 560 013.

Its share capital currently amounts to €3,101,855.30, divided into 31,018,553 shares, each with a nominal value of €0.10, fully paid up and all of the same class.

ERYTECH PHARMA's shares are listed on the Euronext Paris market under ISIN code FR0011471135 and on the Nasdaq Securities Market LLC in the form of American Depositary Shares.

According to its articles of association, ERYTECH has the corporate purpose, "*in France and in any country, of:*

- *the research, manufacture, import, distribution, and marketing of experimental drugs, drugs, devices, and medical 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."*

The financial year begins on January 1 and ends on December 31 of each year.



1.2.2 PHÉRECYDES, Company contributing the securities

PHÉRECYDES is a limited company with its registered office at 22, boulevard Bénoni Goullin in Nantes, France (44200). It has been entered in the Nantes Trade and Companies Register since March 23, 2010, under number 493 252 266.

Its share capital currently amounts to €7,939,179, divided into 7,939,179 shares, each with a nominal value of €1.00, fully paid up and all of the same class.

The shares of PHÉRECYDES are admitted to trading on the Euronext Growth multilateral trading facility, under ISIN code FR0011651694.

According to its articles of association, PHÉRECYDES has the corporate purpose of: “*in France and abroad:*

- *Developing know-how and obtaining patents and licenses in the field of biology and medicine;*
- *and more generally in the field of life sciences, on its own behalf or on behalf of third parties, with a view to marketing and distributing its products, as well as any service activity related to the field of life sciences;*
- *And, generally, all financial, commercial, industrial, securities and real estate transactions that may be directly or indirectly related to the above purpose or to any similar or related purposes, likely to promote its extension or development, including any agreement of any kind with manufacturers or investors.”*

The financial year begins on January 1 and ends on December 31 of each year.

1.2.3 GUY RIGAUD POOL, AURIGA IV BIOSEEDS, FPCI OUEST VENTURES III, the Contributors

The Contributors, acting jointly and not severally, are as follows:

- The GUY RIGAUD POOL, the composition of which is detailed in Appendix 1 to the Contribution Agreement, represented by its representative, Mr. Guy Rigaud;
- AURIGA IV BIOSEEDS, a professional private equity fund represented by its management company ELAIA PARTNERS, a simplified joint stock company (*société par actions simplifiée*) with its registered office at 21 rue d’Uzès, 75002 Paris, France, registered in the Paris Trade and Companies Register under number 443 990 668;



- FPCI OUEST VENTURES III, a professional private equity fund represented by its management company GO CAPITAL, a simplified joint stock company (*société par actions simplifiée*) with its registered office at 1A rue Louis Braille - Bat1 - ZA La Courrouze, 35136 Saint-Jacques-de-la-Lande, registered in the Rennes Trade and Companies Register under number 445 284 458.

1.2.4 Capital ties between the Contributing Company and the Beneficiary Company

As at the date of this report, no capital ties exist between the Beneficiary Company and the Contributing Company.

1.3 Description of the operation

The terms and conditions of the Contribution, which are described in detail in the Contribution Agreement signed by the parties on May 5, 2023 (please see this document for more information), can be summarized as follows.

1.3.1 Key characteristics of the Contribution

Effective date

The Contribution will be completed on the date on which all the conditions precedent referred to in Article 8 of the Contribution Agreement are satisfied, or waived (with the exception of the conditions precedent which, by their nature, can only be satisfied on the Completion Date), or at any other time or date that may be agreed in writing between the parties (hereinafter the “Completion Date”).

For accounting and tax purposes, the parties have agreed that the Contribution will take effect on the Completion Date.

Legal jurisdiction

From a legal point of view, the Contribution is a pure and simple contribution subject to the common law scheme governing contributions in kind as set out in article L. 225-147 of the French Commercial Code.

Tax regime

Pursuant to the provisions of Articles 635.5° and 810-I of the French General Tax Code, the Contribution will be registered free of charge with the relevant registration office.



With regard to income tax, the Contribution made by the Contributors who are individuals will fall under the tax deferral regime provided for in Article 150-0 B of the French General Tax Code.

With regard to corporate income tax, the Contribution made by the Contributors who are legal entities subject to corporate income tax will be subject to the standard corporate income tax regime.

The Contribution will be exempt from value added tax, in accordance with Article 261 C-1°(e) of the French General Tax Code.

1.3.2 Conditions precedent

The completion of the Contribution is subject to the fulfillment of the conditions precedent mentioned in Article 8 of the Contribution Agreement, including in particular that:

- (i) the Board of Directors of PHÉRÉCYDES has no objections to the completion of the Contribution;
- (ii) the Beneficiary Company's Board of Directors has authorized and approved the Contribution to the Beneficiary Company of the shares contributed and the issue by the Beneficiary Company of new shares to the Contributors;
- (iii) the Beneficiary Company's Capital Contributions Auditor has submitted a report on the valuation of the contributed shares and on the amount of the resulting capital increase of the Beneficiary Company, and said report has been registered with the Commercial Court of Lyon at least eight days before this date, in accordance with current French legislation.

In accordance with the provisions of Article 1304-6 of the French Civil Code, the conditions precedent will have no retroactive effect, whether they have been fulfilled or deemed to have been fulfilled; the transactions provided for in the Contribution Agreement will only take place from the Completion Date.

The Contribution Agreement may be terminated and the transactions provided for therein may be abandoned at any time prior to the Completion Date:

- (i) by written agreement of the parties;
- (ii) by either party if any competent court or any Governmental Authority has made any order or ruling or taken any other action (order or ruling that the parties hereto shall reasonably seek to set aside) which permanently restricts, prevents or otherwise prohibits the transactions provided for in the Contribution Agreement; and



(iii) either by the Beneficiary Company or by the Contributors, if the effective completion of the Contribution has not taken place by July 31, 2023 at the latest, provided that the party exercising its right to terminate the Contribution Agreement has complied with all of its obligations pursuant to Article 7 of said Agreement and its corresponding obligations detailed in the MoU.

It is specified that the conditions precedent are stipulated for the benefit of all parties and may only be waived with the written consent of all parties.

1.4 Description and valuation of the Contribution

Under the terms of the Contribution Agreement, the Contributors have undertaken to contribute to the Beneficiary Company, subject to the fulfillment of the conditions precedent, full ownership of 827,132 PHÉRÉCYDES shares representing approximately 10.42% of the capital of this company.

The number of PHÉRÉCYDES shares contributed by each of the Contributors is as follows:

Contributors	Number of shares contributed	Percentage of Phérécydes share capital
Le pool Guy Rigaud	133,476	1.68%
Auriga IV Bioseeds (Elaia Partners)	411,380	5.18%
FCPI Ouest Ventures III (Go Capital)	282,276	3.56%
Total	827,132	10.42%

The value of the contribution was determined on the basis of the actual value of the shares contributed, using the same values and valuation methods as those used in the context of the Merger, as detailed in Appendix 2 to the Contribution Agreement, and in accordance with the provisions of French Accounting Standards Authority (*Autorité des Normes Comptables* – ANC) regulation no. 2014-03 of June 5, 2014 on the general chart of accounts, as last amended by ANC Regulation no. 2022-01 of March 11, 2022.

On this basis, the total value of the 827,132 shares contributed was set by the parties at €1,894,132, i.e. €2.29 per PHÉRÉCYDES share. The value of the contribution is divided among the Contributors in proportion to the number of shares contributed by each of them to the Beneficiary Company in relation to the total number of shares contributed.



1.5 Remuneration of the Contribution

The remuneration of the Contribution was determined by comparing the real values of PHÉRÉCYDES and ERYTECH, in accordance with the principles described in Appendix 2 to the Contribution Agreement.

Remuneration will be paid for the Contribution through the allocation of 3,101,745 new shares with a nominal value of €0.10 each, to be issued by the Beneficiary Company, which will increase its share capital by €310,174.50.

The difference between the value of the Contribution, i.e. €1,894,132, and the amount of the capital increase of the Beneficiary Company, i.e. €310,174.50 will constitute a contribution premium of €1,583,957.50, which will be accounted for as a liability of the Beneficiary Company.

On the Completion Date, the new ERYTECH shares issued as remuneration for the Contribution will be treated in the same way as the existing shares of the Beneficiary Company and will be fully equivalent to said shares. They will be subject to all the provisions of the articles of association and to all the decisions of the Beneficiary Company's meeting of shareholders.

2. Verification of the relevance of the relative values assigned to the securities contributed and to the shares of the Beneficiary Company

2.1. Procedures performed

Our assignment is one of the other procedures defined by law and provided for in the conceptual framework of the professional standards of the French Institute of Statutory Auditors.

Its purpose is to inform the shareholders of the Beneficiary Company and the Contributors of the remuneration of the Contribution. Consequently, it is not defined as an audit assignment or a limited review assignment. It also does not involve the validation of the tax regime applicable to the operation. It cannot be considered equivalent to the due diligence carried out for a lender or an acquirer and does not include all the work necessary for this type of service. Therefore, our report cannot be used in this context.



Likewise, our work is not comparable to that of an independent expert appointed by the administrative or supervisory body of one of the parties.

We performed the procedures that we considered necessary with regard to the professional standards of the French Institute of Statutory Auditors in order to assess the remuneration of the contributions and, in particular, the relevance of the relative values assigned to the shares contributed and to the shares of the Beneficiary Company, and the fairness of the remuneration in relation to these relative values.

In this context, we performed the following procedures in particular:

- We interviewed representatives of ERYTECH and Phérécydes and their advisors, both to gain knowledge of the proposed operation and its context and to analyze the accounting, financial and legal arrangements envisaged;
- We examined the Contribution Agreement and its appendices on May 5, 2023;
- We examined the legal and financial documentation connected with the operation, including the memorandum of understanding (MoU) and its appendices and the Draft Exemption Document to be sent to the French Financial Markets Authority (*Autorité des marchés financiers* – AMF);
- We reviewed the legal documentation relating to PHÉRÉCYDES and the Beneficiary Company;
- We carefully read the consolidated financial statements of ERYTECH as at December 31, 2022, and examined the Statutory Auditors' report prepared as part of their audit of the consolidated financial statements for this financial year, making sure that they did not contain any reservations;
- We carefully read the corporate financial statements of PHÉRÉCYDES as at December 31, 2022, and examined the statutory auditor's report prepared as part of its audit of the annual financial statements, making sure that this report did not contain any reservations;
- We reviewed the budget and forecast data prepared by the management teams of PHÉRÉCYDES and ERYTECH and interviewed the managers concerned to discuss the relevance of the assumptions adopted;
- We examined Appendix 2 to the Contribution Agreement, which sets out the value of the Contribution and its remuneration;
- We analyzed and reviewed with the financial consultancy mandated for the Merger (ODDO BHF) the valuation elements for PHÉRÉCYDES and ERYTECH, which appear in Appendix 2 of the Contribution Agreement and in its valuation report supporting these analyses;



- We analyzed the relevance of the valuation approaches adopted by the parties and the parameters used, then implemented similar or alternative valuation methods and performed sensitivity tests on the remuneration of the Contribution for each of the valuation approaches, according to criteria deemed relevant.

We obtained a letter of representation for PHÉRECYDES and ERYTECH, mainly relating to the material elements used in our assignment.

2.2 Relative values used by the parties

The relative values of the PHÉRECYDES shares contributed and the ERYTECH shares issued as remuneration for the Contribution are the result of free negotiation between independent parties, supported by the application of a multiple-criteria valuation approach.

2.2.1 Valuation of PHÉRECYDES shares

At the end of their negotiations, the relative value of the PHÉRECYDES shares contributed was set by the parties at €1,894,132, i.e. €2.29 per share, by reference to the market spot price of PHÉRECYDES on January 19, 2023, i.e. the date of signature of the Letter of Intent (“LOI”) and the determination of the exchange ratio in the context of the Merger.

The parties also carried out a multiple-criteria valuation of PHÉRECYDES based on:

- Reference to the stock price;
- An intrinsic approach based on discounted cash flows
- Reference to the values expressed by the analysts who monitor the PHÉRECYDES share.

The parties excluded:

- Reference to the net assets as at December 31, 2022;
- Comparison methods based on stock market peers and comparable transactions;
- Recent capital increases.



The PHÉRÉCYDES values obtained using the valuation methods implemented form the basis of the Contribution value adopted by the parties.

Valuation method	Value per share (in € per share)	
	Min.	Max.
<i>Main valuation methods :</i>		
Discounted cash flows	2.41	2.84
Share price - CMPV (01/19/2023)	2.15	3.51
<i>Indicative valuation method :</i>		
Share price - CMPV (02/15/2023)	2.22	3.26
Analysts' price target	7.40	7.40

2.2.2 Valuation of the shares of the Beneficiary Company

To set the number of ERYTECH shares to be issued as remuneration for the Contribution, the parties adopted, at the end of their negotiation, a value per share for this company of €0.61, by reference to the ERYTECH market spot price on January 19, 2023.

The parties also carried out a multiple-criteria valuation of ERYTECH based on:

- Reference to the stock price;
- An intrinsic approach based on discounted cash flows
- Reference to the externalized values of analysts monitoring ERYTECH shares.

The parties excluded:

- Reference to the net assets as at December 31, 2022;
- Comparison methods based on stock market peers and comparable transactions;
- Recent capital increases.



The ERYTECH values obtained using the other valuation methods implemented form the basis of the value adopted by the parties.

Valuation method	Value per share (in € per share)	
	Min.	Max.
Main valuation methods :		
Discounted cash flows	0.52	0.52
Share price - CMPV (01/19/2023)	0.49	1.01
Indicative valuation method :		
Share price - CMPV (02/15/2023)	0.74	0.97
Analysts' price target	3.20	3.20

2.2.3 Remuneration of the Contribution

At the end of their discussions, the parties agreed to set the remuneration of the Contribution by directly comparing the relative values of the market spot prices of the two companies as at January 19, 2023.

Thus, on the basis of the comparison of the relative values retained, i.e. €1,894,132 for the Contribution and €0.61 for the ERYTECH share, the Contribution of 827,132 PHÉRECYDES shares will be remunerated with 3,101,745 new ERYTECH shares issued at a unit price of €0.61.

This remuneration falls within the range deriving from the valuation approaches used:

Valuation method	Implied value of contribution (€)	Value per Erytech share (€)	Number of Erytech shares
Main valuation methods :			
Discounted cash flows	1 994 298 - 2 346 160	0.64 - 0.76	3 835 188 - 4 511 846
Share price - CMPV (01/19/2023)	1 778 334 - 2 903 233	0.57 - 0.94	3 629 253 - 2 874 488
Indicative valuation method :			
Share price - CMPV (02/15/2023)	1 836 233 - 2 696 450	0.59 - 0.87	2 481 396 - 2 779 846
Analysts' price target	6 120 777 - 6 120 777	1.97 - 1.97	1 912 743 - 1 912 743



2.3 Assessment of the relevance of the relative values

We have the following observations to make on the assessment of the relative values assigned by the parties:

- With regard to the assessment of remuneration in the context of negotiations between independent third parties, the parties assessed the remuneration in light of criteria that we consider to be normal and appropriate in view of the activities and respective characteristics of the companies concerned;
- The relative values used by the parties are based on the market spot prices of the two companies as at January 19, 2023, the date of signature of the Letter of Intent and the determination of the Merger exchange ratio; While this approach is consistent with the needs of the parties in setting the remuneration, it does not take into account any events that have occurred since that date that may have an impact on the relative values used. However, we have not identified any events that have occurred since that date that would call into question the parameters and data used by the parties to set the remuneration. In addition, the management of PHÉRÉCYDES and ERYTECH have confirmed to us in a letter that no such events have occurred.
- The DCF approach taken by the parties as the main approach and the reference to the stock price on February 15, 2023, as well as the reference to analysts' price targets as an indicative approach, form the basis of the relative values adopted.
- We examined the reasons for the exclusion of certain valuation methods and we believe that these criteria were correctly excluded.

As part of our assignment, we also implemented alternative valuation approaches or approaches similar to those of the parties using on our own parameters and carried out sensitivity analyses.



In addition, we carried out a multiple-criteria valuation of PHÉRÉCYDES and ERYTECH based on the following approaches:

Main approach:

- An approach based on the intrinsic values of PHÉRÉCYDES and ERYTECH.

For PHÉRÉCYDES, we used a DCF approach based on management projections, which take into account, in particular (i) the capacity of PHÉRÉCYDES to finance its development on a standalone basis in view of the cash consumption expected at the start of the period, and (ii) the probability of the successful development and marketing of the various indications.

As regards ERYTECH, the company has no projects in progress and is therefore not expected to generate any revenues in the next few years on a standalone basis (i.e. without taking into account the envisaged merger with PHÉRÉCYDES). Under these conditions, we favored a liquidation-based approach to the value of ERYTECH, considering that on a standalone basis, the value that would accrue to shareholders would correspond to the cash (liquidation bonus) that could be distributed to them after the sale of the company's assets, collection of receivables and payment of all liabilities and costs relating to the liquidation.

This theoretical approach makes it possible in this context to maximize the value of the company for the shareholders, compared with a DCF approach, which does not appear relevant in a standalone situation, in the absence of new projects, as it would result in a financial imbalance due to an absence of turnover and ongoing high structural costs.

- An approach based on the stock prices of PHÉRÉCYDES and ERYTECH on January 19, 2023 (1-month, 60-day, 6-month and 12-month spot prices and VWAPs).

Secondary approach:

- An approach based on the stock prices of PHÉRÉCYDES and ERYTECH on February 15, 2023 (1-month, 60-day, 6-month and 12-month spot prices and VWAPs), the date on which the operation was announced to the market (after close of trading).

The analysis of the stock price on February 15, 2023 is presented on a secondary basis due to the substantial increase in the ERYTECH stock price between late January and early February 2023 (€0.51 at the close of trading on January 25, 2023 and €1.14 at close of trading on February 3, 2023), in higher than average trading volumes. This sudden and unexplained change in the stock price without any announcement on the company's activity or any specific event affecting it appears likely to limit the relevance of the analysis at February 15, 2023.



Indicative approach:

- An approach based on the latest target prices published by analysts before February 15, 2023 (the date on which the operation was announced to the market, after close of trading), it being specified that the companies involved are subject to limited and irregular monitoring, which is why this approach is presented on an indicative basis only.

2.3.1 Excluded methods

Our work led us to exclude the same methods as the parties, i.e.:

2.3.1.1. Net asset value

Net asset value is not generally considered representative of the intrinsic value of a company, as it does not include growth outlook and profitability, or any capital gains on asset items. Accordingly, this valuation criterion was not adopted in our analyses.

For information purposes, the net asset value of PHÉRÉCYDES as at December 31, 2022 was €7,522,157, i.e. a value per share of €1.04 (on the basis of the number of shares comprising the share capital on that date).

The consolidated net asset value of ERYTECH as at December 31, 2022 was €23,487,000, i.e. a value per share of €0.76 (on the basis of the number of shares comprising the share capital on that date).

2.3.1.2. Revalued net asset value

The revalued net asset value method consists of correcting the net asset value for unrealized capital gains or losses identified in assets, liabilities or off the balance sheet. This method, often used to value companies in certain sectors (holding companies, real estate companies), is particularly suitable for companies whose main assets have a value on a market regardless of whether they are part of an operating process, which is not the case for PHÉRÉCYDES and ERYTECH.

2.3.1.3. Comparison methods based on stock market peers and comparable transactions

Comparison methods based on stock market peers and comparable transactions consist of determining the value of a company by applying multiples observed on a sample of other companies listed in the same business segment, or multiples externalized during total or partial takeovers of listed or unlisted companies in the business segment of the entity being valued.



As PHÉRÉCYDES' activity is being developed and as ERYTECH currently has no projects in progress, neither of these companies has normal aggregates (turnover, EBITDA or EBIT) that would enable the application of stock market or transaction multiples. These methods are therefore not applicable.

2.3.1.4. Reference to recent capital increases

This method consists of valuing a company by referring to recent material transactions on its capital (excluding analysis of the stock price, which constitutes a separate valuation criterion examined elsewhere).

This method was not adopted, as ERYTECH's last capital increase took place a relatively long time ago (subscription in December 2021 for 769.608 shares with stock warrants (ABSA), with each of shares comprising four ADSs and three share subscription warrants (BSA), at a price of €2.26 per share), and the company has since ended its main clinical development projects. In these circumstances, a comparison with the last capital increase of PHÉRÉCYDES, which took place in September 2022 at a price of €2.32 per share, does not seem relevant.

2.3.2. Common parameters in the valuation methods used

We performed our valuation work on the basis of the financial statements of the two companies as at December 31, 2022 (corporate financial statements for PHÉRÉCYDES and consolidated financial statements for ERYTECH).

The impact of dilutive instruments in any currency that may exist at the boundaries of the two companies was also incorporated into our work.

2.3.3. Intrinsic approach based on discounted cash flows and net asset value (main approach)

PHÉRÉCYDES

This method consists of determining the intrinsic value of a company by discounting the cash flows resulting from its business plan at a rate which reflects the profitability requirement of the market vis-à-vis the company, taking into account an exit value at the end of this plan.

This method makes it possible to recognize the value attributable to the development outlook of the company being valued and seems to us appropriate for the situation of PHÉRÉCYDES.



Our work was carried out on the basis of management projections, which take into account, in particular (i) the capacity of PHÉRÉCYDES to finance its development on a standalone basis in view of the cash consumption expected at the start of period, and (ii) the probability of the successful development and marketing of the various indications.

The transition from enterprise value to equity value used in the context of our work is based on the financial statements as at December 31, 2022 and mainly includes financial borrowings and debt items, from which are deducted cash and cash equivalents, as well as various adjustments regarded as potentially affecting cash or financial debt.

The cash flows were discounted at the weighted average cost of capital, reflecting the risk of execution of the projections. We note that these already include the probability of the successful development and marketing of the indications. Sensitivity tests were carried out on the discount rate and the normative growth rate.

ERYTECH

As previously mentioned, this company has no projects in progress and is therefore not expected to generate any revenues in the next few years on a standalone basis (i.e. without taking into account the envisaged merger with PHÉRÉCYDES).

In these circumstances, a DCF approach does not appear relevant in the absence of new projects: in fact, this would result in a financial imbalance due to an absence of turnover and high structural costs.

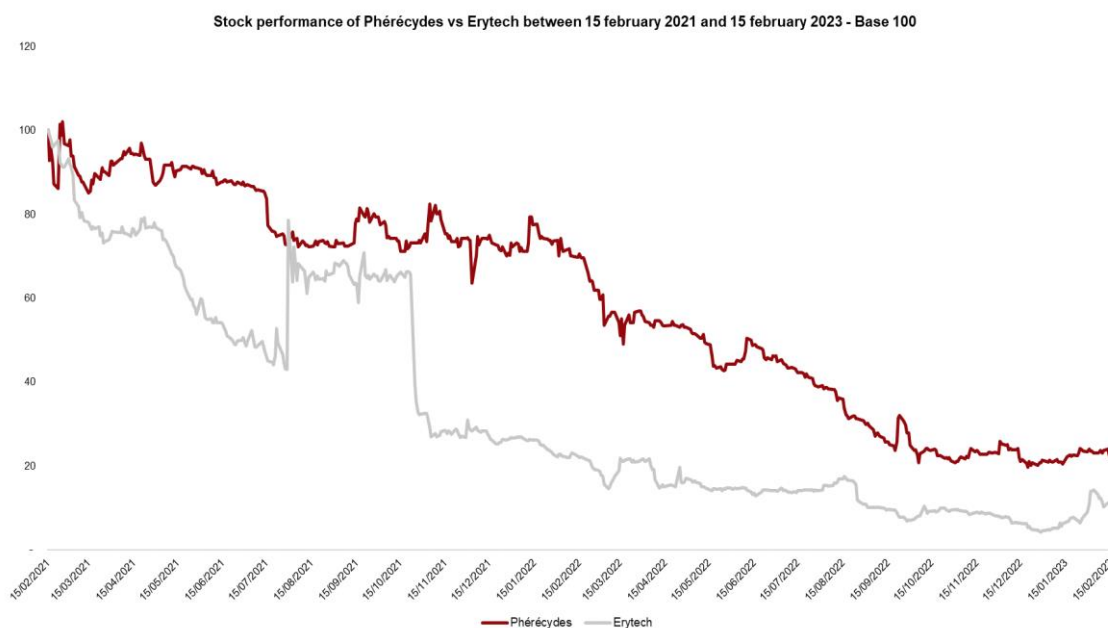
We therefore favored a liquidation approach to the value of ERYTECH, consisting of determining the cash (liquidation bonus) that may be distributed to shareholders after the sale of the company's assets, collection of receivables and payment of all liabilities and costs relating to the liquidation.

Our work was carried out on the basis of the assets and liabilities recognized as at December 31, 2022, an estimate of the costs to be incurred for the liquidation (in particular for delisting) and an estimate of the proceeds likely to be collected by the company (in particular for the sale of the Adénine building and intellectual property).

Based on this approach, the number of ERYTECH shares to be issued as remuneration for the Contribution is in the range of 3,084,093 to 3,557,614.

2.3.4. Stock prices of Phérécydes and Erytech

The change in the stock prices of PHÉRÉCYDES and ERYTECH rebased to 100 over the 24 months preceding the announcement of the operation (i.e. up to February 15, 2023) is shown below.



In the period from February 15, 2021 to February 15, 2023, a decrease in the share prices of the two companies can be observed of 76% and 94% respectively for PHÉRÉCYDES and ERYTECH.

The change in the ERYTECH stock price should be viewed in light of the announcement of the failure of the phase III clinical study and its consequences for the activity of the company, which has no more projects in development.

We can also see that the PHÉRÉCYDES stock price was relatively stable between October 2022 and the date on which the operation was announced, in a situation where the market had been informed of the short-term cash situation and company's financing requirements.

Analysis of January 19, 2023 (main analysis)

As our main analysis, we examined the change in the respective stock prices of PHÉRÉCYDES and ERYTECH in the 12 months prior to the signing of the letter of intent and the determination of the parity for the Merger (i.e. before January 19, 2023).



During this period, the volume-weighted average prices (VWAPs) and the number of shares to be issued as remuneration for the Contribution were as follows:

Valuation method	Pherecydes share price (€)	Erytech share price (€)	Number of shares to be issued in consideration for the contribution
Spot price at LOI signature - 01/19/2023	2.29	0.61	3,105,135
VWAP 1 month	2.15	0.48	3,682,435
VWAP 60 days	2.21	0.50	3,633,237
VWAP 6 months	2.51	0.64	3,236,150
VWAP 1 year	3.51	1.02	2,845,081

Based on this approach, the number of ERYTECH shares to be issued as remuneration for the Contribution is in the range of 2,845,081 to 3,682,435.

Analysis of February 15, 2023 (secondary analysis)

The analysis of changes in the respective stock prices of PHÉRÉCYDES and ERYTECH in the 12 months leading up to the announcement of the operation (i.e. up to February 15, 2023) gives the following VWAPs and number of shares to be issued as remuneration for the Contribution:

Valuation method	Pherecydes share price (€)	Erytech share price (€)	Number of shares to be issued in consideration for the contribution
Spot price at MoU signature - 02/15/2023	2.63	0.88	2,486,122
VWAP 1 month	2.37	0.89	2,193,927
VWAP 60 days	2.24	0.74	2,517,428
VWAP 6 months	2.39	0.74	2,689,879
VWAP 1 year	3.25	0.97	2,762,096

It should be noted that this is presented as a secondary analysis for the reasons provided above (see section 2.3).

Based on this approach, the number of ERYTECH shares to be issued as remuneration for the Contribution is in the range of 2,193,927 to 2,762,096.



2.3.5. Analyst target share prices (for information purposes)

PHÉRÉCYDES and ERYTECH are subject to limited and irregular monitoring by analysts: this criterion is therefore presented for guidance purposes only.

We performed our analysis on the basis of the last share price targets published between October 25, 2021 and February 15, 2023, in order to take into account the adjustments to the ERYTECH share price targets following the announcement on October 25, 2021, of the failure of Erytech's phase III clinical study and before the operation was announced to the market after close of trading on February 15, 2023.

In this period, only one analyst published a share price target for PHÉRÉCYDES and two analysts published targets for ERYTECH.

Based on this approach, the number of ERYTECH PHARMA shares to be issued as remuneration for the Contribution is 1,912,743.

3. Assessment of the fairness of the proposed remuneration

3.1 Proposed remuneration of the Contribution

The proposed remuneration was determined on the basis of the relative values of the Contribution on the one hand, and of the ERYTECH share on the other hand, presented in section 2.2. It involves the issue of 3,101,745 ERYTECH shares.

3.2 Procedures performed

We performed the procedures that we deemed necessary in order to comply with the professional standards issued by the French Institute of Statutory Auditors to assess the fairness of the remuneration of the Contribution.

In particular, we relied on the work previously described (section 2.3) in order to verify the relevance of the relative values attributed to the shares contributed and to the shares of the Beneficiary Company.

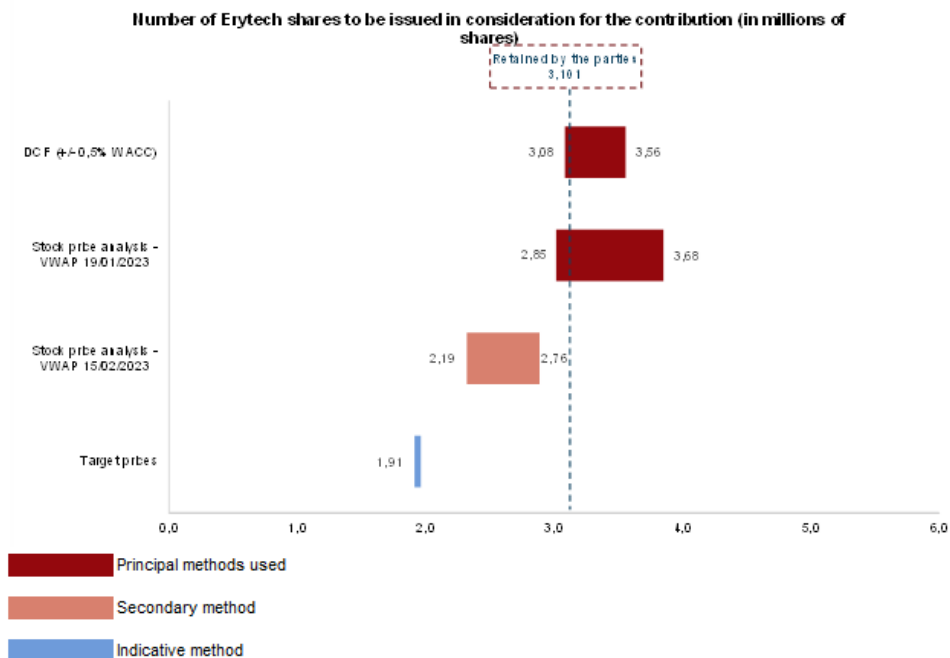
On this basis, we assessed the fairness of the proposed remuneration.

3.3 Assessment and positioning of the proposed remuneration

In order to assess the remuneration agreed upon by the parties, we determined the number of ERYTECH shares to be issued as remuneration for the Contribution, using a multi-criteria approach.



Below we have presented the ranges of ERYTECH shares (in millions) to be issued as remuneration for the Contribution resulting from our work.



As part of our assessment of the fairness of the proposed remuneration, we note that the remuneration set by the parties falls within the range of the analysis of the stock price as at January 19, 2023 (spot price and 1-month to 12-month VWAP), and is based on the DCF approach and the analysis of the stock price as at February 15, 2023, and therefore appears fair to the current shareholders of ERYTECH.



3.4 Consequences of the Contribution for the Contributors and the Beneficiary Company

Consequence of the Contribution for the Beneficiary Company

The purpose of the Contribution of approximately 10.42% of the share capital of PHÉRÉCYDES, which is being made in the context of the planned merger by absorption of PHÉRÉCYDES by ERYTECH, is to offset the possible lack of quorum at ERYTECH's general meeting of shareholders called to approve the Merger. It is carried out using the same exchange ratio as for the Merger.

The aim of the Merger is to give financial visibility to the new entity, with a consolidated cash position of around €41 million as at December 31, 2022, and to leverage the teams of PHÉRÉCYDES and ERYTECH to simultaneously accelerate and expand the existing phagotherapy development programs of PHÉRÉCYDES, launch new candidate phages and potentially broaden the scope of application of new therapeutic modalities by using advanced technological platforms and the expertise of both companies.

Consequence of the Contribution for the Contributors

The Contribution and the Merger will allow PHÉRÉCYDES to benefit from the financial and human resources necessary to pursue its development programs.

In addition, as the Contribution is made using the same exchange ratio as the Merger, the Contributors benefit from the same terms as those which will be offered to all PHÉRÉCYDES shareholders.

4. Summary – Key points

This contribution is part of the planned merger by absorption of PHÉRÉCYDES by ERYTECH, which aims to allow the ERYTECH group to return to business by contributing to the development of PHÉRÉCYDES' projects, with the potential to create value for its shareholders.

For the PHÉRÉCYDES shareholder, the aim of the operation is to enable the development program to continue with the benefit of the financial and human resources of ERYTECH. It should be noted that before the MoU was signed, PHÉRÉCYDES had reached an impasse over the funding of its clinical development programs.

The financial visibility of the new entity resulting from the Merger would last until the third quarter of 2024, with a consolidated cash position of around €41 million as at December 31, 2022, and would enable the financing of multiple clinical stages of some of its existing and future programs.



The two parties negotiated the financial terms of the Merger independently. The proposed remuneration was determined on the basis of a Contribution value of €1,894,132 and an ERYTECH share value of €0.61, resulting in the issue of 3,101,745 ERYTECH shares. We have the following observations to make on these financial terms:

- The remuneration set by the parties is based on the market spot prices of the two companies as at January 19, 2023, the date of signature of the Letter of Intent and the determination of the Merger exchange ratio;
- The remuneration set by the parties falls between the valuation range of the discounted cash flows approach and the net asset value, which is, in our opinion, the most relevant approach;
- The remuneration set by the parties is also at the top end of the range of the analysis of the stock price as at February 15, 2023, which we are presenting on a secondary basis due to the limitations described above.

Furthermore, the Merger should enable value creation through the pooling of the development programs, financial resources and know-how of the two companies, which will benefit all shareholders.



5. Conclusion

On the basis of our work as at the date of this report, we are of the opinion that the remuneration proposed for the Contribution leading to the issue of 3,101,745 new ERYTECH shares is fair.

Paris, May 5, 2023

The Capital Contributions Auditor

FINEXSI EXPERT & CONSEIL FINANCIER

Christophe Lambert

Statutory Auditors

Member of the Paris Regional Association of Statutory Auditors (*Compagnie Régionale de Paris*)